



Put Your  
Money  
Where Your  
Heart Is  
*In Retirement*

# Strategic Giving

Sue Stevens

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Sue Stevens  
MBA, MS



FROG  
HOLLOW  
PRESS  
*Lake Bluff, Illinois*

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## Advance praise for *Strategic Giving*

“ Sue Stevens has always held legendary status for me. When I worked at Morningstar more than 20 years ago, she was the first person I encountered who wrote about the nuances of financial planning with a human touch. Fast forward to today, building on a remarkable career, she has created an epic contribution to our field.

The four books that constitute the Dreams of Wealth™ series are a tour de force in articulating the relationship between money and meaning. Sue compels us to think about our personal and subjective “why” right along the seemingly countless tasks in keeping our money lives straight. I’ve never before seen anything like Dreams of Wealth™.

Not surprisingly, each volume is written with a combination of empathy and precision that few other than Sue could deliver. This Dreams of Wealth™ series will be seen as a landmark achievement in the evolution of purpose-based financial planning.”

**BRIAN PORTNOY**, Ph.D., CFA, Founder, Shaping Wealth  
Author, *The Geometry of Wealth: How to Shape a Life of Money and Meaning*

“ Sue Stevens has a rare gift for helping people join the most exclusive club in all of humanity: the one hundredth of one percent of all of us who understand what we really, truly want out of our lives, and who have a plan for achieving the things that are most precious to the deepest part of ourselves.”

**BOB VERES**, Founder and Editor, Inside Information

“ Want to be wealthy in what matters? This profound series of books from respected thought leader Sue Stevens shows how to get crystal clear about the legacy you want to live, lead and leave - and how you can create money and meaning that is in alignment with that. This masterwork is filled with actionable insights, step-by-step exercises and compassionate advice. Read it and reap.”

**SAM HORN**, CEO of The Intrigue Agency and author of  
*SOMEDAY is Not a Day in the Week*

“ Sue Stevens has created an incredible resource for financial planners and high net worth households to help guide their philanthropy. In our business school we encourage students to obtain professional credentials like a CFA if they want to be an investment expert, a CPA if they want to be a tax expert, or a CFP® if they want to be a Financial Planning expert. Sue has all three of these designations and two master’s degrees, including one from one of the top ten business schools in the world! Truly an inspiration and a role model to any future professionals and a tremendous resource to advisors and clients alike. Sue conveys difficult concepts in simple and easy to digest formats. She provides technical education within a framework of financial life planning to ensure that individuals and families make the largest possible impact in their philanthropic efforts and live their best and most meaningful life.”

**LUKE DEAN**, CFP® Program Director, Woodbury School of Business,  
Utah Valley University

# Introduction

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This short booklet highlights content from the Dream of Wealth™ series of books related to the topic of philanthropy. It is by no means comprehensive—I'll leave that for others who want to write a 200+ page book. This booklet is meant to introduce you to some of the concepts that may help you help others.

The first section is a guided conversation between an experienced financial life planner—me—and anybody who wants to think more deeply about giving—presumably you! These are some of the issues I've found thought provoking as I've worked with people who want to connect money and meaning. That's a fundamental concept in *Put Your Money Where Your Heart Is*, the first book in the Dreams of Wealth™ series.

The second part of the booklet starts to explore some of the tax issues you may need to consider when you give. It will also present an overview of the different types of charitable vehicles that you can use. Some are quite straightforward and may be all you need for the rest of your life. But I'll also give you a glimpse of some more complex trusts and other entities that could be helpful depending on your circumstances.

The most important advice I can give you is that giving brings joy. To you. To the people you are helping. And in this very chaotic world we're living in, we all can do a lot to step up and do more for those who are suffering. No amount is too small. There are many ways you can help others that don't involve money. But if you have enough for yourself and your heirs, then why wait until death to share that wealth?

You don't have to be experienced in philanthropy to jump in and give. I've worked with people who had little growing up and are just learning about how to integrate giving into their financial planning. And I've worked with people who were born into wealthier families that learned by example at a young age that part of being blessed with abundance is the responsibility to participate by helping others in a meaningful way.

So I hope this speaks to you in any way that helps you on your financial and life journey. Maybe you'll save time by giving through a Donor Advised Fund. Maybe you'll save on taxes by giving from your IRA. Maybe you'll choose to set up a trust that gives to family and/or charities long after you're gone and leaves a legacy. Thanks for taking the time to explore what you'll find in the next few pages. Life is too short not to live it to the fullest.

# Strategic Giving

The world needs you right now. The global pandemic has shined a light on how we need to pull together to make the world better and lift up others.

Let me share how to think more deeply about giving, how to summarize your intentions and understand the vehicles you might use to impact the lives of others and, in doing so, change your own life.

Giving can take many forms. You can give up to \$19,000 per person per year (in 2026) to as many people as you'd like without paying any gift tax. This is known as the "annual exclusion." If you give more than the annual exclusion (\$19,000), you may still not have to pay gift tax because you have a lifetime credit that allows you to gift up to \$15 million in total assets without owing gift tax.

As we walk through this discussion, you may be thinking about giving to people who matter to you. Then the annual exclusion rules will be relevant in many cases. If you are thinking about giving to organizations that touch your heart and fulfill your values, then we want to further explore giving to charitable organizations.

You can give an unlimited amount to charity per year without paying gift tax and potentially receive a tax deduction. You can give away up to \$111,000 (2026) annually from your IRA to charity. This is called a Qualified Charitable Distribution (QCD). You can start QCDs at age 70 ½ and they become more valuable at age 73 when you are required to take Required Minimum Distributions (RMDs). You can make a one-time lifetime distribution of up to \$55,000 (2026) from an IRA to a charitable remainder trust (CRT) or charitable gift annuity (CGA). Typically QCDs



are made from traditional IRAs, not Roth IRAs because of the tax effect.

We'll talk more later about the tax implications of giving, but the true value we hope to find here is in thinking more deeply about what to give to, why that matters, who to share it with and how to focus your thoughts so that you may have greater impact.

We'll also cover the different types of charitable vehicles you may choose to use to execute your gifts. Each has a different set of pros and cons and you should give some thought to what's best in your situation.

Let's start by going through an exercise that asks you questions about how you are thinking about giving. See what resonates for you—not everything needs to apply. Keep track of your answers so that you can crystallize your thoughts in the Philanthropy Plan that follows.

## Thinking About Giving

1. Take a moment to think about what events in your life have had the greatest influence on you.
  - a) Does anything stand out in your childhood that still affects you today?  
Look through old photo albums and scrapbooks.
  - b) Did anything about your education change the course of your life?
  - c) Who makes up your family today? Blood relatives? Deep friendships? Animals? Organizations?
  - d) Is there anything that hurts your heart right now? How could you help in that situation?
    - o Look at The Giving Tree on the next page for ideas on how you can help.
  - e) What are you grateful for?
2. As you think about your life, what values do you associate with what matters to you?
3. How do you give today? How much do you give?
  - a) Family?
  - b) People who need your help?
  - c) Organizations?



4. Are there any patterns to your giving? The Giving Tree may help you see the types of causes that are closest to your heart. If you can start to see patterns to the types of organizations you support, you may be able to prioritize and simplify your giving to focus on what you most care about and have a greater impact.
5. Do you know that you'll have enough to cover your financial needs during your life? Can you quantify that? Running a financial projection can answer those questions. Think about what you need to meet your goals, which sources of income you'll have plus factors like taxes and inflation.
6. Have you thought about what you want to leave your heirs?
  - a) What do you want people to remember about you?
  - b) What is your legacy?
  - c) Will you give through annual exclusion giving? You can give up to \$19,000 (2026) per person without paying gift tax.

- d) How much can you leave your children and grandchildren so that they know they've received a significant gift, but not so much that they don't live productive lives?

7. What would you like to change in the world? How can you do that in the short-term? Long-term? Or conversely, are there values you want to preserve for future generations? When you take the time to really reflect on what bothers you most about what you're seeing in the world or what you hold so dear that you want to preserve, you're on your way to identifying how to structure your charitable giving. Think about what you might give this year that would make a difference to someone. Then think about your ability to do that every year. Can you make that kind of commitment? Charities need to count on support into the future. They also need your time and expertise.

8. Have you identified any charitable organizations that you want to leave money to at your death?

- a) Would you like to be able to give to them during life?
- b) Should you narrow down your choices to your top 3-5 charities so you can make a bigger impact?
- c) Do you need help identifying charities that help people in an area that's important to you? Charity Navigator is one online tool that may help.

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**As a donor, choosing your philanthropic priorities is a values-driven decision or, more accurately, a series of decisions that you will make not just once but many times.**

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Give Smart, Thomas J. Tierney and Joel L. Fleishman

**9. Do you understand the tax implications of your donation?** Before you give anything, you may want to consult with an advisor familiar with tax issues. Maybe writing a check isn't the best way to give. If you give appreciated assets, you don't have to recognize capital gains on the sale. If you want to give a larger amount, you'll need to know how much you can deduct in a year. Do you get a full deduction for what you give or a partial interest deduction? Will you need an appraisal for what you want to donate?

**10. Have you determined how much you want to give?** Coming up with a budget for charitable giving is important in focusing your intent and needs to be coordinated with your overall financial plan. You should think about this over multiple years. You may be able to give more (or less) during certain phases of your life. You may also want to time larger gifts to years when you have a greater tax burden due to higher income.

**11. Have you established a donor advised fund?**

- a) Would you like to replace the charities in your estate documents with your donor advised fund?
- b) Have you identified someone to carry on your donor advised fund after you pass away? Or are there ultimate beneficiaries that your assets will flow to at your death?
- c) Would you like to share your vision with your family or close friends? Do you want them to participate?

**12. Given the charities you want to focus on, can you come up with a short mission statement to describe how you want to make a difference?**

A mission statement can be very helpful in focusing your vision for how you want to help. If you can focus on what's most important to you, it may be easier in the future to say "no" to those causes that don't fit your overall objectives for giving. By making fewer, larger gifts, you may be able to better measure how effective your giving has been.

**13. How can you measure whether your giving is having the impact you describe in your mission statement?** The concept of strategic philanthropy includes how we measure the impact of our gifts. If you've taken the time to identify your goals in giving and the issues that you feel passionate about, it only makes sense to take the time to see if your gift made an impact.

Consider these questions:

- a) Did the organization acknowledge your gift?
- b) Were you able to remember someone or honor someone with your gift? Does that bring you joy?
- c) How was your money used? How much actually went to the cause you support? You can find some information on how money is used on sites like Charity Navigator.
- d) Did the gift support your mission? Does the charity reflect your values?
- e) Would you make that gift again? Would you change the amount or your expectations?
- f) Are you building a relationship with the people at the charity? Are you giving your time as well as your money?
- g) Should you involve other people? Family? Friends? Who will carry on your legacy?
- h) Can your gift be matched either by institutions or other people who want to magnify your intention?

**14. Do you want to remember or honor someone with your giving?** Maybe you received an inheritance and you want to pay it forward through giving. Maybe you are a trustee for someone else's assets and they have asked you to give to causes they care or cared about.

**15. Do you want to give something other than money?** Here are some ideas:

- a) Writing, speaking, organizing, using your workplace skill for a non-profit, use your social network to help others, teach, volunteer technology skills or language skills, offer to help with strategy, vision, innovation, give rides to others, fund raising (give or get others to donate).
- b) What do you own that you can give to someone else: go through your house and let go of what you no longer need; find organizations that need these things: animal shelters, barns, libraries, community groups; arrange a pick-up or drop-off.

## 16. Want more ideas for creative giving?

- a) Give a percent of income
- b) Give a portion of investment income (dividends and interest)
- c) Give a percent of windfalls like bonuses, stock compensation, inheritances, gifts
- d) Give away a portion of your tax refund
- e) Give appreciated assets you don't want to sell because of capital gains to someone in a lower tax bracket or charity
- f) Put appreciated assets in a donor advised fund or give directly to charity
- g) Give an early inheritance if you have what you need

Now that you've thought more about your giving, let's summarize it in The Strategic Giving Checklist (see following page).

## Strategic Giving Checklist

What values are you honoring with your charitable gifts? How are you putting your money where your heart is?

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Review where you gave money in the past year. How much and to whom? Did this align with your values?

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Where do you intend to take the donation money from?

### 1. Appreciated Stock?

You can avoid paying capital gains tax by simply transferring securities with gains in taxable accounts to charities. They don't have to pay tax when they sell, so it's a win-win for everybody. Your brokerage can help you do this.

### 2. Donor Advised Fund?

A Donor Advised Fund (DAF) is an account you set up with brokerages or other charitable organizations where you set aside money for qualified charities. When you make the gift to the DAF, you get a tax deduction (assuming you get over the standard deduction on Schedule A). From there you can let the money grow (making gifts at least as often as the DAF requires) or you can make grants to the organizations you want to support.

### 3. Qualified Charitable Distribution (QCD) from an IRA?

If you are over age 70 1/2, you can give up to \$111,000 (2026) from your IRA to a qualified charity. Once you are age 73, and must take required minimum distributions, this can be a good way to avoid paying tax on those mandatory distributions. A QCD cannot go to a DAF or a supporting organization. You'll have to check to see if your charity is a supporting organization. This is not always obvious, so please check.

You can also do a one-time distribution from your IRA of up to \$55,000 (2026) to a Charitable Remainder Trust (CRT) or Charitable Gift Annuity (CGA). These vehicles provide tax-advantaged income streams so they may make sense in the right circumstances.

Have a CPA or other professional guide you through these distributions. You need to designate them correctly on your tax return.

### 4. Write a check?

Can your gift be matched?

Perhaps you may want to plan your donation at a time where contributions are more likely to be matched. Or perhaps you can make a gift that matches other people's gifts.

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**Are you making gifts to people?**

The annual exclusion amount for 2026 is \$19,000. Each person can give that amount to anyone and not have to pay gift tax. If you want to go above that amount, you have a lifetime exclusion of \$15 million (per spouse). Your CPA or estate attorney can help you keep track of these gifts. They need to be reported to the IRS in a gift tax return even if you don't currently owe any tax.

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If you are planning to make gifts to charities, you'll need to think about how much of those gifts can be deductible on Schedule A. If you don't itemize, in 2026 you can take an "above-the-line" charitable deduction of up to \$1000 for single filers and \$2000 for MFJ.

This may be more complicated depending on the type of gift (stock? art? cars?), but most typically you can't give more than 30% of Adjusted Gross Income (AGI) for appreciated stock or 60% of AGI for cash gifts.

Note: Starting in 2026, itemized charitable deductions must be reduced by 0.5% of AGI. In addition, if you are in the top 37% tax bracket, your itemized deductions are limited to 35% (not the full 37% bracket amount).

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**Do you want to make gifts in someone's honor (still alive) or memory?**

Considering the above issues, who do you want to make gifts to this year?

Are these gifts sustainable (can the organizations continue to count on you?) Can you get to know those organizations better throughout the course of the year?

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**Have you become the successor to someone else's DAF?**

As you distribute the money from this account, think about what values and organizations were important to the original owner. How can you continue to honor their spirit and give in ways that best represent those values today?

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Using your Net Worth Statement, calculate how much will actually flow through to your beneficiaries – both people and charities.

If you've set up percentages to receive assets, see how much money actually flows to those organizations and people. Are you still comfortable with those amounts?

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*If you have a Donor Advised Fund, review how it is invested to see if anything needs to change.*

*Also review any fees that are based on balances to see if you can minimize charges by adding to the fund.*

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**Strategic Giving Punch List**

*Apply the checklist to your own situation and create your own gameplan for giving this year*

Who do you want to make gifts to this year? Will any be in honor or memory of someone?

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Where will you take the money to give (brokerage, checking, DAF, QCD)?

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How much is your traditional IRA Required Minimum Distribution this year?

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What do you estimate your AGI will be this year? What's 30% and 60% of that? Any issues?

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Will your itemized charitable deductions be limited by the 0.05% of AGI carve out or the 35% phase-out in the 37% bracket?

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Will you use the "above-the-line" charitable deduction if you don't itemize?

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What's the current balance of your DAF? How is it invested and how much are you paying in fees?

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When do you want to make the gifts? Can they be matched?

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How can you get to know the organizations better?

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Looking at your Net Worth Statement, how much money flows to each heir and each charitable organization. Do you need to change anything?

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## Tax Implications of Giving

With a higher standard deduction (\$16,100 for singles, \$32,200 MFJ in 2026), less people are able to itemize. You may choose to “bunch” your giving so you can take a charitable deduction. Bunching means you give more in some years (to get over the standard deduction threshold) and less in other years (where you can't itemize).

Some people want to align higher levels of giving with years of higher income. You can make donations directly to charity or you can set up a Donor Advised Fund (DAF) with larger gifts. When you give to a DAF, you get an immediate tax deduction for what you contribute. But you can spread your gifts out over time to the individual charities. In the meantime, the money is invested.

## Types of Charitable Vehicles

Giving can be modest or much more complex. Always get advice from a financial advisor, CPA or legal expert. The next chart summarizes all kinds of charitable vehicles and is followed by further explanation.

Charitable Vehicles						
	Advantages	Deduction Limits	What to Contribute	Best for	Cons	Notes
<b>Donor Advised Funds</b>	<p>Easy to set up and use</p> <p>Tax deduction when contributions made</p> <p>Can change where donations go</p> <p>Avoids cost and admin of private foundation</p> <p>Can name a successor or ultimate charities</p>	<p>Cash: up to 60% AGI</p> <p>Securities: up to 30% AGI</p> <p>If both cash and securities, up to 50% AGI</p>	<p>Appreciated stock</p> <p>Cash</p> <p>S-Corp stock</p> <p>Bitcoin, other illiquid assets</p>	<p>Simple, inexpensive way to give to charity now and over time</p> <p>Can name as beneficiary in retirement plans, estate documents</p> <p>Larger donations in high income years</p> <p>Spread gifts over many years</p>	<p>Only qualified charities – No individuals</p> <p>Annual admin cost</p>	<p>Widely available</p> <p>Initial minimums vary</p> <p>Expense ratios on underlying investments vary</p> <p>Annual contributions may have minimums</p>
<b>Charitable Remainder Trusts</b>	<p>Reduce current income tax and future estate tax</p> <p>Set up during life or at death</p> <p>Receive income stream during life</p> <p>Charity gets assets in future</p> <p>Contributed assets not taxed at capital gains rates</p> <p>Can name Donor Advised Fund as beneficiary and choose charitable recipients from there</p> <p>Investment income tax-free within the trust</p> <p>Can pay out up to 20 years OR a lifetime (donor's or beneficiary's); double the time an IRA has to pay out (10 years)</p> <p>Donor can convert low-income property into higher income stream</p>	<p>Deduction limited to future value of remainder interest to charity</p> <p>Subject to AGI limitations</p>	<p>Most types of assets can be sold once contributed to trust</p> <p>No S-Corp Stock</p>	<p>Want income stream for donor or other beneficiaries</p> <p>Choose CRAT for even income stream</p> <p>Choose CRUT for income stream that varies with asset valuation</p>	<p>Don't contribute tax-free assets because of tax netting rules</p> <p>Cost of attorney to set up</p> <p>Gifts do not qualify for annual gift exclusion</p> <p>Assets pass to charity, not heirs; charity has to wait to receive assets</p> <p>Income recipients (not the charity) pay tax on income stream; more complex set of netting rules for taxes</p> <p>Limitations on income tax deductions</p> <p>Have to name the beneficiaries when establishing the trust unless you choose Donor Advised Fund</p> <p>Finite term</p> <p>Requires annual admin of trust</p>	<p>Probably don't establish with less than \$100,000</p> <p>Two versions: annuity or unitrust</p> <p>Annuity (CRAT): Distribute a fixed dollar amount each year (at least 5%, no more than 50%)</p> <p>Unitrust (CRUT): Fixed percentage paid out annually</p> <p>Donor pays tax on income based on tiered system (ordering rules):</p> <ol style="list-style-type: none"> <li>1. Ordinary income in current year or not distributed in prior years</li> <li>2. Short-term capital gains (current or prior not distributed)</li> <li>3. Long-term capital gains (current or prior not distributed)</li> <li>4. Tax-exempt income (current or prior not distributed)</li> <li>5. Non-taxable return of capital if above have been distributed</li> </ol> <p>No Unrelated Business Income Allowed (UBIT); Debt-financed property, partnerships, LLCs</p>

Charitable Vehicles						
	Advantages	Deduction Limits	What to Contribute	Best for	Cons	Notes
<b>Charitable Lead Trusts</b>	<p>Reduce estate tax</p> <p>Charity gets current stream of income</p> <p>Assets revert to heirs unlike private foundation</p> <p>Contributed assets avoid capital gains tax</p> <p>Can be funded during life or at death</p> <p>Can pay out for term of years or lifetime (donor's or beneficiary's)</p>	<p>No deduction for non-grantor CLT</p> <p>Partial deduction for grantor CLT Present value of future income stream 30% AGI max</p> <p>Incomplete gift if made to family-owned private foundation</p>	<p>Cash is easiest</p> <p>Other types of assets may have to be sold to meet income payments (may be tax issues)</p>	<p>Want income stream for charity, eventually donor or other beneficiary</p> <p>If heirs "blow" their initial inheritance, they will get a second chance</p>	<p>Cost of attorney to set up</p> <p>Not tax-exempt within the trust like charitable remainder trust</p> <p>Have to name the beneficiaries when establishing the trust unless you choose Donor Advised Fund</p> <p>Requires annual admin of trust</p> <p>Watch out for GST tax if beneficiaries are at least two generations younger than donor</p>	<p>Probably not worth it if less than \$10 million contributed</p> <p>Non-grantor CLT: Income not taxable to grantor</p> <p>No income tax deduction</p> <p>Trust pays income tax and takes deduction</p> <p>Avoids AGI deduction limitations</p> <p>Trust pays tax at potentially higher rates</p> <p>Grantor CLT: take tax deduction for present value of future income stream</p> <p>Trust income taxable to grantor</p> <p>Mitigate by investing in tax-exempt assets</p> <p>Two versions: Annuity or Unitrust</p> <p>Annuity (CLAT): Distribute a fixed dollar amount each year</p> <p>Unitrust (CLUT): Fixed percentage paid out annually</p>
<b>Private Foundation</b>	<p>Give larger amounts to charity with more control</p> <p>Can exist in perpetuity</p> <p>Can make grants to individuals as long as covered by philanthropic objectives</p> <p>Can convert to Donor Advised Fund</p> <p>Avoids capital gains tax</p>	<p>Up to 30% AGI for cash, 20% for appreciated securities</p> <p>Closely-held stock may be deducted at cost basis</p>	<p>Almost any type of asset</p>	<p>Situations with significant contributed assets where control is prioritized</p>	<p>Cost of attorney to set up</p> <p>Not anonymous</p> <p>Start up costs can exceed \$15,000</p> <p>Subject to 1-2% excise tax on net investment income</p> <p>Requires 5% annual distribution of net investment assets</p> <p>Annual IRS filing 990-PF</p> <p>Self-dealing penalties</p> <p>Some limitations on investments</p>	<p>Probably not worth it if less than \$10 million contributed</p>

Charitable Vehicles						
	Advantages	Deduction Limits	What to Contribute	Best for	Cons	Notes
<b>Gift Annuity</b>	<p>Simpler way to give to a specific charity and get an income stream</p> <p>No term of years required; can be over one or two lives</p> <p>Avoids capital gains tax</p>	<p>Partial tax deduction</p> <p>Deduction for remainder interest</p> <p>Contribution is difference between annuity value and value of property transferred</p> <p>Portion of annuity payment considered return of original investment and that portion is tax-free</p>	Almost any type of asset	Need income, but have charitable intent	<p>Assets to charity, not heirs</p> <p>A portion of income stream received is taxable</p> <p>Payments don't increase with inflation</p> <p>Consider the financial security of the charity as annuity is a promise to pay</p>	
<b>Pooled Income Fund</b>	<p>Assets pooled with other donor's funds</p> <p>Prorata share of income paid during life, balance to charity at death</p> <p>Avoids capital gains tax</p>	<p>Partial tax deduction</p> <p>Deduction for remainder interest</p>	Generally cash, stock, securities	<p>People with moderate wealth who need income stream</p> <p>Small gifts, no legal costs</p>	<p>Assets to charity, not heirs</p> <p>Income stream received is taxable</p> <p>Payments vary based on investment performance</p>	
<b>Supporting Organization</b>	<p>Like a private foundation, but set up under a public charity</p> <p>Can be perpetual</p> <p>Family can take an active role in the charity</p>	Public charity rules: see Donor Advised Fund	Almost any asset including closely held stock	<p>Free from private foundation restrictions</p> <p>Higher deduction than private foundation</p>	Less control than a private foundation	
<b>Outright Gift</b>	Easy	<p>Cash: up to 60% AGI</p> <p>Securities: up to 30% AGI</p> <p>If both cash and securities up to 50% AGI</p>	Typically cash or appreciated stock	Smaller gifts	<p>Make sure you can itemize deductions</p> <p>You have to keep track of receipts from potentially many charities</p>	

## Donor Advised Funds

Donor Advised Funds (DAFs) are very popular now—with good reason. They are easy to set up, have minimal costs, centralize charitable giving, and simplify tax records.

### *How Do They Work?*

You open an account (a lot like setting up a mutual fund account), fund it with at least the minimum dollar amount, choose how you want to invest the money and start making grants. Add more money when you choose to (subject to minimums). Set up one-time gifts or recurring gifts. Grants must be to qualified charities. No friends or relatives or other people you want to help out. Keep the checkbook for those kinds of gifts.

When you make a contribution to your Donor Advised Fund, you get an immediate tax deduction. It can make sense to give larger contributions in years with higher taxable income. This is one of the few ways you can increase deductions over the standard tax deduction and be able to itemize.

Giving money away to qualified charities is easy. You typically go to the DAF website, choose Make a Grant and type in the organization who will receive the donation. Up pops your charity, you put in what you want to give, you can specify any instructions (like for a particular purpose or "in honor of" or "in memory of"), and when you want the gift to go to the charity. And you're done.

### *Simplicity and Ease*

Ultra-high net worth families used to set up private foundations (and of course many still do). But more often now, they will use a DAF or a combination of both types of charitable vehicles.

There are no legal fees to set up a DAF. The annual administrative fees are minimal. It's a do-it-yourself type of arrangement. If you need help, I've found the people manning the help lines are friendly and courteous. Think about it—what a great job helping people help other people!

When you set up the account, you can contribute either cash or securities. Many people find it advantageous to contribute appreciated stock. You don't pay capital gains tax to liquidate it. Neither does the DAF because it's a charitable organization. It's great for using highly concentrated positions of stock. You end up more diversified and you get a tax break doing it.

Speaking of tax breaks, let's go over how that works again. When you put money in, you get an immediate tax break. If you start with \$35,000 in cash, you get a \$35,000 tax deduction. That's going to be higher than the standard deduction. You can give away all of that right away or give away smaller amounts over time. So you could give \$5,000 away for seven years. You don't get a tax deduction when the money goes to the charity because you got your tax break up-front.

Now if you really want to make a **HUGE** donation, you need to remember that you can only deduct up to 30% (for securities) or 60% (for cash) of your adjusted gross income on your tax return. Anything above that carries forward for the next five years. So you may want to talk to your financial advisor or CPA to figure out a maximum deduction in any particular year. These rules can be complex, so it's best to get some advice on larger gifts. And of course there are compelling reasons to give to others regardless of a tax deduction.

While the money is in the DAF, you can invest it. Any growth is tax-free. If you know you want to give it away soon, you may choose to put it in a money market within the DAF. Otherwise, you can choose from a variety of investment options within the plan. This means your DAF balance can go up or down, depending on market volatility.

### *Family Values*

One of the greatest values you can pass on to your kids and grandkids is how to help others. It's fun to get the whole family involved in how to make grants from the DAF. Imagine Thanksgiving where everybody gets to choose where to give \$500 or \$50 or whatever you envision you can give.

So maybe your five-year old granddaughter wants to give to help puppies. Or your teenage grandson wants to give to help space exploration. Or conservation. Or social justice. Or medical research. The skies (and your imagination) are the limit. Just note that political donations are not allowed.

The point is you've opened up a family discussion about what you, as a family, value. It can be a celebration of how you share values or how you are different in seeing the world.

You can name successors for your DAF. After you (and your spouse) are gone, your kids (or whomever you name) can carry on the legacy of giving.

## ***Additional Considerations***

There are a few things to keep in mind when you open a Donor Advised Fund:

- You can't use DAFs for pledges. This is a grey area, but once you give your money to the DAF, it's irrevocable and the DAF is the one actually making the grants. They don't want to commit to pledges. So tread carefully here.
- 100% of the gift must go to charity. So no mugs or food or entertainment.
- You must give the money away. Typically the DAF wants you to give at least 20% away every five years.
- You can't make a Qualified Charitable Distribution (QCD) to a Donor Advised Fund. A QCD allows you to take up to \$111,000 (2026) from your IRA if you are over age 70-1/2 and give it to charity. But it has to go directly to charity, not a DAF or a supporting organization.
- You can give illiquid assets like real estate, privately held company stock, or even Bitcoin. The rules for these types of assets vary by each DAF, so if you're interested, learn more at the specific charitable fund website.

## ***Summary***

Donor advised funds are exploding in popularity as a vehicle for charitable giving. It's easy to contribute, easy to track your charitable contributions, fun to include your family and satisfying to help others.

As you take your charitable giving to another level, you can become savvier about who you want to give to, how that money is being used, how you can use strategic philanthropy to expect accountability from the organizations that you contribute to. You can start to think about giving larger gifts instead of the shotgun approach as you are blitzed with solicitations.

Learning more about charitable giving can open up a whole new dimension in your life. Donor advised funds just might be the vehicle by which you can do more by doing good.

## Qualified Charitable Distributions (QCDs) from IRAs

Current law allows you to give up to \$111,000 (2026) to qualified charities from your IRA. By doing this, you don't recognize income as you would with a traditional required minimum distribution. You also don't get an income tax deduction.

A QCD can help keep taxable income lower. That helps if you are bumping up against the thresholds where you pay more tax on Social Security benefits or higher premiums for Medicare. You don't have to itemize to use the QCD and can just take the standard deduction.

To be able to make a qualified charitable distribution (QCD):

- You must be age 70 ½ or older.
- You typically use traditional IRAs or inherited IRAs to make these gifts. Generally 401(k) or 403(b) accounts cannot be used. You can, however, roll over your 401(k) or 403(b) to a traditional IRA and then make the donation.
  - Roth IRAs are generally better left to heirs as they have already been taxed and will not be taxed again.
- Only the taxable portion of the IRA is eligible for QCDs. No after-tax or non-deductible contributions can be used.
- Funds must go directly to the charity. Not to you and then the charity. You can get a check made out to the charity and present it to them though. Just don't get a check made payable to you.
- You can't give your QCD to a donor advised fund. Just straight to the charity.
- You can't give your QCD to a private foundation or supporting organization. Make sure you know what type of organization you are working with.
- You can't receive any benefits in return for the gift. So no silent auction baskets or special parking passes. Pay for those separately to avoid a problem.

You can set up check writing on your IRA or make charitable distributions by filling out a custodial form.

## Charitable Remainder Trusts (CRTs)

Before Donor Advised Funds became so popular, a lot of people used charitable remainder trusts both for the charitable deduction and the income stream to themselves. Here's how these work:

- You contribute assets (but not S-Corp stock) to the CRT.
- Once in a lifetime, you can contribute up to \$55,000 (2026) from an IRA through a Qualified Charitable Contribution (QCD).
- You get a deduction for the future interest of the remainder interest that eventually goes to charity.
- You get an income stream for a period of years or for a lifetime (can be your lifetime or a beneficiary's lifetime).
- At the end of the term, whatever is left goes to charity.

The income stream can come in two flavors: a CRAT or a CRUT. All these letters may sound funny to you. And they can be confusing. CRAT, CRUT, CLAT, CLUT. What?

But once you figure out the code, it's not so bad.

A charitable remainder annuity trust (CRAT) pays out a fixed dollar payment to beneficiaries. The beneficiary can be you or someone else. The fixed amount cannot be changed. At the end of the term, whatever is left in the trust goes to the charity you designate.

A charitable remainder unitrust (CRUT) pays a variable amount that is recalculated each year. It typically pays out a percentage of the trust as income. There are many variations of this trust that allow for trigger events or make-up payments. Again, at the end of the term the balance goes to charity.

Both the CRAT and the CRUT are designed to create an immediate tax benefit, lifetime income for beneficiaries and a transfer to the charity at death. Most experts advise only setting up this type of trust if you have \$100,000 or more to contribute.

One more cautionary warning: With CRTs, you have this convoluted set of rules about how the money returned to you in the income stream is taxed. You can look at the chart to see what I'm talking about. So don't contribute tax-free

assets to this type of trust. You'd be trading a tax-free income stream for a potentially taxable income stream.

Let's say you wanted to have a regular source of income in retirement. You may have Social Security. But that's not enough to cover your expenses. You can always pull money from your investments, but then you may trigger capital gains or have to sell when asset values are depressed. Contributing appreciated assets that weren't generating much income to a CRT may work to your advantage. You get a tax deduction. You get a stream of income back to you. But you need to be ready to part with those assets forever. They go to the charity at the end of the term.

Or another scenario might be that you want to leave your grandchild a legacy starting while you're alive. If we have a 75-year old grandmother with a 30-year old grandson, she might set up a CRAT with \$2.5 million paying out \$125,000 a year for 15 years. Grandma gets a hefty tax deduction (subject to AGI limitations), uses part of her lifetime gift tax exemption, and the grandson has a stream of income he can count on to use to start a business, take a less demanding job or anything else that makes sense in his situation.

## Charitable Lead Trusts (CLTs)

A charitable lead trust (CLT) is the flip of a CRT. Now the charity gets the stream of income and your heirs get the remainder interest at the end. You can establish this type of trust during your life or at death. I see families set these up to help offset estate tax at death. You get a larger deduction when federal interest rates are lower (part of how the deduction is determined). Other factors that determine the deduction are the size of the gift, the term of the trust and the amounts and frequency of payments to the charity.

There are two types of CLTs: non-grantor and grantor. The tax benefits vary depending on the type you choose to set up. In some cases, you can significantly reduce the estate and/or gift tax owed by contributing assets to a CLT. Most experts advise only considering this type of trust if you have at least \$10 million to contribute.

In addition to the two types of CLTs (non-grantor and grantor), you'll find two ways to pay out the income: an annuity (CLAT) or a unitrust (CLUT). These are similar to what we covered with CRTs. The annuity pays a fixed dollar amount each year to the charity. The unitrust pays a fixed percentage based on asset value to the charity.

Some families like to set these up at death. So they become part of the main trust document and trigger after death. What's attractive is that the heirs have a chance to use money immediately inherited outside the CLT for some period of time. The charity is getting the income stream during this initial period. When it's time for the CLT to finally pay the heirs, it may give them a second chance if for some reason the initial inheritance was not used to maximum advantage (they blew it!).

So a CLT can reduce estate tax. You don't get an income tax deduction if you use a non-grantor trust, but the trust pays the tax on investments, not the grantor. You can get a partial income tax deduction if you set up a grantor trust. But then the trust income IS taxable to you. I told you this was complicated.

Let's look at another example where a grandparent wants to help a grandchild. This time grandpa is 80-years old and his granddaughter is 25. He can set up a CLAT with \$10 million and have it pay out \$500,000 to the charity for 30 years (remember the money in the CLAT is invested and presumably growing over time). In this example, the charity could be the Donor Advised Fund that grandpa set up naming his granddaughter as his successor. So each year, the granddaughter could direct how that \$500,000 is given to charity. This gives the granddaughter the opportunity to make her own way in the world until she is age 55. At that point, she anticipates that she would inherit the remainder interest in the CLAT.

## Private Foundations

Many people are foregoing a private foundation now in favor of a Donor Advised Fund (DAF). The DAF is easier and less costly to set up and maintain. To make a private foundation worthwhile, you'll probably need to contribute at least \$10 million.

The advantage of a private foundation is you control the investments and you have control over who the money can go to. Even individuals can benefit if they meet your philanthropic objectives. The downsides are additional costs and reporting requirements.

A private foundation can exist in perpetuity. No ten or twenty term limits here! Tax deductions are limited to 20% of AGI for appreciated securities and 30% for cash. You'll have to do annual reporting and you won't have anonymity.

But you probably already tuned out when I mentioned you need to contribute \$10 million to make it worthwhile.

## **Gift Annuity, Pooled Income Fund, Supporting Organization, Outright Gifts**

There are several other ways to give depending on your circumstances.

**A Gift Annuity** is given to a specific charity with an income stream back to the contributor. You get a partial tax deduction for the remainder interest. There is no term of years required and it can stretch over one or two lifetimes.

**A Pooled Income Fund** allows you to pool your contributed investments with other donors. You get an income stream back based on investment performance. The IRS will give you a partial deduction based on the remainder interest that goes to charity. The income stream you receive is taxable.

**A Supporting Organization** is like a private foundation but set up under a public charity. The donor has less control than in a private foundation, but can still play an active role in the charity.

**Outright gifts** are how most of us start out giving. Some people call this “kitchen table giving.” We write checks. We find out more about the organizations that tug at our hearts. Over time, we may find we are in a position to give more and then, sometimes, other types of charitable vehicles may offer greater simplicity and closer alignment with our personal goals.

These are some, but not all, of the ways to give to others. What we know is that experiencing joy is a direct result of being able to offer other people a helping hand. It reminds us of all the people and institutions who have helped us get where we are in life.

## How Do You Want to Change the World?

We can make a difference—even when it seems like a very small drop in the ocean. It all adds up. There will always be a need to help other people and our planet and promote what we find meaningful.

“

**The poetry of philanthropy begins with the creative, imaginative surge that we feel when we are deeply moved.**

**The practice of philanthropy is the process of making grants and social investments that have impact, and the evaluation of the work.**

”

Peter Karoff, Founder The Philanthropic Initiative

## About Sue Stevens

Sue Stevens has enjoyed two professional careers: one in personal finance and one as a musician. Math, music and computers have more in common in the brain than you might think.

From 1990 to 2023, Sue had the privilege of helping individuals with wealth management. It combined technical analytics in the planning process with a deep appreciation of human psyches and how the two combine.

Highlights from Sue's wealth management years include authoring a series of award winning books starting with *Put Your Money Where Your Heart Is* in 2009, being named one of 50 Distinguished Women in Wealth Management (along with Janet Yellen) in 2008, being featured in the Wall Street Journal several times as well as appearing on the front of the Chicago Tribune business section with two of her personal heroes, and winning the inaugural ThinkAdvisor Luminary Thought Leaders award for personal finance in 2021.

Sue learned the financial planning business at Arthur Andersen and sat on their Registered Investment Advisor board. During her years at Morningstar she worked with some of her heroes like Don Phillips and Joe Mansueto as Director, Personal Finance. Highlights included writing a popular column for Morningstar.com, numerous interviews with TV and radio personalities through Morningstar's onsite media studio, speaking at investor conferences across the country and working with a talented group of smart, fun people.

Sue was lucky enough to work with Jack Bogle, founder of The Vanguard Group in her years with that company. She was able to interview Jack several times about his portfolio and write about it in *Morningstar Fund Investor* and *Morningstar Practical Finance* which Sue founded as editor. Sue often travelled on the same speaking circuit as Jack and enjoyed the camaraderie of the people who spoke on various investment and personal finance topics.

In 2000, Sue founded her own firm Stevens Wealth Management. She loved helping clients and working closely with her staff until she sold that business to Buckingham Strategic Wealth in 2018.

Sue's route to wealth management was anything but typical. She started playing as a substitute/extra with the Chicago Symphony as a cellist right out of college (Northwestern University). She enjoyed many performances as an extra

with the CSO, Lyric Opera, Grant Park Symphony. But the bulk of her career was as a studio cellist and free lance performer in Chicago.

Highlights of Sue's musical career include performing with Leonard Bernstein as a Tanglewood fellow, playing lots of chamber music at Chicago's Symphony Center, New York's Carnegie Hall and DC's Kennedy Center. She played with Alexander Schneider and the New York String Orchestra and was part of a PBS TV documentary about "Alexander's Bachtime Band."

Sue toured with both Frank Sinatra and Tony Bennet as part of their backup bands. She loved playing Camelot with David McCallum as King Arthur who later went on to star in NCIS. There was plenty of glamour including playing with Liza Minnelli at the Chicago Theater, George Benson at summer festivals, and a TV special with Dionne Warwick.

She appears briefly in Home Alone II when the orchestra is playing and Kevin is looking down on them with the pigeon woman from the balcony. Sue also made several platinum albums with Mannheim Steamroller along with performing live concerts complete with costumes.