

The standard deduction was significantly increased under recent tax law changes, and many itemized deductions were limited or eliminated. Taxpayers may now find it more advantageous to take the increased standard deduction rather than itemizing deductions. However, if you make charitable donations, there is a potentially more tax-advantaged approach you can incorporate into your tax planning strategy called “bunching.”

People often make charitable contributions yearly. “Bunching” is a multi-year approach to tax planning that takes tax-deductible charitable contributions to qualified organizations that would normally be made over two or more years and combines these into one larger donation made in a single tax year so that total itemized deductions exceed the standard deduction. This larger amount for the charitable contribution is deducted from your taxes in the

current year. The standard deductions would be taken in subsequent years when no charitable contribution is made.

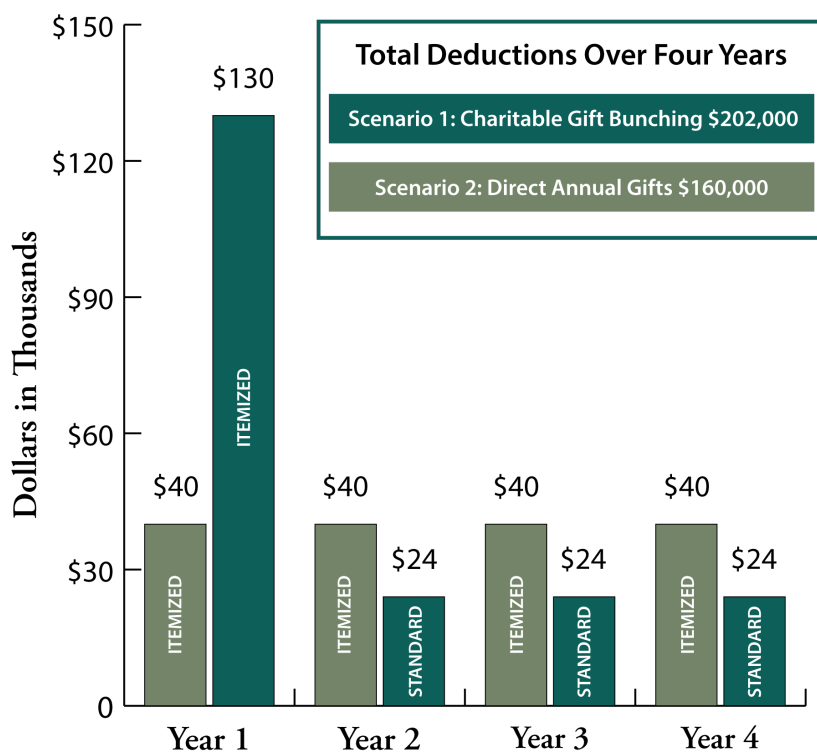
In the example shown, the deductions for combined gifts in one year are more than if the items were deducted each year. Consider this approach if your normal contributions in a given year do not exceed the standard deductions.

Donor Advised Funds (DAF)

You may want to consider contributing cash or securities to a Donor Advised Fund (DAF). If you contribute to a DAF, you could also receive an income tax deduction during the current year by itemizing deductions on your tax return. You would still be able to recommend grants from the DAF to qualified charities over the next several years.¹

Discuss the options that are best suited for your situation with your financial or tax advisors.

Annual Federal Personal Income Tax Deductions



Source: <https://www.wealthmanagement.com/>

Note: This example is based on a married couple filing jointly with \$10,000 allowable federal itemized deductions and \$30,000 assumed charitable gifts.

1. Eckler, T. (2018). Charitable gift bunching under the new tax law. Retrieved from <https://www.wealthmanagement.com>

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