**3 Ways to Maximize Your Charitable Giving This Year and Beyond**

In 2018, Americans gave [$427.71 billion](https://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/) to charities, according to Giving USA 2019: The Annual Report, and with the year’s end fast approaching, you may be contemplating how best to support charities and social causes close to your heart by making a donation before the clock runs out. But if you’re looking to set up charitable giving for the long-term, perhaps for generations to come, make it a point to be aware of all the different options available.

To maximize your approach to philanthropic giving, here are three advanced planning strategies for charitable giving that you can start to consider during the holiday season that will also help you maximize your tax savings and meet estate-planning needs.

Private Foundations

Private foundations make up a significant portion of philanthropic giving in the United States while providing a way to leave a lasting legacy.

Private foundations offer more control than other charitable giving vehicles. When you set up a foundation, you are a not-for-profit entity (non-profit) and therefore are eligible to be tax exempt, and can disburse funds at your discretion. Also, as the founder you have more control over how much money to donate and how to invest your assets. However, while you’re in control of distributing assets, private foundations are legally required to give away at least 5% of its assets per year. Another benefit of setting up a private foundation is that it can endure for generations, and you are able to pay charitable expenses and hire staff, which can be members of your family.

The downside of private foundations is that they generally require a greater initial contribution — at least $250,000 — and have more fees due to their costly setup and additional expenses. A foundation also needs to make enough money to cover its operating costs and make its mandatory distribution of at least 5% of assets per year. Lastly, all information about private foundations is available to the public.

Names like Carnegie and Rockefeller are better remembered today for their philanthropic legacies than their business achievements. So, if creating a legacy spanning generations is important to you, then you may want to consider setting up a private foundation.

Donor Advised Funds

Donor Advised Funds (DAFs) are becoming increasingly popular due to their simplicity and flexibility. In sharp contrast to a private foundation, DAFs typically require a smaller minimum contribution, in the range of $5,000 to $25,000. DAFs also allow you to make an irrevocable charitable contribution without immediately designating a charity, while you still receive an immediate tax deduction for the contribution.

With the higher standard deduction that went into effect in 2018, DAFs give you the ability to put a lump sum into the fund and then spread your grant-making over several years and across different charities. They also allow you to combine multiple year gifts into one year, thus potentially enabling you to itemize beyond the standard deduction for the year. This concept is also known as bunching. Another benefit of a DAF is that your money can grow tax-free, which may allow you to make more philanthropic contributions as time goes on. You can also add family members as donor advisers, and since it’s not public, DAFs can offer privacy because contributions come from the DAF and not you individually.

The flexibility of a DAF can also be seen as a drawback, on the other hand. A DAF is an administering fund that takes care of the administrative details of managing the assets and making grants. However, when you make a contribution to a DAF, you are giving up legal control of these funds and assets. In most cases, though, you will have some say in how the funds are invested and to whom and when disbursements will be made.

Unlike private foundations, DAFs do not require a minimum annual distribution. Some argue that while this is a benefit for you as the donor, it can affect the flow of money to charities.

But if you’re looking for simplicity and are willing to cede some control over how your assets are distributed and invested, a DAF could be an option for you.

You may also want to explore a pooled income fund, which is similar to a DAF in that they are both maintained by a public charity. But as its name implies, a pooled income fund pools the gifts of many donors in a fund that’s managed with the goal of providing the donor a lifetime income stream from the returns on a diversified portfolio. When the donor dies, the remaining assets in the fund are distributed to designated charities.

Charitable Remainder Trusts

Charitable Remainder Trusts (CRTs) are another popular charitable vehicle for those interested in philanthropy. The strategy behind a CRT is that you leave an asset or money to a charity but receive the income that the asset generates while you’re still living. You set up a time span for the trust — usually your lifetime, or a specified number of years — and the charity receives the value of the trust at the end of the designated time span.

There are a number of benefits to CRTs. In addition to receiving income, you also defer capital gains taxes on appreciated assets transferred to the trust and receive a charitable income tax deduction, coupled with potential gift and estate state savings.

Among the cons to setting up a CRT is that you have to identify the charity when you set it up. This can be a concern because you never know how a charitable organization will evolve over the course of 10 or 20 years. While you can modify a CRT, this must be done with legal assistance, which is an added expense. Also, your family loses control over the assets once they are distributed to the specified charity.

However, CRTs are interesting because you can couple them with a DAF to enhance the trust. If you name a DAF as the beneficiary of the trust, it gives you time to pick the charity you’d like to donate to, and your family can continue to be involved without incurring the higher administrative fees of setting up a private foundation.

CRTs could be a good option for you if you want to receive an income and an immediate charitable deduction.

Which is right for you?

Deciding among charitable vehicles can be a difficult. That’s why it’s best to consult your financial adviser or tax professional who can help you plan when to give, what to give and how to give to the causes that mean the most to you and your family.

<https://www.kiplinger.com/article/retirement/T055-C032-S014-3-ways-to-maximize-your-charitable-giving.html>