The University Impact Donor-Advised Fund

CHARITABLE BUNCHING

A Smart Way to Maximize Your Family's Charitable Deductions

Donor-Advised Funds (DAFs) with University Impact offer various strategies to reduce taxable income and increase your family's focus on giving - one of those strategies is charitable bunching. The concept of charitable bunching allows you to frontload your charitable contributions to a DAF and increase your tax savings by contributing multiple years of charitable deductions in one year.

Not only is charitable bunching advantageous for individuals who consistently make charitable donations, charitable bunching also provides additional tax benefits for years in which you may have an unusual amount of taxable income that is not likely to reoccur in future years. This may include appreciated stock, the sale of a business, or other liquidity events. A charitably minded taxpayer simply shifts the timing of their deductible charitable expenses by bunching them together within the same tax year

By bunching all expected future contributions to nonprofits into a single contribution to a DAF, you receive an immediate tax deduction and then are able to take the standard deductions in future years. This strategy provides a greater sum of applied deductions over several years.

To learn more, speak to your financial advisor. They will explain what options might be ideal for you and your family's individual situation.

Find out how the University Impact DAF can help empower your family's focus on giving and impacting the good that our world so desperately needs.

University Impact DAF
UITripledaf.org
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UI UNIVERSITY IMPACT

Set up a DAF today by visiting uitripledaf.org

Case Study

A married couple and their young children donate $10,000 a year to various charities they select together. Their deductions are their maximum $10,000 deduction in state and local taxes (SALT) and $6,000 in mortgage interest. When they add their $10,000 in charitable contributions, they have $26,000 in total deductions.

However, the standard deduction for a married couple is $25,100. This means that although they are donating $10,000 a year, they are only receiving a $900 additional deduction ($26,000 itemized deductions minus the $25,100 standard deduction).

They are in a 40% tax bracket, which means they have a $360 tax saving above the standard deduction of $25,100. Over a five year period, this would be $1,800 of tax savings ($360 x 5 years = $1,800).

Their financial advisor suggests they consider setting up a DAF and bunch five years of contributions into the fund.

Now their tax picture looks much different.

They still have the $10,000 deduction for the state and local taxes and the $6,000 deduction for their mortgage interest. By placing five years of $10,000 contributions in their DAF, they now have an additional $50,000 of charitable deductions they can use immediately for the tax year they made the donation.

Their new tax breakdown will be:

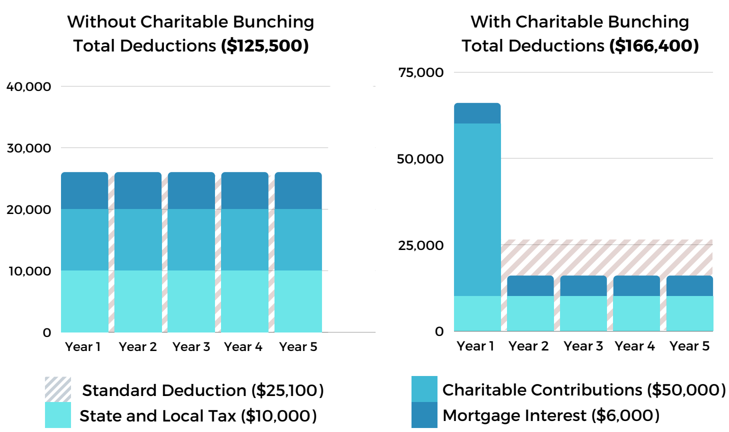
State and Local Tax deduction:	$10,000
Mortgage interest deduction:	$6,000
Charitable Bunching deduction:	$50,000
Total itemized-deduction:	$66,000

Remember, the standard deduction is $25,100 for a married couple, their total deduction is now $40,900 more than the standard deduction. At a 40% tax bracket, they now have $16,360 of tax savings compared to the $1,800 they would have had.

In the next four years, they will still claim the standard deduction of $25,100, and they will allocate the same $10,000 a year to their favorite charities from their newly created DAF.

Their financial advisor's recommendation of bunching made sense in their situation. Since charitable giving was an essential part of their family's financial plan, charitable bunching effectively unlocked extra deductions.

As their money in the DAF awaits their philanthropic contributions, it potentially keeps growing as their financial advisor continues working with them to invest the funds according to their growth and risk parameters.



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