HCR WEALTH ADVISORS

powered by The Clarity Formula®

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The Clarity Formula® –
Tax Strategies

Despite the highest inflation in 40 years, rising interest rates, and significant losses in both the stock and bond markets, donors have remained committed to supporting the charities and causes important to them. According to Schwab Charitable, in the first 6 months of this year "donors granted $2.1 billion to charities, a 16% increase over the same period in 2021." At HCR Wealth Advisors, we are positioned to help our clients with their charitable intentions in the most tax-efficient way.

In 2022, charitable contributions remain deductible for those who itemize deductions, however, with the increase in the standard deduction, you may find that your total itemized deductions do not exceed the standard deduction. Even so, charitably inclined individuals and families can still maximize the tax benefits of their charitable giving using some of the strategies on the next page.

Contribute Appreciated Non-Cash Assets Instead of Cash

Donating appreciated non-cash assets held for more than one year is one of the most effective tax-smart strategies. By implementing this strategy, donors can generally eliminate all the capital gains tax they would otherwise owe if they sold the asset and then donated the proceeds. This can increase the value of the charitable gift by 15% or 20%. This strategy can also increase the donor's tax savings.

Use a Part Gift, Part Sale Strategy

Rebalancing your portfolio can have significant, adverse tax consequences as you realize gains in positions that have appreciated significantly. Utilizing the part gift, part sale strategy, you can reduce the tax impact of rebalancing. This is accomplished by claiming an income tax deduction for appreciated assets donated to charity in an amount that offsets the realized gains from selling another appreciated position.

Donor Advised Fund

A donor advised fund is a charitable investment account for the sole purpose of making charitable contributions. The DAF allows you to make contributions of cash or non-cash assets and take an immediate deduction in the year your contribution is made. You then decide when you want to donate and support your favorite charity(ies), either now or in the future, once the assets have appreciated.

Qualified Charitable Distribution

Individuals aged 70 ½ and older can make direct contributions to charities from their IRA's for up to $100,000 per year, regardless of whether they are taking the standard deduction or itemizing deductions. This strategy can also reduce future RMD's for the owner of the account.

Even in the midst of a very tough year, individuals and families have remained steadfast in their commitment to support the charities and causes important to them. Taking a proactive approach to your giving can result in effective, tax-smart strategies for both you and the recipient of your gift.

As always, please do not hesitate to contact your advisor to discuss your specific situation.

Sources: Schwab Charitable, Fidelity, Wealth Management