

Understanding the Importance of a Donor Advised Fund for your Estate Planning Goals

BY MICHAEL MELTZER ON NOVEMBER 30, 2020

The end of the year is quickly approaching, and what has turned out to be a year riddled with pain, suffering, sacrifice, and division, has also been filled with acts of extreme kindness, generosity, altruism, and love. In a typical year, many consider their charitable intentions during the months of November and December to coincide with the holiday season and/or to effectively tax plan before year end. Given the need for, and the desire to help this year by so many, in opening a Donor Advised Fund account you can give back, manage your tax bill, and grow your family's dynasty all in one swoop.

Consider opening a Donor Advised Fund (DAF)

A DAF is a charitable giving vehicle that allows donors to contribute as frequently as they like and then recommend grants to their favorite charities from their personal fund. The fund is established through a public charity so donors can receive an immediate tax benefit on their contributions and avoid the capital gains tax on appreciated assets.

Fund the account with cash and/or appreciated stock.

You can fund the account with as much or as little as you want, but you can also gift stock to your DAF. During 2020, large cap technology stocks have had an enormous run, so the taxable portion of your portfolio could have highly concentrated position in certain stocks with large imbedded, unrealized capital gains. Consider gifting those stocks (or a portion of those positions) to your DAF. This reduces the risk of your portfolio and removes a future tax liability for yourself and descendants.

Tax laws could be changing.

The possibility of the removal of the step-up in cost basis at death is real. By gifting stock, you remove the tax liability to future generations. If the step-up in cost basis comes to an end, all of those positions in your taxable account with large imbedded unrealized capital gains will get transferred to your next of kin and your current tax burden will be passed on.

A Donor's Guide – One Pager

A Donor's Guide – Full Booklet