

# Case Strategy: Donor-Advised Fund

CONNOR



Michael and Katelyn Connor's adjusted gross income this year is projected to be \$200,000. Their total net worth is \$2 Million, including qualified retirement accounts and other investments.

The Connors' accountant advises them that if nothing changes, their total income tax bill for the current year will be about \$57,000. He reminds them that if they wish to make additional charitable gifts of appreciated property, they can claim a charitable deduction of up to 30% of their adjusted gross income. So far this year, Michael and Katelyn have given \$10,000 of highly appreciated securities to their favorite charities. They could deduct up to \$50,000 more in charitable gifts this year, but they are not sure which charities they would like to benefit with such a significant current gift.

The Connors establish a DAF and transfer \$50,000 of securities that have doubled in value since they purchased them 10 years ago. Michael and Katelyn select the name of their DAF and make recommendations for the selection of the investment advisor. Each year, they will make recommendations for the distributions that will be paid out of the DAF to public charities.

Michael and Katelyn plan to use their new DAF to help their children become more involved in and more aware of the pleasure and importance of charitable giving. They include their children in the decision making process, and allow them to make recommendations for a portion of the annual distributions to charities.

The \$50,000 contribution to the DAF provides a \$50,000 income tax deduction, and is projected to provide them current income tax savings of \$19,000. Michael and Katelyn also avoid \$5,000 in state and federal capital gain taxes on the highly appreciated securities transferred to their donor-advised fund. Their total tax savings are \$24,000.

**Michael & Katelyn**  
Tax Savings  
\$24,000

**Heirs**  
Increased satisfaction and significance through participation in family philanthropy

**Charitable Gifts**  
\$50,000

#### Assumptions:

Marginal Federal and state income tax rate of 38.25%.  
Marginal Federal and state capital gain tax rate of 19.25%.



**For more details about this strategy contact us at [DonorAdvisedFunds.com](http://DonorAdvisedFunds.com) or call 800-535-4720.**

This example is hypothetical and for educational use only. The situations, tax rates or return numbers do not represent any actual clients or investments. There is no assurance that the rates depicted can or will be achieved. Actual results will vary. Please consult with legal and tax counsel about the suitability of this plan before proceeding.

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