

04.11.2023

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# Fidelity Charitable/Idaho State Bar

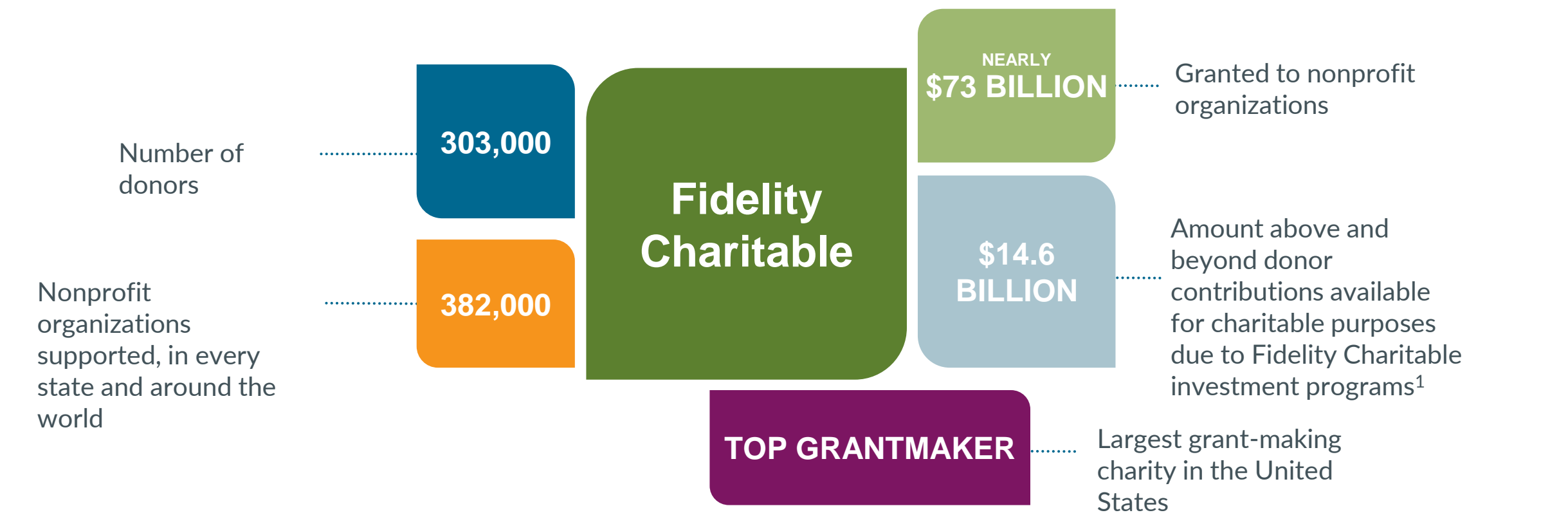
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# About Fidelity Charitable®

Fidelity Charitable® is an independent 501(c)(3) public charity, established in 1991. Our mission is to grow the American tradition of philanthropy by providing programs that make charitable giving accessible, simple, and effective. The primary vehicle for reaching that goal is our donor-advised fund, called the Giving Account®.



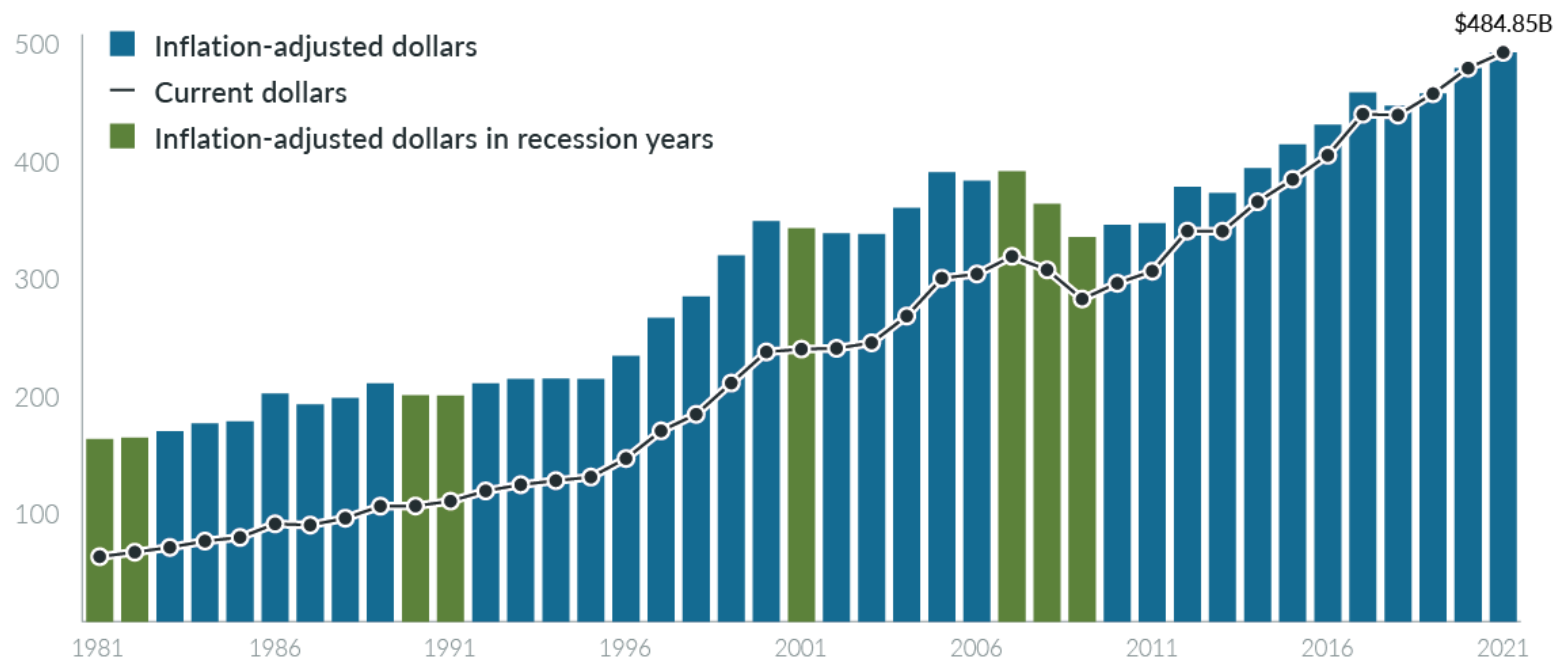
All data as of December 31, 2022

¹Based on cumulative contributions since inception minus cumulative grants since inception, subtracted from current assets as of December 31, 2022

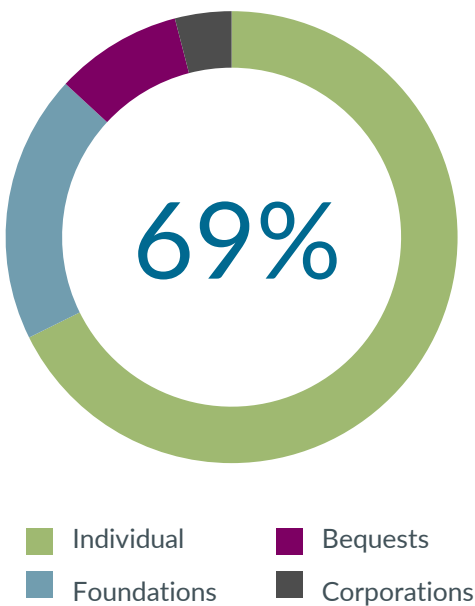


# Current Landscape of Philanthropy

## Charitable giving continues to increase<sup>1</sup>



An overwhelming majority of that giving is done by individuals<sup>1</sup>



<sup>1</sup> "Giving USA 2022 Study," Lilly Family School of Philanthropy.

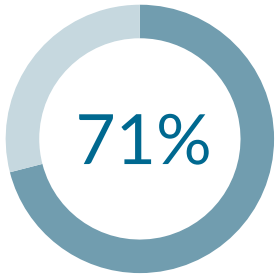
# Why Charitable Planning?

Meet a clear client need, differentiate and grow your business

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Of high-net-worth (HNW) households contribute to charity<sup>1</sup>



Of HNW clients agree that discussing philanthropy with their advisor is important<sup>1</sup>

## Integrating charitable planning into your client conversations:



Reinforces your position as a broad financial expert and may help you unlock new assets



Helps you think beyond the individual to the family



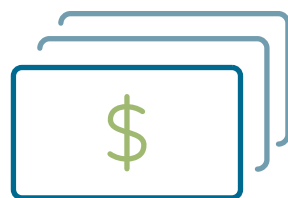
Allows you to develop a deeper client connection

<sup>1</sup> "2018 U.S. Trust Study of High Net Worth Philanthropy" conducted in partnership with the Indiana University Lilly Family School of Philanthropy.

# Key trends from 2022

Despite rocky markets, Fidelity Charitable granted **\$11.2B** in 2022

Percentage of assets types contributed in 2022, by dollars



43%

Cash



12%

Non-publicly Traded Assets



45%

Publicly Traded Securities

# 2023 Predictions

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- **Trust-based philanthropy** will reach mainstream adoption
- **Collective giving** will continue its rise
- Advisors will **differentiate** on their ability to offer services and advice around giving
- Increase in gifting **non-cash assets**
- Acceleration in **legacy giving**

Source: "What Will Charitable Giving Look Like in 2023?," Kiplinger, 2023.



# DAF 101

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# Giving with a donor-advised fund (DAF)

A donor-advised fund is one of the easiest and most tax-advantageous ways to give to charity

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1



## Give

### Make a tax-deductible charitable contribution

- Minimize capital gains taxes by contributing long-term appreciated assets
- Simplify recordkeeping
- Single donation can support multiple causes
- Ability to frontload and support charities over time

2

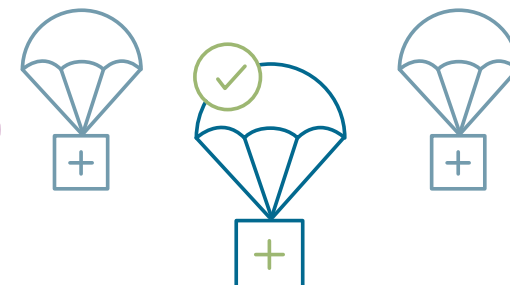


## Grow

### Contributions can be invested

- Potential for assets to grow tax-free
- Maximize support to charities

3



## Grant

### Recommend grants to IRS-qualified charities

- Online capabilities
- Involve family in giving and leave a charitable legacy
- Anonymity, if desired





# Tax Strategies

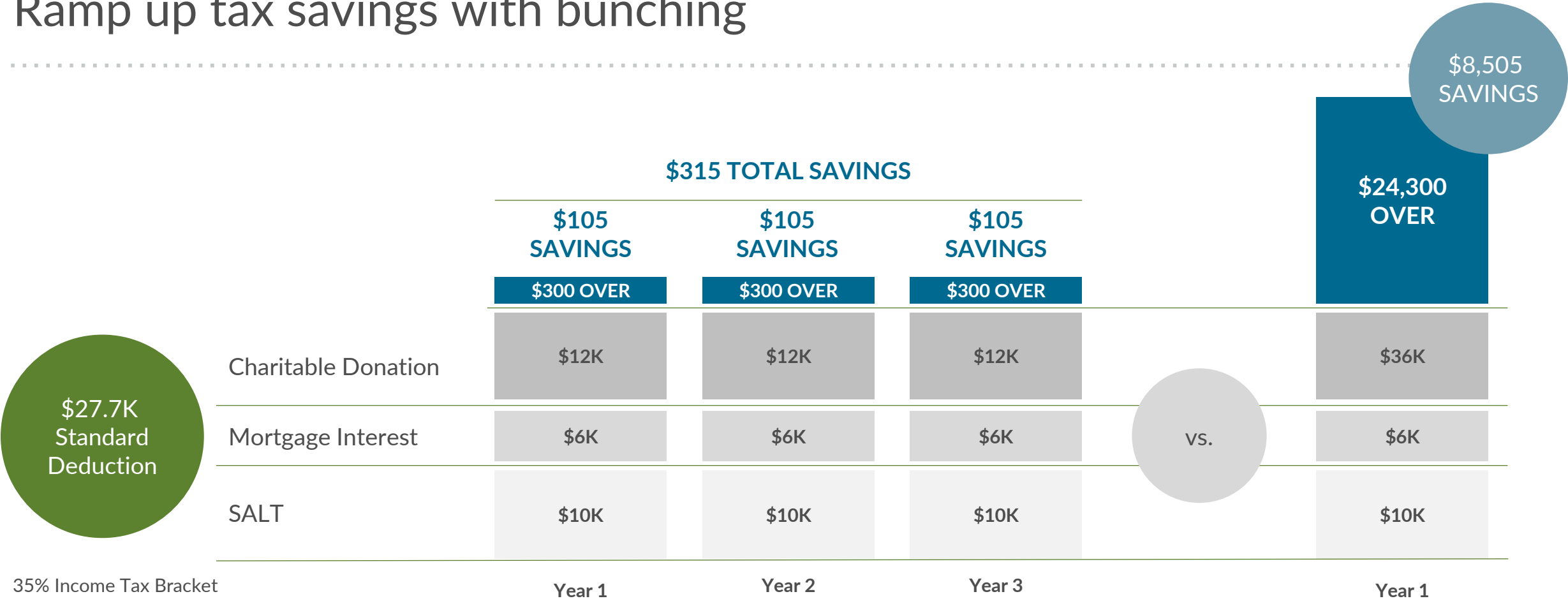
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# Bunching

## Households that itemize deductions



# Ramp up tax savings with bunching



**\$8,190\* MORE SAVED**

This is a hypothetical example for illustrative purposes only. This chart assumes a married filing jointly couple who contribute a cash gift. The tax savings referenced here are specific to the charitable donation made above the \$25,900 standard deduction. Information herein is not legal or tax advice. \*As with any tax planning strategy, there may be additional considerations that pertain to your client's personal situation. Other strategies may provide more flexibility and similar savings. Please consult your tax advisor.

# Offset a high-income year

	Income tax rate	Strategy #1 Annual giving strategy	Strategy #2 Annual giving strategy
Year 1 ( <i>high-income year</i> )	37%	\$10,000	\$100,000
Year 2	24%	\$10,000	-
Year 3	24%	\$10,000	-
Year 4	24%	\$10,000	-
Year 5	24%	\$10,000	-
Year 6	24%	\$10,000	-
Year 7	24%	\$10,000	-
Year 8	24%	\$10,000	-
Year 9	24%	\$10,000	-
Year 10	24%	\$10,000	-
TOTAL DONATION		\$100,000	\$100,000
TAX SAVINGS		\$25,300	\$37,000

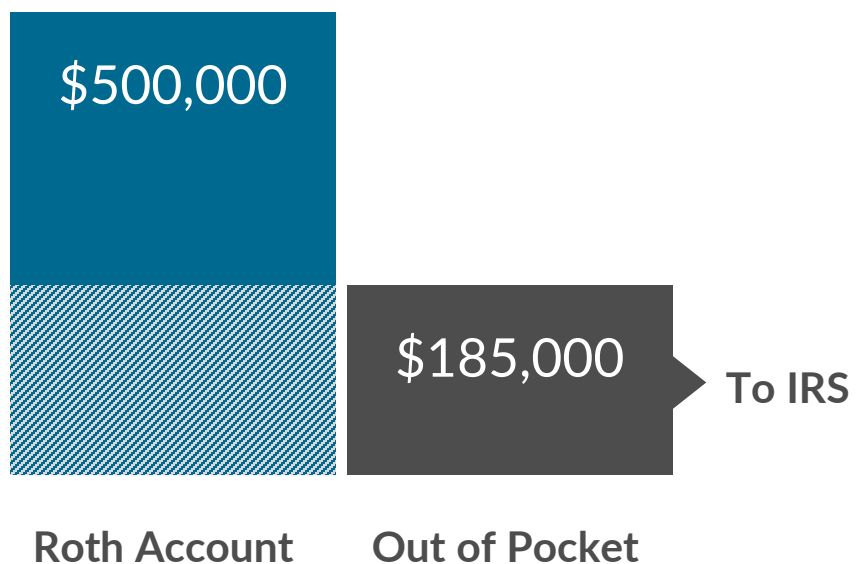
Additional \$11,700 (46%  ) in tax savings! ←

This is a hypothetical example for illustrative purposes only. This chart assumes the donor contributes a cash gift. State and local taxes and the federal alternative minimum tax are not taken into account. Information herein is not legal or tax advice.

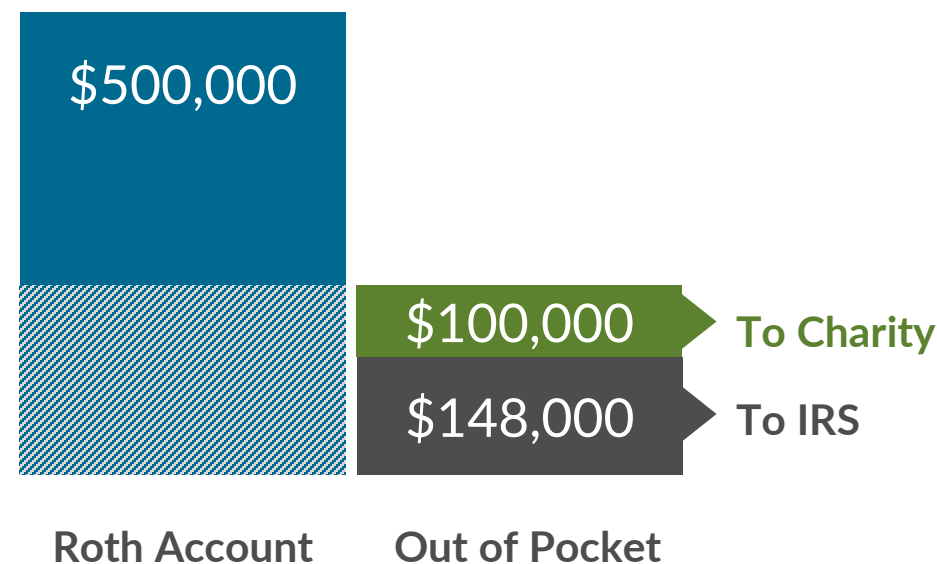


# Reduce tax cost of a Roth conversion

Paying for a conversion  
with no charitable deduction



Paying for a conversion  
with a charitable deduction



Hypothetical tax amounts assume a 37% federal tax rate, a \$500,000 Roth conversion amount and a \$100,000 fully deductible charitable contribution. The federal alternative minimum tax and state and local taxes are not taken into account.

# Assets to fund philanthropy

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Cash equivalents



Appreciated securities



Complex, non-publicly traded assets

## Benefits of donating long-term appreciated assets or complex assets:

- ☒ Generally entitled to the full fair market tax deduction<sup>1</sup> at the time of gift
- ☒ Reduce or eliminate capital gains tax
- ☒ Give more by donating directly rather than liquidating or before there is a prearrangement to sell

<sup>1</sup> For contributions of complex or non-publicly traded assets generally fair market value is determined by a qualified appraiser in compliance with IRS.



# Complex Assets

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# Examples of complex assets

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- Private Company Stock
  - S-corp
  - C-corp
- Bitcoin (and other cryptocurrencies)
- Private Equity Interests: Shares, LLC and Limited Partnership
- Restricted Stock
- Insurance Interests
- Oil and Gas Royalty Interests
- Certain Alternative Investments

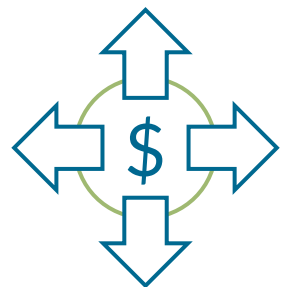


<sup>1</sup> 2012 Fidelity Charitable<sup>SM</sup> "Advice & Giving" survey, conducted by Harris Interactive for Fidelity Investments® on behalf of Fidelity Charitable. Respondents who work with a paid financial advisor and have at least \$100,000 in household income and a minimum of \$1 million in investable assets, excluding their primary residence.



# Key diligence points for the charity

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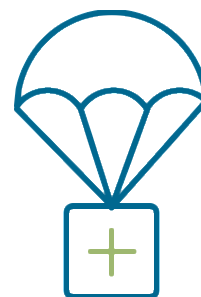
Transferability



Valuation



Liquidity & Timing



Risk Management

# Private business interests

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## Challenge

- Business owners may recognize a large tax liability upon the sale of equity or assets in the business

## Strategy

- A donation of some of the ownership interest provides a charitable tax deduction for the fair market value of the donated interest and minimizes capital gains exposure for the portion donated and sold by the charity rather than the business owner

# Considerations for donating complex assets

	Donor-Advised Fund (DAF) <sup>1</sup>	Directly to Public Charity	Private Foundation (PF)
<b>Tax deduction</b>	Fair market value	Fair market value	Cost basis
<b>Expertise handling complex assets</b>	Internal expertise (some may outsource)	May need to outsource—could reduce net amount	Generally outsource
<b>Deduction limitation (federal)</b>	30% of AGI	30% of AGI	20% of AGI
<b>Ability to diversify giving with one asset</b>	Multiple grants to many charities with one asset	100% of asset to one charity	Multiple grants to many charities with one asset
<b>Confidentiality</b>	Option to give anonymously on grant recommendations	May generate additional fundraising	Annual tax filings of IRS Form 990-PF is a public record of assets, contributors and grants
<b>Efficiency</b>	One point of contact for transaction	Multiple charities require multiple contacts	One point of contact for transaction

<sup>1</sup> At a 501(c)(3) public charity

# Appraisal requirements

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## Need “qualified independent appraisal” if over \$10,000

- Accredited by national appraisal organization
- Regularly receives compensation for performing valuations
- Has met certain education and experience requirements
- Cannot be a party to the transaction

## Appraisal “as of” the date of the contribution

- Only information “known or knowable” on or before the effective date can be considered in determining value
- Discounts for lack of marketability and lack of control
- Factors affecting discount include existing market, imminent sale of the company, put option, voting rights, etc.

No earlier than 60 days prior to the gift up  
until taxpayer’s filing deadline, with extensions



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# Recent Cases

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## Decisions related to DAFs

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- Dickenson
- Keefer
- Hoensheid

# Demystifying DAFs

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# Meet a typical Fidelity Charitable donor

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## Thinking about the next phase of their life



**55**

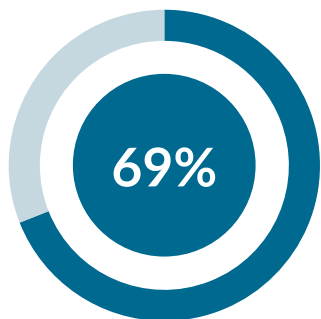
Average age when donors open an account



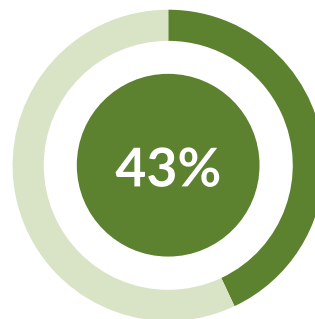
**62**

Average donor age

## Giving financial support as well as time



Volunteer their time to charity<sup>1</sup>



Volunteer 11 or more hours each month<sup>1</sup>

<sup>1</sup> Fidelity Charitable, The Role of Volunteering in Philanthropy, 2020



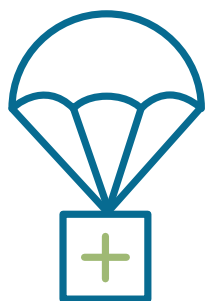
# Meet a typical Fidelity Charitable donor

## Our donors are committed and engaged



**11.8**



Average number  
of grants recommended

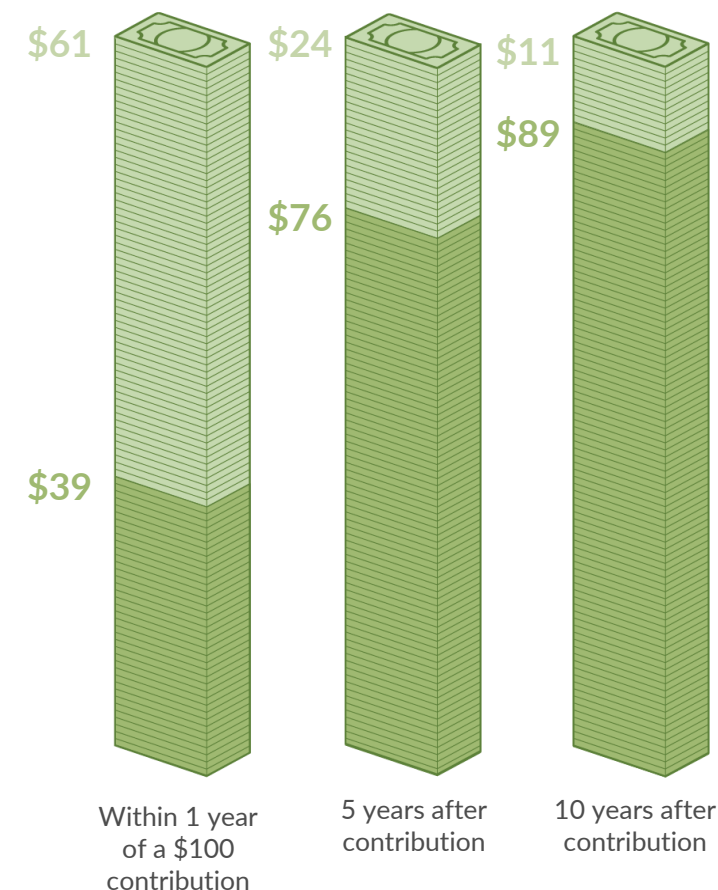


**\$4,798**

Average grant  
recommendation size

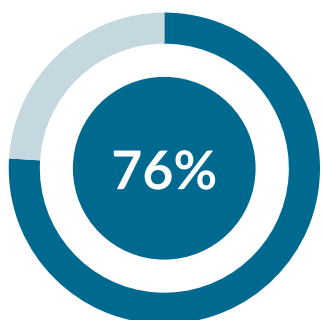
### Pace of contributions granted to charity

-  Dollars granted to charity
-  Remaining dollars for grants

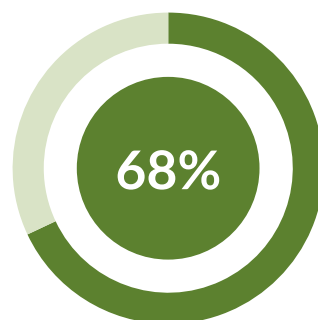


# Why do donors use a DAF?

Donors use DAFs to donate complex assets, to sustain or grow their giving, or to take time to decide on a giving strategy

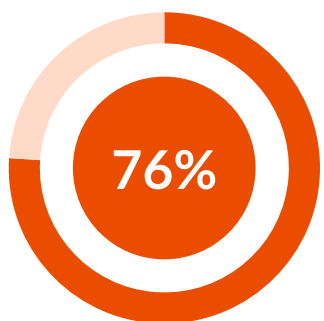


To donate appreciated assets, such as publicly traded stock or privately held assets

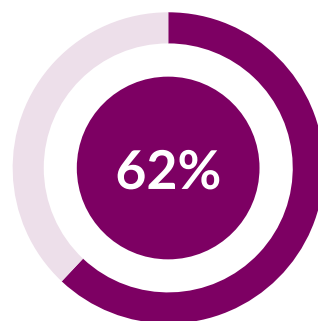


To give me time to decide where to give

- unexpected financial windfall
- sale of business
- inheritance
- variable income or year-end bonus



For investment growth of charitable assets



To sustain my giving through retirement

# Support when and where you need it

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## Fidelity Charitable's team of experts



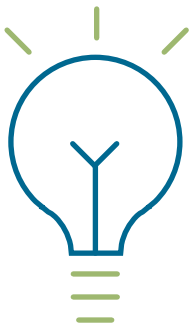
### **In-field Experts**

provide support and guidance



### **In-house Team of Attorneys**

facilitates illiquid contributions



### **Insights and Resources**

help you grow your practice



### **Dedicated Team**

delivers premium service  
for your most generous clients



303,781

Donors

185,640

Charitable Accounts

382,000

Nonprofits

Largest Grantmaker in the United States

# Questions?

# Disclosures

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