SPOTLIGHT

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STRATEGIC CHARITABLE GIVING

A strategic approach to philanthropy may allow donors to support causes that matter to them while, depending on individual circumstances, reducing the tax cost of giving. The strategies highlighted outline several ways donors can give more effectively and more efficiently based on their assets and tax law in effect starting in 2026.

Match the Asset to the Gift

Asset	Often useful when ...
Cash	Simplicity matters or the donor wants an immediate annual gift.
Appreciated securities	The donor holds low-basis stock and wants to avoid capital gains.
IRA assets	The donor is 70½ or older for QCDs, or wants to leave pre-tax assets to charity at death.
Real estate or business interests	Wealth is concentrated in illiquid assets. Early review, valuation and gift acceptance approval are necessary.
Life insurance	A policy no longer serves family, estate or business needs.

Donate Appreciated Securities

Donors who give publicly traded securities held longer than one year, rather than cash, generally may avoid the capital gain embedded in the position and may deduct the full fair market value of the gift. This approach often suits donors who itemize deductions and have appreciated investments. Deductions for gifts of appreciated securities are generally limited to 30% of adjusted gross income (AGI) for gifts to public charities and 20% for gifts to private non-operating foundations. Excess amounts may carry forward for up to five years.

Bunch Gifts with a Donor Advised Fund

A donor advised fund (DAF) is a separate charitable account established with a public charity. A donor may fund a DAF with cash or appreciated securities, claim an itemized deduction in the year of funding, and then recommend grants to charities over a period of years. "Bunching" consolidates several years of planned giving into one tax year so that itemized deductions more easily exceed the standard deduction and clear the new 0.5% AGI floor in one tax year rather than every year. The donor may then claim the standard deduction in the intervening years, allowing for a greater overall income tax benefit while continuing consistent annual support to operating charities.

A DAF also produces a single tax receipt, regardless of how many charities receive grants, and donors may name successor advisors to direct the fund after their lifetimes. Contributions to DAFs are irrevocable.

Charitable Gifts from a Traditional IRA

- Qualified Charitable Distributions (QCDs). IRA owners aged 70½ or older may annually transfer up to $111,000 (as of 2026) directly to a qualified 501(c)(3) charity. The QCD is excluded from income, counts toward the required minimum distribution (RMD), and lowers AGI (which may reduce Medicare Part B premiums and the taxable portion of Social Security benefits). The benefits of QCDs are available to non-itemizers and are not subject to the new limitations on itemized deductions for charitable gifts. DAFs, supporting organizations, and private foundations do not qualify as recipients of QCDs. Donors should track each QCD for appropriate tax reporting.

- Beneficiary designation. Naming a qualified charity as the beneficiary of a traditional IRA can be a practical and tax efficient way to support philanthropy as a part of the estate plan. Distributions from pre-tax traditional IRAs to individuals are subject to ordinary income tax with few exceptions. Naming charities as the beneficiary of a traditional IRA allows for funds to pass income tax free to charity, while qualifying for an estate tax deduction, and potentially leaving more tax-favored assets for individual beneficiaries.

Giving at Death

A donor may provide for charity through a bequest or a residuary gift under a will or through a revocable trust, using a specific asset or dollar amount, or a percentage of the estate. These gifts preserve full access to

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assets during life, although they provide no income tax deduction while the donor is living. Charitable gifts at death generally qualify for an estate tax charitable deduction for federal and state estate tax purposes. Life insurance that no longer serves family, estate liquidity, or business needs may also pass to charity by beneficiary designation. Donors should confirm that asset titles, beneficiary designations, and estate documents work together and reflect both family and charitable intent.

Charitable Remainder Trusts

A charitable remainder trust (CRT) is a type of split-interest gift that provides for benefits to the donor (or other individuals) with a tax-favored charitable gift. In plain terms, the donor or other beneficiaries receive payments for a period of time, and the remaining assets then go to charity. A CRT may be helpful for a donor who wishes to contribute appreciated assets but needs an income stream for life or for a term of up to 20 years. A CRT is an irrevocable trust that is generally exempt from income tax, so it may sell contributed assets without paying capital gains tax at the trust level and reinvest the proceeds in a diversified portfolio. The donor may receive an income tax deduction for the present value of the remainder interest, which must equal at least 10% of the initial funding, subject to AGI limits. At the end of the term, the remaining trust assets pass to charity.

Payments to the donor or individual beneficiaries are taxed according to the character of the trust's income, such as ordinary income or capital gain, so a CRT generally defers income taxation over a period of years, rather than avoiding it. A CRT may be worth considering for donors who wish to diversify concentrated holdings or manage income tax exposure while setting aside assets to fund future philanthropic goals.

Because a CRT is irrevocable, the donor cannot reclaim the assets beyond a retained payment right, and the remaining assets pass to charity rather than to individuals. A CRT also involves legal, setup, and ongoing administration costs.

Deductions and the 2025 Tax Act

The 2025 Tax Act, commonly known as the One Big Beautiful Bill Act (OBBBA), materially changed some tax rules related to charitable giving. The amounts below apply to tax years beginning in 2026. The 0.5% AGI floor and the 35% cap on itemized charitable deductions may increase the value of bunching for philanthropic taxpayers. Higher standard deductions can be beneficial in years when not itemizing deductions, and still may be paired with the above-the-line deduction for cash gifts and QCDs.

2025 Tax Act: Key Changes

Standard deduction
For 2026 the amount increases to $16,100 for single filers ($32,200 for married couples filing jointly)

Non-itemizer charitable deduction
Cash gifts of up to $1,000 ($2,000 for joint filers) to qualifying charities are deductible above-the-line. Gifts to DAFs and private non-operating foundations do not quality.

0.5% AGI floor
Itemizers may deduct only the amount of charitable gifts above 0.5% of AGI.

35% benefit cap
For high-income donors in the 37% federal income tax bracket, itemized deductions, including charitable gifts, may be worth 35 cents per dollar instead of 37 cents.

60% of AGI deduction limit
The increased deduction limit for cash gifts made to public charities is now permanent. Amounts above the AGI deduction limit may be carried forward for up to five years.

State and Local Tax (SALT) deduction
For 2026, the limit increases to $40,400 subject to AGI phaseouts, allowing more donors to itemize.

Next Steps

Consultation with your Portfolio Manager and tax advisors is the first step to developing a tax-efficient plan for philanthropy. Determine family and individual needs, create targets for philanthropy, surface goals and mission, and identify the assets best suited to each gift. Each strategy depends on individual circumstances, so planning proactively with your tax advisor can help align your goals with the optimized tax strategy.

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