

Beginning in 2018, the standard deduction was significantly increased, and various itemized deductions were eliminated or subject to dollar amount caps. Taxpayers may now find it more advantageous to take the increased standard deduction rather than itemizing deductions. However, if you make charitable donations, there is a potentially more tax-advantaged approach you can incorporate into your tax planning strategy called “bunching.”

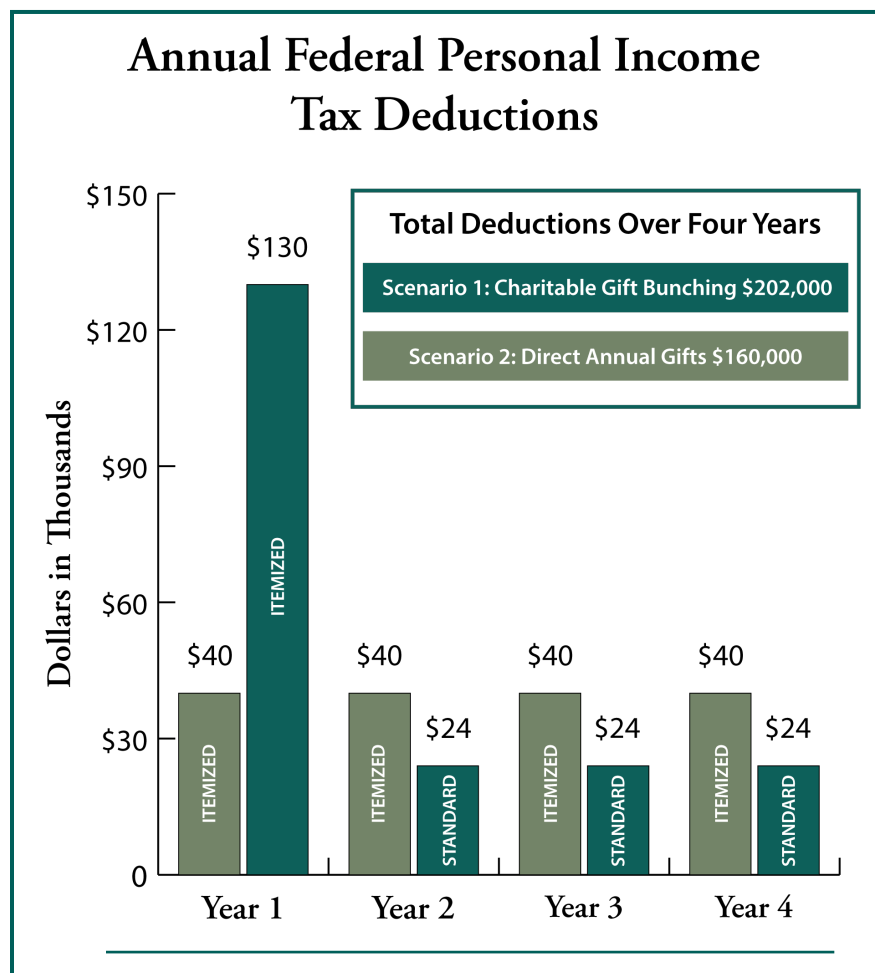
People often make charitable contributions yearly. “Bunching” is a multi-year approach to tax planning that takes tax-deductible charitable contributions to qualified organizations that would normally be made over two or more years and combines these into one larger donation made in a single tax year, exceeding the amount of the standard deduction. This larger amount for the charitable contribution is deducted from your taxes in the current year. The standard deductions would be taken in subsequent years when no charitable contribution is made.

In the example shown, the deductions for combined gifts in one year are more than if the items were deducted each year. Consider this approach if your normal contributions in a given year do not exceed the standard deductions.

### Donor Advised Funds (DAF)

You may want to consider contributing cash or securities to a Donor Advised Fund (DAF). If you invest into a DAF, you could also receive an income tax deduction during the current year by itemizing deductions on your tax return. You would still be able to recommend grants from the DAF to qualified charities over the next several years.<sup>1</sup>

Discuss the options that are best suited for your situation with your financial or tax advisors.



Source: <https://www.wealthmanagement.com/>

Note: This example is based on a married couple filing jointly with \$10,000 allowable federal itemized deductions and \$30,000 assumed charitable gifts.

1. Eckler, T. (2018). Charitable gift bunching under the new tax law. Retrieved from <https://www.wealthmanagement.com>