Community Foundations of the Hudson Valley

Inspiring and Celebrating Local Charitable Giving and Civic Engagement

THE CORE

A CFHV PROFESSIONAL ADVISOR NEWSLETTER

Welcome to Community Foundations of the Hudson Valley's inaugural Professional Advisor newsletter where you can find insights and information on topics involving you, your clients, and how Community Foundations can be a partner in your clients' philanthropic giving. Contained in this issue: DAF regulatory news, tax time advantages to working with the Community Foundations, and the challenges of clients who are emotionally tied to their stock.

Eyes on Washington: Donor Advised Funds in the News

If you're following the news about the IRS's proposed regulations related to Donor Advised Funds, you've likely noticed that the IRS has scheduled public hearings on the proposed regulations, set for May 6, 2024. The proposed DAF regulations have been the subject of conversation among financial and estate planning professionals, as well as a trending topic in philanthropy.

Click here for the Johnson Center 2024 National Study on Donor Advised Funds.

Our team at Community Foundations is paying close attention to the legal and legislative developments that may impact your clients' charitable planning. As more information becomes available about the status of the proposed regulations, we will certainly share it with you. It's anyone's guess at this point what the ultimate outcome will be because proposed regulations can go through many edits and changes before they become final and take effect.

We will keep you posted!

Tax Time Never Ends — The Advantages of the Community Foundations

Although it can be frenetic, tax time is often one of the best times to discuss charitable giving with your clients. That's because you're likely reviewing tax returns before they're filed, helping clients reflect on charitable deductions from the prior year and/or quarter (for those who file quarterly), and evaluating tax planning options for the current year.

Among the many benefits of discussing charitable giving with your clients is that your clients will view you not only as a transactional advisor, but also as a trusted professional who is knowledgeable about local community needs and nonprofits. This is especially the case when you have a close working relationship with the Community Foundations. What's more, for years, longstanding research has shown that a proactive advisor who offers options for incorporating philanthropy into financial and estate plans will inspire client loyalty, even across client generations.

An eye-opening range of flexibility and options
Advisors frequently comment that they're surprised to discover the many ways community foundations can help their clients, especially compared with national donor advised fund programs affiliated with brokerage houses or financial services firms.

Sometimes the greatest needs really are right here at home, and working with the Community Foundations is often the very best option for ensuring that your clients are informed and impactful philanthropists. The team at the Community Foundations works with local nonprofits every single day and thoroughly understands how organizations are meeting community needs.

Options for every client's unique situation
Our team welcomes the opportunity to work with you and your clients to implement their charitable giving goals. Here are just a few of the ways we can work with you as your planning work with clients gets into full swing in 2024.

WILLS AND TRUSTS: A client can establish a bequest to a fund at the Community Foundations through a will or trust, whether a specific bequest of a certain dollar amount or a remainder bequest of what's left in an estate. The Community Foundations is happy to provide proper bequest language.

RETIREMENT PLAN BENEFICIARIES: Bequests of qualified retirement plans can be extremely tax efficient. Funds flowing directly to a client's fund at the Community Foundations from a retirement plan after the client's passing, will not be subject to income tax or estate tax. By contrast, these assets are subject to both income and estate tax when they flow to a client's children, for example, upon the client's passing.

FAMILY PHILANTHROPY: Consider encouraging clients to involve their children and grandchildren in philanthropy, especially when the clients are working with the Community Foundations through a family donor advised fund or other collaborative vehicle.

INCOME TAX PLANNING: Remind clients that they are eligible for an income tax deduction for lifetime charitable gifts, and the gifted assets are no longer subject to future estate taxes.

Navigating Required Minimum Distributions (RMDs)
Recently read on MarketWatch, a client shared their experience with RMDs and charitable giving. This raises important considerations for clients managing their distributions and charitable contributions. How would you advise your client in a similar situation?

2024 Gift Tax
The IRS allows individuals to give away a specific amount of assets or property each year tax-free. For 2024, the annual gift tax exclusion is $18,000, meaning a person can give up to $18,000 to as many people as he or she wants without having to pay any taxes on the gifts. Check out this article in SmartAsset.

Helping Charitable Clients Who Are Attached to Their Shares

As an advisor, you know that giving highly appreciated stock is a far more advantageous gift to your client's fund at the Community Foundations than your client giving cash or liquid assets. But sometimes that's hard to convey when a client is emotionally attached to shares. It's useful to know how to overcome this common client objection.

When you encounter a client who is reluctant to sell, or give away, shares in a particular company that they've held for a long time, recognize that the attachment can come from a range of sources.

Sometimes the attachment is triggered by multi-generational transfers — "My great-grandfather bought these shares decades ago" — or its origins are based on personal ties such as stock in a former employer — "I worked at that company for forty years and I have that company to thank for my wealth".

Whatever the reason, emotional attachment to investments is not unusual and it can present significant challenges for wealth advisors, including potential psychological roadblocks to effective charitable planning.

Fortunately there is something you can do. Consider suggesting that the client donate shares of the highly appreciated and beloved stock from the client's personal investment portfolio to the client's fund at the Community Foundations, and they repurchase shares of that exact stock in their personal investment portfolio. This technique can work well for a few reasons: (1) publicly traded securities are typically deductible at their fair market value, which means that the projected tax deduction for the gift of shares can help the client fund the replacement purchase; (2) this series of transactions essentially resets the cost basis of the client's favorite stock to its current price, which could help reduce capital gains taxes on a future sale of that stock; and (3) the client can have the satisfaction of knowing that the shares are supporting the client's favorite charitable organizations and the community as a whole while also being a shareholder in the company.

Please reach out to CFHV if your clients need guidance on charitable giving. As a trusted partner in philanthropy for donors and their advisors, we empower individuals, families, businesses, and organizations to establish charitable funds aligned with both personal priorities and community needs. With over $100 million in assets and nearly 600 charitable funds, CFHV is committed to making a meaningful impact in the Hudson Valley.

DISCLAIMER: The team at Community Foundations of the Hudson Valley holds deep charitable expertise and may be a helpful resource as you serve your philanthropic-minded clients. However, our standing is secondary to the primary relationships you have with them. This newsletter is provided for informational purposes only and all information is collected through third-party sources. It is not intended as legal, accounting, or financial planning advice.