6 CHARITABLE GIVING STRATEGIES FOR 2025

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Charitable giving provides donors with many meaningful benefits, including personal fulfillment, stronger community ties, meaningful civic impact, and the opportunity to reinforce family unity and legacy. While many philanthropically minded individuals are driven by values, it's also important to recognize the tax advantages that certain giving strategies offer. These benefits, as well as potential complexities, vary significantly depending on the method of giving. Understanding your options is essential to ensuring your charitable efforts align with both your values and long-term financial goals. In this article, I'll walk through some of the most common ways to give to charity and highlight how they compare.

1. Direct Giving

Direct giving is the transfer of cash, securities, and/or property directly to a charitable organization.

Best for:

- Donors wanting to make a quick, simple donation with immediate impact
- Individuals with long-term gains

Benefits:

- Immediate impact
- Simple and fast

Tax Considerations:

- Charitable deduction of up to 60% of adjusted gross income for cash and 30% for assets in the year of the gift
- Avoids recognition of capital gains on appreciated securities
- When donating appreciated stock, the donor receives a charitable deduction for the full fair market value of the stock, while avoiding capital gains tax on the appreciation
- At the same time, the charity — being tax-exempt — can sell the stock without paying capital gains tax, ensuring they receive the full value of the gift

Restrictions:

- Must itemize taxes to receive deduction
- Limited to gifts for qualified 501(c)(3) charities

2. Donor-Advised Fund (DAF)

A DAF is a charitable investment account administered by a sponsoring organization that allows you to donate money or assets (including property, stocks, art, cryptocurrency, private business interests), take an immediate tax deduction, and then recommend charities for the fund sponsors to give grants to over time. DAFs have increased in popularity due to their convenience, simplicity, privacy, and accessibility.

Best for:

- Donors wanting tax benefit now with the flexibility to give over time

Benefits:

- You get an immediate charitable tax deduction in the year you contribute even if you don't distribute the funds to charities right away
- Flexible grant making with no annual payout requirements
- Tax-free growth of investments
- DAFs can offer anonymity in giving
- The sponsoring organization handles receipts, grant processing, and administration
- Many DAFs allow you to name successor advisors (e.g., your children), extending charitable involvement to future generations

Tax Considerations:

- Charitable deduction up to 60% of adjusted gross income for cash and 30% for assets

Restrictions:

- Irrevocable
- May have limited investment options
- Administrative fees
- Limited to gifts for qualified 501(c)(3) charities

3. Private Foundation

A private foundation is a type of nonprofit organization typically established and funded by an individual, family, or corporation to support charitable activities.

Best for:

- High-net-worth donors seeking control, structure, and multi-generational impact and involvement

Benefits:

- Full autonomy and control over investments and grants
- You and your family can serve on the board of directors
- Legacy-building and encourages family involvement
- Can give to a wider range of recipients beyond 503(c)(3) organizations

Tax Considerations:

- Charitable deduction up to 30% of adjusted gross income for cash and 20% for assets
- Tax-free growth
- Subject to excise tax on investment income

Restrictions:

- High startup costs

- 5% payout required annually (including grants and qualified expenses)
- Complex rules and regulations regarding self-dealing, compensation, and other prohibited activities
- Lowers tax-deduction limits
- Must file US Internal Revenue Service Form 990-PF (Return of Private Foundation) annually, which is public and includes details on finances, grants, and governance

4. Qualified Charitable Distribution (QCD)

A QCD is a direct transfer of money from your retirement account to a qualified charity.

Best for:

- Retirees taking the required minimum distributions (RMD) from their retirement accounts who do not need the income and are seeking tax-efficient, simple giving

Benefits:

- Reduces taxable income by the amount of the transfer
- Satisfies RMD requirement

Tax Considerations:

- Up to $108,000 per year excluded from income per individual (indexed for inflation)
- No need to itemize because the donated amount does not count as taxable income and there is no charitable deduction

Restrictions:

- You must be 70½ or older to make a qualified charitable donation
- Available for traditional IRAs only (not 401(k)s, SEP IRAs in active use, or Roth IRAs)
- Must go directly to public charities only
- DAFs and foundations do not qualify

5. Charitable Trusts

A charitable trust is a type of irrevocable trust established to support charitable purposes. It's a legal arrangement in which a donor (the grantor) transfers assets to a trust, which is then managed by a trustee for the benefit of one or more charitable organizations. There are several kinds of charitable trusts, each with different purposes, structures, and benefits.

Best for:

- Individuals or families who want to balance philanthropy with financial planning, often involving significant assets, tax strategy, or legacy goals

Benefits:

- Income stream for donor or beneficiaries combined with charitable giving
- Succession planning

Tax Considerations:

- Income tax deduction depending on the type of trust
- Capital gains deferral or avoidance depending on the type of trust
- Estate tax reduction

Restrictions:

- Irrevocable
- Requires preparation of legal documents and annual administration
- IRS compliance

6. Bequest/Planned Gift

A charitable bequest is a statement in your will or living trust that designates a gift to a charitable organization. A bequest may state a specific amount or percentage, include the residuary of your estate and/or be contingent upon certain circumstances and conditions.

Best for:

- Donors wanting to leave a gift through their estate while maintaining control and access to their assets during their lifetime

Benefits:

- Preserve assets while living and maintain control over investments
- Customizable and revocable
- Charitable legacy beyond your lifetime

Tax Considerations:

- Reduces estate tax by the amount of the gift
- No income deduction during life

Restrictions:

- Takes effect at death with no impact during life
- Requires estate planning
- May go through probate

Determining the most suitable charitable vehicle depends on your financial position, philanthropic goals, tax situation and the level of involvement you want in the charitable giving process. Our team is available to help you determine the best method for you and your family.

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