5 WAYS DONOR-ADVISED FUNDS HELP OPTIMIZE CHARITABLE GIVING

RETIRE WISE

Donor-advised funds (DAFs) have become increasingly popular among individuals and families seeking to fulfill their charitable giving and tax planning goals due to their flexibility and ease of implementation. A DAF is a charitable investment account that allows you to make donations to your fund, receive an immediate tax-deduction, and then make grants from the fund to the charities you support, on your schedule. Below are five ways donor-advised funds can help you pursue your charitable giving goals.

1. **Streamline your charitable giving.** DAFs enable donors to centralize and manage their giving strategies from a single convenient account, making it easy to document donations at tax time.
2. **Maintain flexibility and control.** DAFs are highly flexible, allowing you to determine the amount and frequency of your contributions, how funds are invested, the number of 501(c)(3) charitable organizations you choose to support, and when you want to make grants to one or more organizations.
3. **Donate a broad range of assets.** You can contribute cash, publicly traded securities (such as appreciated stock, bonds, and mutual funds), real estate and other tangible assets, and even business interests to your fund. While many charitable organizations are unable to accept complex assets, such as real estate or property, they are able to accept grants from your fund. In addition, you do not incur capital gains tax on gifts of appreciated assets to the fund.
4. **Maximize your impact.** While donations to the fund are irrevocable, they can grow tax-free, helping to further increase your philanthropic impact over time.
5. **Enjoy generous tax benefits.** If you itemize on your tax return, you are generally eligible to deduct cash donations made via check or wire transfer of up to 60% of your adjusted gross income (AGI). Contributions of appreciated assets and property are generally capped at 30% of AGI if they're made to qualifying organizations. In both cases, donors enjoy a five-year carry-forward deduction on gifts that exceed AGI limits.[1]

If you normally take the standard deduction, you may want to consider "bunching" several years of donations into the current year if that would enable you to itemize and take the deduction this year. You could then make grants to the charitable organizations you support immediately or over time, based on your preference. Be sure to meet with your tax and financial professionals before implementing this or other tax strategies.

To learn more about donor-advised funds or other tax-smart charitable giving strategies, contact the office now to schedule a time to talk.

1)"Publication 526 (2023), Charitable Contributions." IRS.gov, 9 SEP 2024, http://www.irs.gov/publications/p526#en_US_2023_publink1000229802.

Don't Miss These 3 Important Changes for Medicare in 2025

Big changes are on the horizon for Medicare Part D drug plans thanks to the Inflation Reduction Act of 2022. One provision you may be familiar with already went into effect in 2023: the $35 cap on the price of Part D covered insulin. Three more changes for Medicare plans with prescription drug coverage go into effect on January 1, 2025:[1]

1. **Maximum annual out-of-pocket costs capped at $2,000 for prescription drugs.** In 2025, Part D plans can have an annual deductible up to $590 (up from the maximum of $545 in 2024). The $2,000 cap includes deductibles, copayments, and coinsurance amounts you pay for covered drugs. It doesn't apply to premiums or to drugs a plan doesn't cover.
2. **Elimination of the "donut hole" coverage gap phase**, which occurs when you and your drug plan reach $5,030 spent on covered medications in 2024, known as the "donut hole." Plans pay less in this gap, especially for brand-name drugs, and have dispensing fees. You may pay more out of pocket for the same meds than in your initial coverage period. Elimination of this coverage gap in 2025 will simplify how Part D drug plans work.
3. **Ability to spread payments for out-of-pocket costs** for prescription drugs throughout the calendar year. The Medicare Prescription Payment Plan will let enrollees opt to pay their prescription costs monthly rather than all at once.

These changes, which are intended to lower out-of-pocket costs for Part D enrollees, could also make it harder for some Part D plan sponsors to offer low-priced coverage, particularly sponsors of stand-alone prescription drug plans (PDPs). Standalone PDPs differ from Medicare Advantage plans, (also called Part C), which are Medicare-approved "bundled" plans which include Medicare Part A (hospitalization), Part B (outpatient), and usually Part D (prescription drug coverage). While the Inflation Reduction Act includes a 6% cap on base Part D premiums, the cap does not apply to the total premium that individual plans may charge you. So enrollees may see a wide variance in premiums, copayments, and covered drugs across different plans.[2] If you already have Part D coverage, be sure to review the annual notice of change your plan sent in September that outlines changes to your plan for 2025.

The Medicare Annual Enrollment Period (AEP), which runs from October 15 to December 7, presents an opportunity for new and existing enrollees to compare plans, prices, and coverage for the upcoming year. If you have a Medicare Advantage plan, you have another opportunity to make changes during the Medicare Advantage open enrollment period, which runs from January 1 – March 31. However, you must already be enrolled in a Medicare Advantage plan to do so.

1)Lankford, Kimberly, "7 Medicare Changes You'll See in 2025." AARP.org, 26 AUG 2024, http://www.aarp.org/health/medicare-insurance/info-2024/medicare-changes-coming-in-2025.html.
2)"CMS Releases 2025 Medicare Part D Bid Information and Announces Premium Stabilization Demonstration." CMS.gov, http://www.cms.gov/newsroom/fact-sheets/cms-releases-2025-medicare-part-d-bid-information-and-announces-premium-stabilization-demonstration.

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