Giving in Times of Crisis

Five steps for maximizing your charitable impact.

Between the COVID-19 pandemic, natural disasters, and social unrest, 2020 has seen its fair share of upheaval—and generous Americans with the means to help have stepped up their charitable giving in response. One study of 32 community foundations reported an 80% increase in donations from March to May, compared with the same period in 2019.[1]

Despite a growing desire to help, however, many donors and even some seasoned philanthropists

ILLUSTRATIONS BY EDMON DE HARO

are unsure how best to support the causes they care about—particularly given the nearly 2 million IRS-recognized charities and nonprofits in the U.S. and the sheer number of challenges we face.[2]

"As needs shift, more considerations are making their way onto donors' radar screens, including which issues to support and how to create an overall giving strategy," says Kim Laughton, president of Schwab Charitable, an independent public charity and a donor-advised fund created more than two decades ago to help philanthropically minded people donate more strategically. "The challenge for many donors right now is figuring out how to make their charitable dollars go as far as possible."

With that in mind, here's how to refine your giving priorities, identify the organizations that align with your philanthropic mission, and give most effectively.

Step 1: Pinpoint your priorities

To get started, it can help to reflect on what you hope to achieve with your support:

- What causes, communities, and concerns are most important and relevant to you?
- Do you want to focus locally, nationally, globally, or a combination thereof?
- Which, if any, areas of need overlap with your experience and interests?

"With COVID-19, for example, do you want to support the global fight against the virus, or would you rather help closer to home?" Kim asks. "Of course, it doesn't have to be either-or. The point is to figure out what you care about most so you can start to identify the organizations that match your goals."

■ Schwab Charitable's COVID-19 Resource Center, available at **schwabcharitable.org/covid19**, offers guidance to help you effectively address today's most pressing needs.

Step 2: Choose your charities

Once you've settled on which causes to support, you may still need to choose from hundreds or even thousands of organizations focused in those areas. "Different charities will approach the problem in different ways," Kim says, "so do some research to identify groups that are helping to implement the kind of changes you'd like to see."

Start with a prospective charity's goals and approach. Has the organization articulated its strategy and vision for addressing a specific crisis? Is it in a position to meaningfully engage with the target population? "This work helps ensure your donations go to legitimate, highly effective charities that can have the greatest impact on the causes you want to support," Kim says.

Fortunately, you don't have to do all the legwork yourself. There are plenty of resources available online and in your community to help you research legitimate nonprofits, as well as rate and compare their track records. "Measuring a charity's impact is a crucial step," Kim says, "which is one reason you also may want to consult people you trust who have expertise in the area."

Consider bouncing ideas off family, friends, and financial advisors—or even taking your cues from prominent philanthropists who share your interests. The Bill & Melinda Gates Foundation, for instance, publishes all the grants it has awarded—searchable by program, issue, and region.

■ View Schwab Charitable's list of reputable outside resources to help you identify legitimate, highly effective charities at **schwabcharitable.org/explore-charities**.

Step 3: Consider your contribution options

Next, think about the kind of support you want to offer. Will you contribute money or your time and skills? According to the Corporation for National and Community Service, more than half of all Americans donated money in 2018, and nearly a third volunteered.

If you want to provide financial support, cash isn't your only option. Nearly any noncash asset—such as publicly traded stock, real estate, art, or even private business interests—could make a tax-smart charitable donation. That's because donating appreciated noncash assets that you've held more than one year directly to a charity can potentially eliminate the capital gains tax you might otherwise have owed on a sale of the assets (see "Donating direct," below left).

However, some charities may not be in a position to manage such noncash donations—especially during an emergency—in which case a donor-advised fund can be a valuable tool for giving. With a donor-advised fund, you contribute cash or noncash assets to the account, allow the donor-advised fund sponsor to manage the sale of the assets, where applicable, then make grants to the charities of your choice, either as a one-time or recurring donation.

"Especially now, long-term support is critical," Kim notes. "Many charities are reeling from both financial strain and overwhelming demand—and setting up recurring grants and signing up for ongoing volunteer shifts can help organizations maintain their services and reliably fill critical positions."

Step 4: Plan your giving

As you explore your options, don't forget to consult financial advisors and tax professionals who can help maximize the benefit of your giving—both to your charities of choice and to your own bottom line come tax time.

This is particularly critical as fewer people are expected to itemize their deductions—including charitable donations—now that the standard deduction has been doubled as a result of the Tax Cuts and Jobs Act of 2017.

One way to take full advantage of the tax benefits of charitable giving is to bunch several years' worth of giving into a single year. For example, if you typically donate $5,000 a year and have $5,000 in other deductions, your total deductions would be less than the standard deduction of $12,400 in 2020, meaning you wouldn't want to itemize them. If you were to consolidate two years' worth of charitable gifts into a single tax year, however, you would have $10,000 in donations and $5,000 in other deductions, pushing you past the standard deduction and allowing you to deduct the full value of your gifts. You could then plan to take the standard deduction for your 2021 filing.

Kim notes that donor-advised funds are particularly well-suited to this purpose. "Donor-advised funds allow the donor to contribute a lump sum in the current year—and potentially include the gift among her or his itemized deductions—without having to decide right away which charities to support," she says. "Instead, donors can take their time researching the causes they care about and strategically recommend grants to qualified organizations at any point in the future—not just in the year of the donation."

■ See how Schwab Charitable's donor-advised fund account can help you maximize your charitable impact at **schwabcharitable.org**.

Donors who plan to take the standard deduction in 2020 may be able to take advantage of a temporary provision introduced by the Coronavirus Aid, Relief, and Economic Security (CARES) Act that allows individuals to claim an above-the-line deduction of up to $300 for cash contributions to operating charities (excluding donor-advised funds, private foundations, and so-called supporting organizations). This may be a great option for donors who bunched two or more years of giving in 2019.

Step 5: Just get started

It's easy to get bogged down in the details as you identify your goals and vet potential donation recipients, but it's important to remind yourself that there's no such thing as the "right" charity.

"Don't let perfect be the enemy of good," Kim says. "Amid all this uncertainty, any help you are able to provide is valuable and appreciated." ■

[1]Paul Sullivan, "Philanthropy Rises in Pandemic as Donors Heed the Call for Help," nytimes.com, 06/26/2020. | [2]*GuideStar Directory of Charities and Nonprofit Organizations.*

Donating direct

Donating an appreciated asset directly to a charity or donor-advised fund (DAF)—as opposed to selling the asset and donating the proceeds—can allow you to give more and pay less in taxes.

	Option 1: Sell asset and donate the proceeds	Option 2: Donate asset directly to charity or DAF
Current fair market value of stock	$100,000	$100,000
Long-term capital gains tax[*]	$14,250	$0
Amount donated to charity	$85,750	$100,000
Deduction for those who itemize[†]	**$27,440**	**$32,000**

The example is hypothetical and provided for illustrative purposes only. | [*]Assumes investor has held stock for at least a year and a day, a cost basis of $5,000, and a long-term capital gains rate of 15%. | [†]Assumes a 32% federal income tax rate and does not reflect state or local taxes, or a potential Medicare net investment income surtax. Note that the value of a charitable deduction may be subject to reduction for taxpayers whose adjusted gross income (AGI) is above certain thresholds. In addition, deductions for contributions of appreciated property to public charities generally are limited to 30% of the donor's AGI. Excess contributions may be carried forward for up to five tax years.

Maximum impact

Tax laws, including an expiring tax provision, provide the opportunity to maximize your giving—and minimize taxes—like never before.

Annual income tax deduction limits for gifts to public charities, including donor-advised funds, are 60% of adjusted gross income (AGI) for contributions of cash, 30% of AGI for contributions of noncash assets held more than one year, and 50% of AGI for blended contributions of cash and noncash assets.

And thanks to a temporary provision in the CARES Act, in 2020 you can elect to use some charitable donations to deduct up to 100% of your AGI. To qualify for the deduction, donations must be made in cash to public charities (excluding donor-advised funds, private foundations, and supporting organizations) and you must itemize these deductions on your tax returns.

Donation amounts in excess of these deduction limits may be carried forward for up to five tax years. Be sure to consult a tax advisor or qualified financial planner before finalizing your giving plan for the year.