

CHARITABLE GIVING

in 2020

HAS ITS REWARDS

MYTH

2020 Charitable Donation Levels are too high for most taxpayers to find deductions.

FACT

The belief that the donation levels needed for charitable deductions are too high (and not worth the trouble) is one of the biggest tax planning misnomers in 2020.

By Bert Herzog, Certified Financial Planner, Founder, and Director of Executive Wealth Management

This inaccurate thinking about 2020 charitable donation levels has inflicted a double-blow. It has negatively impacted the tax planning for individuals and families who desire to support charities. It has also added an additional burden to many nonprofits with the greater financial stress of government-mandated shutdowns, while the demand for their humanitarian work increases exponentially.

In 2020, we've heard many inspiring stories about neighbors helping neighbors, and restaurants and strangers supporting front line workers. We can never forget the tireless work of nonprofit heroes who are always ready to rescue people in crisis and support those in need.

The generosity of Americans is unparalleled, whether it's supporting a nonprofit in the community or across the globe. Due to the CARES Act of 2020, charitable taxpayers may find more options than they may have known.

As we head towards the final weeks of the 2020 tax season, here are five considerations that you'll want to review with your tax professional:

1. For Tax Filers with less than \$25,000 in itemized deductions:

The CARES Act allows you to deduct \$300 in charitable giving on your tax return. That's a simple \$300!

2. For Tax Filers with more than \$25,000 in itemized deductions:

You may be able to deduct 100% of your adjusted gross income (AGI) in a matching amount for charitable giving. For example: If your AGI is \$200K in 2020, and you can donate \$200K to eligible charities, The Cares Act provides a 100% deduction of the full \$200K donation.

3. Corporate Charitable Giving:

The CARES Act increases the deductible limit from 10% to 25%. If you own a business, this will be an essential part of your year-end planning.

4. Charitable Contributions from IRAs:

At age 72, you must begin taking distributions from your traditional IRA called an RMD or Required Minimum Distribution. 2020 is unique in that you are not required to take an RMD due to The CARES Act. Here is an excellent unexpected source of funds for donation.

What do we see when people find that they can use their IRA distribution to support the causes they hold close to their hearts? They are thrilled about adding greater scope to their legacy! The Qualified Charitable Distribution (QCD)* rule means that taxes are exempt on the amount of your qualified charitable donation.

5. Donor-Advised Funds:

Donor-Advised Funds have gained greater awareness for their ease in assisting private and corporate philanthropy. The benefit of a tax deduction (up to 60% AGI), and the donor's ability to manage the disbursement of funds over many years, can make this an option to consider.

2020 Has Been a Year of Hardship For So Many.

The EWM Team applauds those who support their nonprofit heroes. They are serving in a thousand ways, usually doing the hard work that most don't see. While we praise our nonprofit heroes, we want to express our gratitude for the many times we see people give without thinking of the cost.

In turbulent times, the good in people seems to shine more brightly. As private wealth advisors, it's our privilege to help people apply the tax advantages available to the generous giving found so abundantly with our clients.

Talk with an EWM Private Wealth Advisor about coordinating your financial plan with your tax professional. We want to help you find appropriate charitable giving options so you can send less at tax time and send more to those doing so much good!

True wealth is the value inherent in people and, since 1986, the people at Executive Wealth Management are privileged to serve our clients and community through compassionate growth. While EWM has grown to nearly a billion dollars of client assets, we work steadily to maintain our personal and professional service to help you reach your wealth-building goals.

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