



American Endowment Foundation

5 Tax Savings Tips to Help Your Clients

Depending on your clients' circumstances, there are five instances where a donor advised fund can serve as a tax reduction tool.

What is a Donor Advised Fund?

A donor advised fund (DAF) is a charitable investment account that enables donors to manage their charitable giving in simple, tax-smart and meaningful ways. Donors can enjoy the best tax advantages available, make grants on their flexible time table and build their enduring charitable legacy.



How Can a Donor Advised Fund Reduce Taxes?

Due to their structure, donor advised funds provide explicit tax reduction opportunities in the following ways:

- 1. Income Tax Deduction:** The donor receives an immediate tax deduction in the year they contribute to their DAF. Since American Endowment Foundation (AEF) is a public charity, contributions made to AEF-managed donor advised funds immediately qualify for maximum income tax benefits. The IRS does mandate annual limitations, depending upon the donors adjusted gross income (AGI):
 - Deduction for cash – up to 60 % of AGI.
 - Deduction for securities and other appreciated assets – up to 30 % of AGI.
 - There is a five-year carry-forward for unused deductions
- 2. Capital Gains Tax Avoidance:** The donor will incur no capital gains tax on gifts of appreciated assets (i.e. securities, real estate, other illiquid assets)
- 3. Estate Tax Avoidance:** The DAF will not be subject to estate taxes.
- 4. Tax-Free Investment Appreciation:** The investments in the DAF appreciate tax-free, providing the donor additional funds that they can use for charitable gain.
- 5. Alternative Minimum Tax (AMT) Reduction:** If the donor's income is subject to alternative minimum tax (AMT), the contribution to their donor advised fund will reduce their AMT impact.

Other Tax Considerations

In contrast to gifts made to a private foundation, donors can deduct the full market value of certain contributed assets, subject to the AGI limitations listed above. These assets include:

- Closely held stock (C-corp or S-corp)
- Real estate

Contact us to discuss the specifics of your client and how a donor advised fund through American Endowment Foundation can aid their tax planning.

Note: The information provided herein is for informational purposes only and should not be interpreted to constitute legal and/or tax advice. Donors should consult their legal and tax advisors regarding their specific situations.