



Give today, grant tomorrow

A little bit of charitable planning could save thousands in taxes –
and even *increase* your ability to give

Some donors may be paying more in taxes than they need to.

That's because 87.3% of all tax returns in 2020¹ are filed using the standard deduction—meaning they are not realizing the potential of itemized charitable tax deductions. And with more than half of Americans donating to charity that same year², it's safe to assume that the charitable donations of many taxpayers play little to no role in their final tax-filing.

So why don't more people itemize? The simple fact is that the current standard deduction rate is at a record high—\$29,200 for 2023 filings. For many people, it is easier or even more helpful to take the standard deduction rather than itemizing.

But with a little strategic planning, you might be able to access the benefits of itemizing your charitable donations *and* the standard deduction.

This is possible by utilizing a strategy called *bundling*—a method of utilizing a donor-advised fund, like KCCF's Charitable Fund, to bundle multiple years of giving into a single year.

In year one, the donor makes a single contribution equal to the total amount he plans to give over the next two to three years. That bundled gift qualifies for a tax deduction in that first year, potentially saving thousands in taxes. In the intervening years, the donor takes the standard deduction and grants out his charitable dollars to his favorite charities from his Charitable Fund.

Plus, since the balance within a Charitable Fund is invested with no tax implications on growth, the donor may have even more money available to grant out to charity!

BUNDLING – a giving strategy where a donor contributes two or more years of their planned charitable giving in a single year to maximize both itemized and standard deduction tax-filings




1 <https://www.irs.gov/pub/irs-pdf/p1304.pdf#page=20>

2 <https://www.lendingtree.com/debt-consolidation/charitable-donations-survey-study>

BY THE NUMBERS

The Smiths – An Itemizing Family Married, filing jointly



Marginal tax bracket: 32%
Mortgage interest deduction: \$10,000
State and Local Tax Deduction: \$10,000
Annual Charitable Giving: \$10,000

EXAMPLE ONE – NOT BUNDLING

The Smiths conduct their charitable giving as normal, making direct donations to various charities totaling \$10,000. Their deductions place them slightly above the standard deduction, so they itemize their tax returns.

	Year One	Year Two	Year Three
Tax Deduction	\$30,000	\$30,000	\$30,000
Tax Savings	\$9,600	\$9,600	\$9,600
Charitable Giving	\$10,000	\$10,000	\$10,000

Total tax savings: \$28,800

EXAMPLE TWO – BUNDLING


Instead of making \$10,000 in direct charitable donations each year for three years, the Smiths make a single \$30,000 contribution into a Charitable Fund in Year One. They then take the standard deduction in years two and three.

	Year One	Year Two	Year Three
Tax Deduction	\$50,000	\$29,200	\$29,200
Tax Savings	\$16,000	\$9,344	\$9,344
Charitable Giving (from a Charitable Fund)	\$10,000	\$10,000	\$10,000

Total tax savings: \$34,688

By bundling, the Smiths would save an additional **\$5,888**—not to mention the time saved in years two and three by taking the standard deduction. That's additional time and money that they can focus on hitting their other financial or charitable goals! Additionally, by bundling their giving with a Charitable Fund, the Smiths grant out their intended \$10,000 a year in charitable giving, meaning they receive these savings without having to change their support of their favorite causes.

The Johnsons – A Standard Deduction Family *Married, filing jointly*



Marginal tax bracket: 22%

Mortgage interest deduction: \$0

State and Local Tax Deduction: \$10,000

Annual Charitable Giving: \$10,000

EXAMPLE ONE – NOT BUNDLING

The Johnsons, like the vast majority of Americans, do not itemize but take the standard deduction instead—meaning their charitable giving does not factor into their overall tax savings.

	Year One	Year Two	Year Three
Tax Deduction	\$29,200	\$29,200	\$29,200
Tax Savings	\$6,424	\$6,424	\$6,424
Charitable Giving	\$10,000	\$10,000	\$10,000

Total tax savings: \$19,272

EXAMPLE TWO – BUNDLING

If the Johnsons instead apply a bundling strategy, their charitable deductions in year one push them over the standard deduction.

	Year One	Year Two	Year Three
Tax Deduction	\$40,000	\$29,200	\$29,200
Tax Savings	\$8,800	\$6,424	\$6,424
Charitable Giving (from a Charitable Fund)	\$10,000	\$10,000	\$10,000

Total tax savings: \$21,548

Just by bundling their giving together, the Johnsons save an additional **\$2,186** on taxes—with no effect on their filings in years two or three! And, once again, there is no need to change how much money the Johnsons give to charity each year when they bundle with a Charitable Fund.

SOME IMPORTANT CONSIDERATIONS



Gift Types Matter

Gifts of cash are tax-deductible up to 60% of your Adjusted Gross Income, but gifts of appreciated securities are deductible only up to 30% of AGI. While there is a five year carry forward on those deductions, the purpose of a bundling strategy is to benefit from itemizing in one year, and then take the standard deduction in future years.

If your bundling strategy requires you to make a gift greater than 30% of your AGI, you may want to stack cash giving on top of gifts of appreciated assets to maximize tax deductions.

Tax Laws Can Change

A bundling strategy relies, in part, on capitalizing on the increased standard deduction enacted by the Tax Cuts and Jobs Act of 2017. This provision is currently set to expire at the end of 2025.

While Congress could extend the increased standard deduction, if the provision expires then the standard deduction will effectively be halved. This possibility should be considered when determining a bundling strategy that includes planning for 2026 or beyond.

Always Consult with an Advisor

When considering tax planning and complex giving strategies, it is important to discuss your charitable giving with your financial or tax advisor. Your advisors can guide you regarding the specific considerations you may have when it comes to your financial situation and tax filing.



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