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Richard P. Slaughter Associates Inc.

Darby Armont, MBA, CFP®, CFA®, Vice President

“How do I build a **charitable nest egg** while maintaining flexibility and tax benefits?”

By Darby Armont

Historically, wealthy individuals have been among the most philanthropic. Typically, as they achieve or exceed their financial goals, they realize that in addition to providing for their own families' needs, they can charitably support others'.

However, to do the most good, these individuals need to create a giving plan that is flexible and maximizes tax benefits.

Current vs. longer-term donor strategies: Many people want to support various charitable causes. They may underwrite a current campaign for their church, synagogue or favored nonprofit organization at the same time they plan for a future gift.

Cash payments are the most efficient giving vehicles. A donor advised fund is another good way to facilitate. For longer-term gifts, the objective is to build the fund but also keep your options open as your vision develops over time. There are several ways to achieve this dual goal.

Holding charitable funds in your name: The simplest option is to keep future charitable funds earmarked in your or your revocable trust's name. At the time of the donation, the funds are instantly available, regardless of the direction the cause has taken.

This is a flexible option, as you can divert the funds to other avenues

should the original vision not pan out or receives significant funding from other sources.

If you are invested in a growth portfolio or closely held stock, the earmarked account may grow significantly over the years without generating taxable income and allow a larger gift than you anticipated.

This strategy, however, has some downsides. You will forgo a tax deduction in the intervening years while planning for the project. Additionally, these funds will not be protected from creditors in the event of a judgment against you.

Creating a DAF: An alternative place for your capital is a donor advised fund (DAF). Donor advised funds can be established with investment companies or community foundations that are structured as 501(c)(3) charities. Donors receive a current tax-year deduction, but may allow the fund to grow over time with future contributions and market appreciation.

Professional management and administration is provided, ensuring all IRS regulations are followed and the funds are invested appropriately. The management and/or administrative fee charged for this service, however, will reduce the funds available to support your cause.


Keep in mind, moreover, that while you may recommend a grant from the DAF, you are subject to fund approval. You no longer have complete control over your gift.

Private charitable vehicles: You might find that establishing a private foundation or nonprofit organization is the best way to protect your funds and provide your desired gifts.

These options give you the benefit of tax deductibility for your donations while maintaining a great deal of flexibility in the use and control of the funds. You may be able to make grants directly to individuals or structure other nonstandard gifts.

If this interests you, develop a strategic plan with an idea of how much funding will be required. Nonprofits are much more cost-effective when tailored to address a specific need.

Alternative giving options: For some, the ideal solution may be contributing to a donor advised fund now and partnering with a nonprofit organization later. Another strategy is to pair a donor advised fund with a charitable lead or charitable remainder trust, for significant tax benefits now and in the future.

Your wealth manager can help you assess your current financial situation, your desired giving goals and the ways to maximize both. 

"To do the most good, [you] need to create a giving plan that is flexible and maximizes tax benefits."

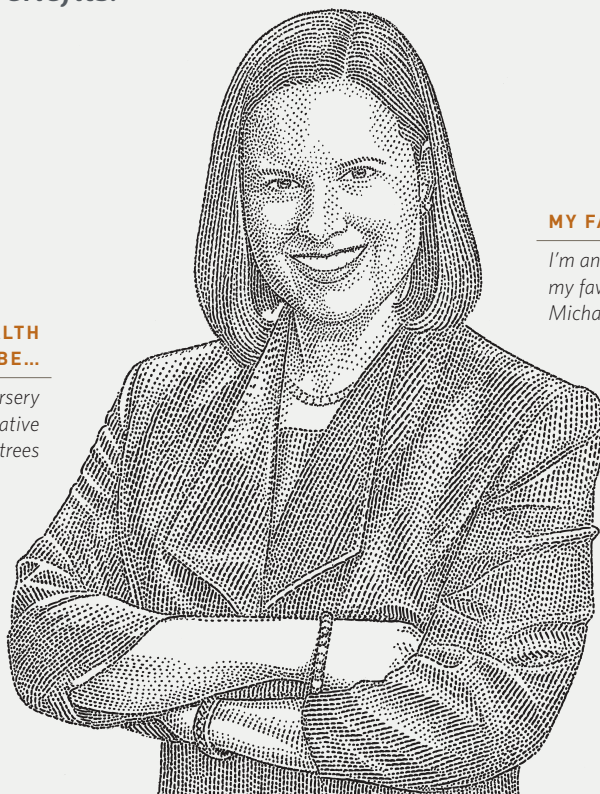
—Darby Armont

How to reach **Richard P. Slaughter Associates Inc.**

You can reach any member of our team at 512.918.0000.
We look forward to speaking with you.

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MY FAVORITE AUTHORS...

I'm an avid mystery reader and my favorite authors are Lee Child, Michael Connelly and Laura Lippman.

WHAT MAKES A GOOD WEALTH ADVISOR...

The ability to communicate a complex financial plan in a meaningful and actionable way

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Richard P. Slaughter Associates is a leading wealth management and financial planning firm, which specializes in working with high net worth individuals, families and businesses. Slaughter Associates cultivates a comprehensive financial relationship with its clients by delivering expertise in financial planning and asset management and by coordinating with tax, insurance and estate professionals. The result is a holistic approach, unique in a financial industry that is often segmented and outsourced. By committing to each of these important components, Slaughter Associates charts a path to reach the individual financial goals of its clients. Founded in 1991 in Austin, Texas, by Richard P. Slaughter, Slaughter Associates is one of the original fee-based firms in the nation. With offices in both Austin and the Dallas-Fort Worth Metroplex, Slaughter Associates has been recognized by the National Association of Board Certified Advisory Practices as a Premier Advisor and has been given Exemplary status for expertise in personal risk management.

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