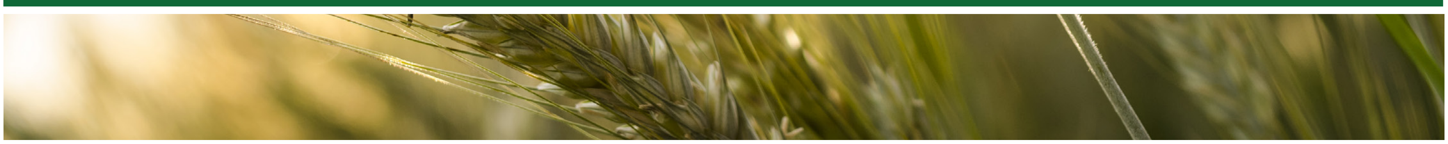
Prepared for:

Charitable Giving Guide



There are many ways to make a charitable contribution. This summary highlights some of the most popular charitable giving options, including gifts of stock, bequests, charitable trusts, IRAs, and donor advised funds.

Please keep in mind that there are other forms of charitable giving that have not been addressed in this guide.

GIFTS OF CASH

Outright gifts of cash are the most direct, simplest, and most popular form of charitable giving. The advantages of gifts of cash include:

- The donor generally receives a current income tax deduction
- The charity has immediate use of the funds
- Assets are immediately removed from the donor's estate

GIFTS OF APPRECIATED SECURITIES

Appreciated securities (held for more than one year) make excellent charitable gifts. Many donors find this method of giving both simple and beneficial since it provides a "double tax benefit." If securities are held in a brokerage account, the financial advisor can transfer the securities directly to an account in the name of the charity. If the donor has possession of the physical stock certificate they wish to donate, the certificate would need to be delivered to the charity in "good delivery form."

The advantages of gifting appreciated securities include:

- The donor generally receives a current income tax deduction for the full market value of the security (subject to limitations)
- The charity has immediate use of the funds upon sale
- The donor avoids capital gains tax on the appreciation (long-term capital gain)
- Assets are immediately removed from the donor's estate

ANNUAL GIFTS THROUGH YOUR IRA

This method of giving, called a Qualified Charitable Distribution or QCD, is generally limited to IRA owners over the age of 70½, and the amount is limited to $100,000 annually. Donors should consult a qualified tax advisor for guidance if electing a QCD in the same year as making an IRA contribution.

To gift using the QCD provision, the donor directs the IRA custodian to pay their Required Minimum Distribution (RMD) or an amount not exceeding $100,000 directly to the charity. The advantages of annual gifts through an IRA include:

- The donor does not report the amount of the gift distributed from the IRA as taxable income on his or her tax return
- The charity receives the gift income tax-free
- The charity has immediate use of the funds
- Assets are immediately removed from the donor's estate

BEQUESTS

Bequests are donations made through a will or trust that are distributed by the estate after the owner's death. A charitable bequest can be made as a specified asset, a specific amount, or as a percentage of the estate or trust assets.

The advantages of bequests are:

- Planned gifts can be revoked during the donor's lifetime
- Provides a charitable gift at death without losing the use of the assets during the donor's lifetime
- There is an unlimited charitable deduction for the donor's estate

One form of a bequest that is often overlooked is to include charities in the beneficiary designation of an IRA. At the donor's death, the gift is paid directly to the charity income tax-free.

The advantages of estate gifts through an IRA include:

- The gift is revocable during the donor's lifetime, since the donor can change IRA beneficiaries at any time
- Distributions from the IRA are not reported to the donor's estate or the donor's heirs as taxable income, eliminating any income tax on the distributed income
- The full value of the IRA can be used by the charity since no taxes are due
- There is no cost to create this bequest
- The donor maintains control of the asset during his or her lifetime
- There is an unlimited charitable deduction for the donor's estate

LIFE INSURANCE GIFTS

Life insurance policies allow for a substantial donation to charity in the future by making a series of smaller donations now. The most common way to give using life insurance is to purchase a new life insurance policy and name the charity as the irrevocable owner and beneficiary. The donor makes annual contributions to the charity in the amount of the insurance premium payments, receiving an annual income tax deduction. At the time of the donor's death, the charity receives payment of the life insurance death benefit.

The advantages of using life insurance to give are:

- The donor can make a large gift to a charity in the future for relatively small current premiums
- Depending on the method used, the donor can receive a current income tax deduction
- A gift of life insurance does not take estate assets from other heirs
- The life insurance value will not be included in the donor's taxable estate

CHARITABLE REMAINDER TRUSTS

A charitable remainder trust (CRT) allows a donor to receive a current charitable income tax deduction for their gift while providing income during his or her lifetime. Assets within the CRT are distributed to a charity at death. Charitable remainder trusts work well for donors who want or need income during their lifetime and do not wish to pass these assets to heirs. Charitable remainder trusts can be created to benefit one or more charitable organizations.

- The donor receives an immediate income tax deduction for a portion of the assets transferred to the trust
- The donor receives income from the trust (that may receive advantageous tax treatment) during his or her lifetime
- The donor controls certain aspects of the trust during his or her lifetime, subject to the terms of the trust
- Assets in the CRT are removed from the donor's taxable estate

CHARITABLE LEAD TRUSTS

A charitable lead trust (CLT) is appealing to donors who wish to pass assets to their heirs but may not need the income from those assets. This is accomplished by allowing the charity to receive income from the donor's assets for a specified time or the remainder of the donor's lifetime, after which the asset is transferred back to the donor or the donor's heirs.

- The donor receives an income tax deduction for the transfer of assets to the CLT
- The donor or the donor's heirs receive the trust assets back at the end of the trust period
- Transfers to the trust may create a discounted gift value, ultimately reducing the donor's taxable estate value
- Details of the CLT can be determined by the donor, since it is the donor who establishes the trust

CHARITABLE GIFT ANNUITIES

A charitable gift annuity is a contract between a donor and a charitable institution. The donor makes a gift to the charity and in return receives income payments for life. The size of the payments depends on the donor's age and the applicable interest rates at the creation of the annuity. Each payment received is made up of a taxable interest portion and a tax-free return of principal. The advantages of charitable gift annuities are:

- There are generally no expenses to the client to establish a charitable gift annuity
- The charity has immediate use of the funds
- The donor receives a stable income for life, which will be partially tax-free
- If the annuity is funded with appreciated assets, the embedded capital gain will be distributed and taxed over the life of the annuity
- The donor will receive a current income tax deduction for a portion of the value transferred to the annuity

DONOR ADVISED FUND

A donor advised fund is a charitable giving vehicle housed in a public charity and administered by a third party (such as a Community Foundation or Mutual Fund company). Donor advised funds are the fastest growing charitable giving vehicle in the U.S. Donors contribute assets to a donor advised fund and then "advise" when and to what charities the funds should be distributed. The advantages of a donor advised fund include:

- A donor advised fund is a relatively inexpensive way for a donor to create an ongoing charitable giving program
- The donor receives an immediate income tax deduction for the amount of the contribution (subject to limitations)
- Donor advised funds offer professional management of assets
- The donor retains an advisory role over the distribution of funds to charity

Barry Riddle, Senior Vice President–Investments
(434) 836-5528 | briddle@investdavenport.com

165 Holt Garrison Pkwy, Suite 570B, Danville, VA 24540

CORPORATE HEADQUARTERS:

One James Center • 901 East Cary Street, Suite 1100 • Richmond, Virginia 23219 (804) 780-2000 • investdavenport.com
Davenport & Company LLC Member: NYSE•FINRA•SIPC

Updated November 2022