



TAX STRATEGIES FOR CHARITABLE GIVING

“Bunching” contributions to reach tax savings

The Tax Cuts and Jobs Act, a comprehensive overhaul to the tax code, was signed into law in December 2017. While the charitable tax deduction remained intact, other changes influenced when and how much Americans give to charity. People, of course, continue to be motivated by the desire to make a positive impact on causes that they are passionate about. However, the tax reform law made it more important than ever to make savvy financial decisions about charitable giving.

Here, we discuss “bunching,” a tax strategy that involves adjusting the cadence of your charitable giving to maximize tax savings.

Bunching charitable contributions

With the standard deduction doubled and many popular deductions eliminated, it may not make sense to itemize your tax deductions. But how can you still receive a tax benefit for charitable giving?

One strategy to consider is called “bunching.” To take advantage of this strategy, you contribute multiple years’ worth of your charitable giving in one year to surpass the itemization threshold. In off-years, you could take the standard deduction.

Consider this example. John, who files his taxes as single, donates \$10,000 each year to his alma mater. In the past, his \$10,000 donation has put him over the itemization threshold, and he has deducted the amount from his income as a charitable tax deduction.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
John’s Pre-Tax Reform Strategy						
Donation	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Deduction	Itemize	Itemize	Itemize	Itemize	Itemize	Itemize
John’s Post-Tax Reform Strategy						
Donation	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0
Deduction	Itemize	Standard	Itemize	Standard	Itemize	Standard

Under the tax reform law, his \$10,000 donation no longer surpasses the standard deduction. However, if he “bunches” two years of donations into one year, he can itemize every other year and receive the full tax benefit of his charitable giving.

How a donor-advised fund can help

A donor-advised fund is an ideal vehicle to support this tax planning strategy. By contributing to a public charity with a donor-advised fund program, such as a Fidelity Charitable® Giving Account®, you can create a cache of available funds to continue your regular yearly support to charity. Many taxpayers want to continue supporting their favorite charities with regular contributions, and a donor-advised fund makes that possible for taxpayers who use the “bunching” strategy to maximize their tax savings. With a donor-advised fund, you can feel confident knowing that you have maximized your charitable giving—both for yourself and the charities you love.

Call a Charitable Planning Specialist at **800-682-4438** or visit **FidelityCharitable.org** to learn more about our donor-advised fund program.

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