

Make a good plan to be a savvy financial donor



Q: I'm in a position to start helping others and children's charities have caught my attention. I've recently read that children who can't read by the third grade have a much higher probability of ending up in jail, and this staggering statistic is causing me to want to make a difference. What is a financially savvy way to donate to charity?

A: Start with a plan before you take action. You have defined your goal of helping children, now compile a list of charities that fit your criteria.

Go online and check out the programs and the financials of these charities. Because all charitable organizations are required to register with FL Dept. of Agriculture, a search on the website <https://csapp.800helpfla.com/CSPublicApp/GiftGiversQuery/GiftGiveRsQuery.aspx> will show the charities that are registered and the revenue and expenses of each program.

Over 94,000 charities were given 501(c)(3) tax-exempt status from the IRS in 2014 after the IRS adopted a new stream lined application process. Unfortunately, because so little information is required, charities should be scrutinized for legitimacy. The Taxpayer Advocate Service found

that 37% of the 408 organizations studied failed to meet the organizational test to qualify as a 501(c)(3).

After you have reviewed the charities and determined how much you wish to contribute, consider the most tax-smart method of donating. Writing checks is the easiest answer, but not always the smartest. If you transfer appreciated holdings from your investment account directly to a charity's investment account, the charity will receive the donation and won't pay tax. Meanwhile, you may be able to deduct the full value of the contribution as an itemized deduction on Schedule A without realizing the capital gains.

If you're over the age of 70.5 and have an IRA, you're required to take minimum distributions each year. Qualified charitable deductions of up to \$100,000 are now a permanent part of our tax code. These donations must go directly to the charity and your donation will bypass the front page of your 1040. This may lower the amount of your Social Security that will be taxed.

Define your charitable goals. Scrutinize the charities that you are considering. Pull out your investment statement and most recent tax return and decide if it makes sense to write a check. If you save income tax, perhaps you can also help more kids!

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