3 Unique and Tax Savvy Giving Strategies for 2024

In 2023, Texas Center for the Missing (TCM) successfully reunited 94 families, and we were able to serve 313 families with crisis case management. TCM also continues our work of providing critical resources to law enforcement, while also remaining the sole provider of activation training in the Greater Houston Area and the issuer of all local Amber Alerts and Silver Alerts.

With your continued involvement and financial support, TCM is aiming to scale up our efforts in 2024 and ultimately save more lives.

With help from one of our former board members, Paul Thompson Jr., we've come up with three unique and tax-advantaged giving ideas for 2024, in hopes of bolstering our fundraising efforts and expanding our capabilities in the new year.

01. Make Your RMD a Qualified Charitable Distribution (QCD)

For those who must take Required Minimum Distributions (RMDs) this year, consider the unique option of directly transferring some or all of your RMD amount to TCM.

Doing so allows you the benefits of supporting our mission, ***while also excluding the amount donated from taxable income (maximum $100,000)—a double benefit.***

A Qualified Charitable Donation (QCD) is just the technical term for a direct transfer of funds from your IRA custodian to a qualified charity. The direct transfer is critical—if you receive the money directly first, and then donate it to charity, it no longer qualifies as a QCD.

As mentioned, a QCD excludes the amount donated from taxable income, which for many can help reduce the impact to certain tax credits and deductions, including Social Security and Medicare. Additionally, QCDs do not require the IRA owner to itemize, which means it is possible under current tax law to claim the higher standard deduction *and* use a QCD for charitable giving.

02. Take an Immediate Tax Deduction With Charitable Remainder Trusts

A Charitable Remainder Trust (CRT) is a type of irrevocable trust designed to reduce taxable income:

- First, income is dispersed to trust beneficiaries for a specified period of time;
- Then, the remainder of the trust is donated to a designated charity like TCM.

When you create a CRT, you can take a partial tax deduction based on the calculated present value of the charitable remainder interest. This deduction is determined by several factors including the term of the trust, the projected income distributions, and IRS assumptions about interest rates.

Another significant tax advantage is the avoidance of capital gains tax. If you fund the trust with appreciated assets, like stocks or real estate, and these assets are sold by the trust, no capital gains tax is due at the time of sale. This allows the full sale proceeds to be reinvested by the trust, potentially increasing the income generated for beneficiaries.

Additionally, CRTs can reduce the taxable estate of the donor. Since the assets transferred into the trust are removed from the donor's estate, they are not subject to estate taxes upon the donor's death. This can represent substantial tax savings, especially for larger estates.

Finally, the recently passed SECURE 2.0 Act allows individuals aged 70 ½ or older to make a one-time gift of up to $50,000 from their individual retirement account (IRA) to a charitable remainder trust (CRT).

Although the $50,000 one-time gift is not tax-deductible, it does count towards the individual's required minimum distributions (RMDs) for the year. This may be particularly beneficial in the event it helps the donor avoid being pushed into a higher tax bracket when taking distributions from their IRA.

03. Donor Advised Fund

For those planning to make substantial gifts now and/or over time, a Donor-Advised Fund (DAF) could offer a great solution.

A hypothetical example will help explain how DAFs work. Let's say you have a goal of giving $100,000 to your favorite charity (TCM!) over the course of 10 years. A potential strategy would be to transfer $100,000 to a donor-advised fund, receive a six-figure tax break immediately, and then develop a strategy for giving that money to TCM and perhaps other charities over time.

Donor-advised funds are kind of like flexible spending accounts dedicated to charity. Your gift to a DAF is irrevocable (you cannot get the money back), but you can invest the money, determine how and when the money is distributed, and choose which charities get what.

Funding a DAF can be done with cash, but you may also choose to donate appreciated securities to get the full deduction and avoid capital gains taxes. Donating real estate and other property is also allowed, but since you give up control of the assets once they are in the DAF, it is usually a better idea to sell them first and donate the cash.

Donor-advised funds offer a dual benefit: achieving your philanthropic goals, while also potentially—and substantially—lowering your tax burden. DAFs are fairly easy to set up and are usually managed for long-term growth (since growth means more charitable giving over time!).

Ready to Set Up a Giving Strategy for 2024 and Beyond?

If any of the ideas presented above sound like a good fit for you—or if you'd like to learn more and/or explore additional options—please reach out to us!

With help from TCM's long-time donor and former board member, Paul Thompson Jr. (and his team at Ascension Capital Advisors), we have resources available to help you structure a giving strategy that meets your goals and needs.

ASCENSION CAPITAL

REACH OUT TODAY:

TEXAS CENTER FOR THE MISSING

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