

FINANCE

The financial planner's guide to giving – 3 tips for the holidays



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1 Consider the tax benefits of charitable gifts.

Given the current economic climate in Houston, it is likely that our local charities will need your support this holiday season. There are many tax advantages to giving to charity.

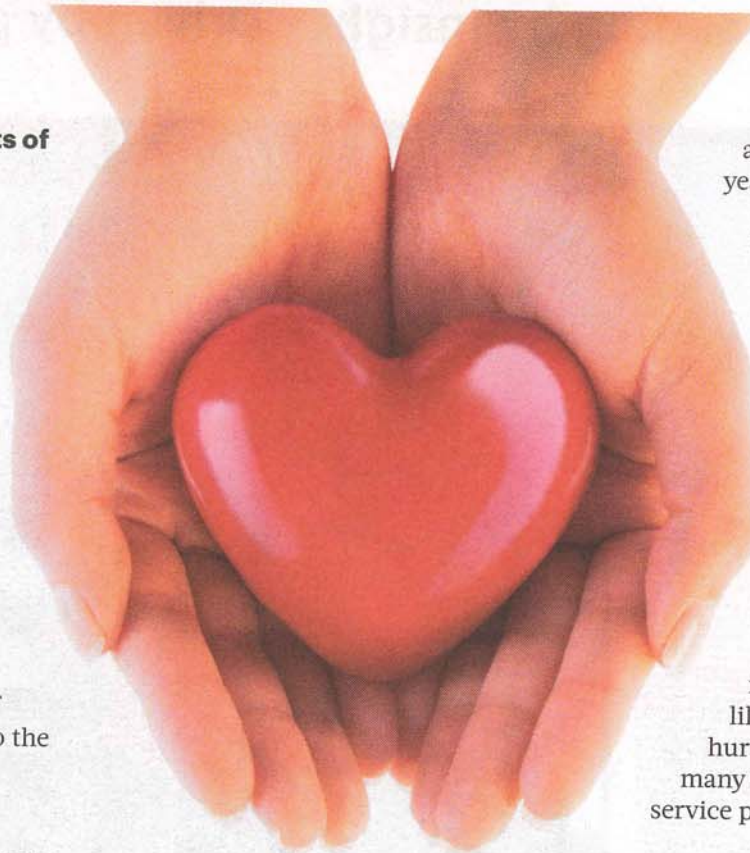
In most cases, you will get an income tax deduction, which will likely reduce your taxable income. Depending on your marginal tax rate and gift amount, this can be significant. You can deduct up to 50 percent of adjusted gross income for cash gifts, and 30 percent for gifts of property. Of course, keep in mind that to get this deduction, you need to itemize.

Gifts of appreciated property in lieu of cash are a great way to leverage charitable gifts because the deduction is equal to the market value regardless of original cost, and embedded gains are not taxable to the donor or the charity.

2 Set up a donor-advised fund.

Donor Advised Funds allow you to separate your tax decisions from your giving decisions. The account will have to be set up through a qualified custodian (such as the Houston Community Foundation).

The donor receives an immediate tax deduction for the property donated, whether it is cash or an appreciated asset. As well, the income or gains from fund



holdings are never taxable. The donor makes grant distributions from the fund to desired charities, but no distributions are required under typical operation in any year. This way, you can accelerate charitable deductions into a big income tax year.

When you exercise stock options, sell your business, or realize large capital gains, a Donor Advised Fund makes it easier to use appreciated stock for gifts to small charities, allows for anonymous giving, and is a simpler alternative to a private foundation. It is inexpensive to set up with no tax filing requirements, the account custodian handles the administrative paperwork and tax filings, and Private Foundations have lower limitations on AGI.

3 Pay it forward with Bayou City benevolence.

Holiday bonuses can be paid in many different ways. One popular technique is to give gift cards instead of cash. In a tough economy, people are less likely to splurge on themselves, and their cutbacks hurt Houston businesses. This year, let's support our many outstanding local businesses such as restaurants, service providers and local entertainment venues.

Brian Merrill is a partner and director of marketing of Tanglewood Wealth Management, a Houston-based investment adviser with about \$830 million in assets.