COMMENTARY

Giving: Is it better now, later or after?

BY SCOTT BURNS
The Dallas Morning News

Most people think about giving as something to do when they are dead.

Here's a better idea. Be a now-ist. No time like the present.

If you give money to charities and people in need now, you'll do it. Personally. You'll enjoy it, which is something you can't do if you are dead.

This may be useful for people who don't think of themselves as budding philanthropists.

How could that be? Easy.

There are people who have more money than they need.

Don't laugh. You might be one of them.

No way, you say?

Well, think again.

When most of us think about people who have more money than they need, we think about people who are wildly rich. It's always fun to think about what we would do with vast amounts of another person's money.

But there's another not-so-obvious group. And it's growing rapidly. Demography says the group will be growing for many years. They are the Some Day Philanthropists.

They can be single, widowed or married. But they are older, usually over 70. They may have no children. Or they have grown children who are well-off. Either way, there is no pressing need for them to provide for immediate family.

They've also hit an age

That means less of your money will go to taxes. More will go to people and organizations that need it.

Worried that it won't be tax deductible because you haven't itemized for years? Don't be. With the standard deduction for a single taxpayer at $12,550 for 2021 and $12,950 for 2022, you'll have a good deduction even if your taxable nest egg is $500,000 and you contribute $50,000.

Here's an example. Suppose you have a stock worth $50,000 that you bought for $25,000. If you contribute that stock, you avoid the capital gains tax on the $25,000 gain as well as enjoy a deduction on the full $50,000 value.

And, trust me, this isn't Big League giving. The most recent report from the National Philanthropic Trust found that the average size of donor-advised fund accounts was $159,019 in 2020. But while those funds total only one-seventh of the assets of private foundations, they are far more generous, granting about 22% of assets a year, while private foundations grant under 6% of assets a year.

You'll be in good company.

Once you've created the account, give away 10%, or more, of the account every year. Think of it as the core of your annual giving. It's a fund that will last a decade, and you'll be providing help now.

My wife and I have shared a donor-advised fund account since 2006, the first at Fidelity, the second at Schwab. Both

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They've also hit an age where their personal spending is declining. But their income and net worth are still climbing. Some of them are the people who complain about the high taxes on their unneeded required minimum distributions.

They don't have to be multimillionaires. They only need to be financially comfortable with a combination of Social Security, pension or other income that easily covers their regular needs and, probably, all of their wants.

They could share their wealth, but they don't get around to it. Or they've planned to give it all away after they die.

My suggestion: Give some serious thought to giving away some of your nest egg. And do it now.

Here are two good ways to accomplish that.

- Donate part of your nest egg to a donor-advised fund. If you have money in taxable investments that have enjoyed large gains, you'll get a good tax break for this. First, you'll get the current market value of the investments as a deduction. Second, you'll avoid paying capital gains tax on the unrealized gains.

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- Make donations from your required minimum distributions. If you are of age for required minimum distributions, you can now make qualified charitable distributions from your retirement accounts. You can do this up to the full amount of your RMD without creating a taxable event.

Presto, the dreaded "taxable event" disappears.

One limitation is that the distributions cannot be to a donor-advised fund. They must go directly to a registered nonprofit organization.

Here's an example. Suppose your required minimum distribution is $30,000, and most of that money would be in the 24% tax bracket for singles – taxable income over $89,075. Then every RMD dollar donated directly, up to $30,000, would cut your tax bill by 24 cents.

Either way, you're doing a good thing, creating hope in a dark and dangerous world.