



DAF Insights for Advisors

Expertise and tools to help advisors deepen the philanthropic conversation

Tips to Help Your Clients Maximize Giving in 2020

By Janos Major, Regional Director of Development, West

Charitable giving is an instinctive reaction during times of crisis. In this year of unique challenges, Americans are responding with generosity when U.S. nonprofits need it most. The end of the year is traditionally peak charitable giving season with donors historically making [30% of all charitable gifts](#) during the month of December.

This year, ongoing COVID-19 relief efforts, reenergized pursuits of social equity and increased civic activity around the election are converging during giving season. With the addition of the CARES Act charitable giving incentives, now is the ideal time to talk to your clients about their philanthropic vision. NPT has resources to help you start the philanthropic conversation and [strengthen your client-advisor relationship during COVID](#). If your clients already have an NPT [donor-advised fund](#) (DAF) or are considering establishing one, here just a few ways a DAF can help your clients give more:

- 1. Give appreciated assets instead of cash.** Your clients can contribute stock, mutual funds or bonds to their DAF. If they contribute securities that they have held for more than one year, they generally avoid paying capital gains taxes and can deduct up to the full fair market value of the gift. A DAF can also streamline the giving process. Instead of making multiple gifts of stock to different charities, donors can make one gift and then recommend cash grants to individual charities over time.
- 2. Contribute complex assets.** Your clients can give more than just cash or publicly traded securities to their DAF. Donors can fund their DAF with closely held business interests, [restricted securities](#), private equity and other complex assets. If a low basis asset is sold and then the cash proceeds donated to charity, the owner could owe substantial capital gains taxes, reducing the amount available to donate. By contributing the asset to a DAF instead, your clients can deduct up to the full fair market value of the gift, eliminate capital gains and have more to give to the causes they care about.
- 3. Grant now *and* later.** DAFs can be useful when your clients seek to lower a tax liability due to a major financial event. For instance, if your clients receive a substantial year-end bonus, they can contribute to a DAF now and receive an immediate tax deduction for 2020. However, they can use the funds to recommend grants to charitable recipients in 2021 and beyond. As the COVID-19 pandemic continues, DAFs can be a sustainable source of charitable support for organizations that are supporting impacted communities in the U.S. and across the globe.
- 4. Understand the CARES Act.** On March 27 of this year, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Donors who take the standard deduction can deduct an extra \$300 in cash contributions to qualified charities. Limitations on cash donation deductions have been raised from 50% or 60% adjusted gross income (AGI) to 100% AGI. DAFs do not count as [“qualified charities”](#) for this expanded deduction cap. However, a donor may still be able to reach these limits by “stacking” their giving.

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5. Bundle contributions. With a DAF, your clients can give more in a year they plan to itemize deductions. Let's say that your client gives \$10,000 to charity every year—an amount that would not qualify for an itemized charitable tax deduction under the new standard deduction limits. Instead, the client can contribute two years' worth of gifts to a DAF this year and claim a \$20,000 charitable deduction. However, she can then recommend \$10,000 in grants both years, keeping her giving pattern consistent.

6. Invest for impact. DAF donors can recommend an [investment strategy](#) from NPT's investment choices. Our [impact portfolios](#) can help your clients align their charitable goals with their investment strategy. For advisors, impact investing is another opportunity to understand your clients' values—and signal your commitment to helping them attain their philanthropic goals alongside their financial ones. A recent [study](#) showed that nearly half of the perceived value of financial advice is emotional. Talking about philanthropy is good—for your client, for charities and for the client-advisor relationship.

As you and your clients prepare for this busy time of year, be sure to visit our [Giving Season Central](#) page to monitor deadlines for contributions of different assets and grant recommendations. During Giving Season, NPT increases our staff size and extends our hours to answer your call, open new DAF accounts, accept contributions and review and process grant recommendations. For more information on how you can use a DAF to support your clients' charitable mission in a tax-advantaged way, please call NPT at (888) 878-7900 or email us at npt@npitrust.org.

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