



# 10 Year-End Taxpayer Strategies/2020

# Start Now: 2020 Year-End Planning Is Important

The year 2020 will be remembered for many things, including urgent pleas for social change, economic disruption due to COVID-19, important new legislation, and dramatic changes in how we work and play. Financial planning is more important than ever, and when tax-wise charitable giving is thoughtfully integrated with personal planning, you can increase your impact on the organizations and causes you support. Contact us for more information about shaping your personal legacy of caring.

## Planning Tips for Charitable Giving

### 1. Gifts of Appreciated Stock or Mutual Fund Shares

Making a gift of appreciated stock or mutual fund shares (held for more than a year) provides greater tax savings than a gift of cash. These gifts can generate an income tax charitable deduction for the full fair market value of the shares and allow you to completely avoid long-term capital gains tax on the appreciation. Leveraging the untaxed gain can substantially reduce your taxes.

Talk to: **tax advisor/Charity**

*Securities/funds to consider*

---

---

---

### 2. Use Your Donor-Advised Fund to Make an Impact Today

If you have a donor-advised fund (DAF), you know it is a unique giving tool. At any time, you can recommend a distribution to us. Your gift comes from funds you have already set aside for charitable purposes, so there is no impact on your current budget. Please let us know if you are considering a distribution from your donor-advised fund. We would like to thank you and make certain we understand any specific goals for how your gift is used.

Talk to: **DAF administrator/Charity**

### 3. The CARES Act

Recognizing that taxpayers typically respond to a crisis by looking for ways to help others, Congress encouraged charitable giving in 2020 through specific provisions in the CARES Act. For taxpayers who do not itemize, a \$300 deduction for charitable gifts is available as an “above the line” adjustment that reduces taxable income. The IRS hasn’t yet made clear whether couples filing jointly may deduct a total of \$600. For those who itemize deductions, the CARES Act encourages giving by allowing taxpayers to deduct gifts up to 100% of AGI—a substantial increase from the usual 60% limitation. Taxpayers who want to make the most of this temporary increased deduction limit may find it makes sense to “bunch” donations into the 2020 tax year.

*Talk to:* **attorney/accountant/Charity**

### 4. Charitable Gift Annuities

One very popular life income gift is a charitable gift annuity. In exchange for your gift, you qualify for an immediate income tax charitable deduction and receive fixed payments for life.

*Talk to:* **tax advisor/attorney/Charity**

#### Sample gift annuity rates for individuals

age 90	8.6%
age 85	7.6%
age 80	6.5%
age 75	5.4%
age 70	4.7%

Please check with our office to confirm rates



## A Future Gift

As you complete planning in 2020, we would like to remind you that there are simple, effective ways to plan a future gift but keep lifetime control of your gift property in case you need it. For example, you can donate retirement account assets or life insurance proceeds by naming us as a beneficiary. As the primary beneficiary, we would receive the proceeds first. As a secondary beneficiary, we would receive proceeds only if the primary beneficiary cannot. It is also easy to name us as a percentage beneficiary—for example, providing 75% of the benefits to family members and 25% to us. You may also want to explore beneficiary options with bank accounts, brokerage accounts, and donor-advised funds.

### 5. A Gift from Your IRA

The CARES Act waives required minimum distributions in 2020; however, you can still make a gift directly from your IRA that provides immediate support for our work at an important time. IRA owners age 70½ or older can simply instruct an IRA custodian to transfer funds through a qualified charitable distribution (QCD) directly to us. There is no deduction for your gift, but no income tax is due on the transfer. The QCD annual limit is \$100,000—subject to limitations.

*Talk to:* **tax advisor/IRA custodian**

### 6. Charitable Remainder Trusts

A charitable remainder trust (CRT) can reduce taxes by converting highly appreciated assets (e.g., stock or real estate) into a lifetime income stream. You simply transfer assets to an irrevocable trust. This removes the assets from your estate and provides an immediate income tax deduction for itemizers. The trustee pays you (or others you choose) a lifetime income. At death (or at the end of the stated trust term), remaining assets are transferred to charity.

*Talk to:* **attorney/Charity**

# Maximize Opportunities for Tax Deferral

## 7. Retirement Funds

Have you fully funded your IRA or deferred the maximum allowable contribution under your employer-sponsored retirement plan? Remember, if you are age 50 or older, 2020 catch-up provisions let you contribute an additional:

- \$1,000 to your IRA (for a total of \$7,000) or
- \$6,500 to your 401(k) plan (for a total of \$26,000).

*Talk to:* **employer/IRA custodian**

## 8. Health Savings Accounts

Have you contributed the maximum amount to your Health Savings Account? Even though you may not currently need the funds for medical expenses, any contributions you make are tax deferred, grow tax free, and can never be forfeited.

*Talk to:* **employer**

## 9. Flexible Spending Accounts

Have you used up all of the contributions you made this year to your Flexible Spending Account (FSA)? These tax-deferred contributions offer an opportunity to avoid tax when paying for expenses such as child care or medical costs. If your employer offers an FSA and you did not contribute this year, now is the time to determine if you should take advantage of this opportunity next year.

*Talk to:* **employer**

## 10. Education Expenses

Have you contributed to a 529 plan? This is a good way to plan for future tax savings. There is no tax deduction for contributions, but money invested grows tax free, and children or grandchildren will not pay income tax on these funds when they're withdrawn to pay for qualified higher education expenses. Some states exempt contributions from state income tax.

*Talk to:* **financial advisor/attorney**

## 2020 Tax Preparation Checklist

- Copy of 2019 tax return
- Social Security numbers
- W-2 forms from all employers
- 1099-INT forms showing interest payments received
- 1099-G form showing any refund, credit, or offset of state/local taxes
- Receipts pertaining to a business (if the taxpayer is a small business owner)
- 1099-DIV and 1099-R forms
- Other income receipts: rental real estate, royalties, partnerships, S corporations, trusts
- Social Security benefits documentation
- Medical/dental expenses
- Receipts for taxes paid: state, local, real estate, personal property
- Form 1098 mortgage interest and points
- Receipts for charitable contributions and gifts (\$300 above-the-line deduction available to non-itemizers)
- Casualty and theft losses