Charitable giving

Realizing your vision for a better world

WEALTH **INSIGHTS**

Analysis and insights into the trends, forces
and factors shaping the world and your wealth

RBC® Wealth Management

Support causes that are close to your heart

Wealth Insights: A clear path forward

With wealth comes opportunity—and responsibility. As your wealth grows, so does the potential impact of your wealth, giving you the ability to support the people, institutions and causes that matter to you.

Effective giving involves making informed choices, being confident that your gift will make a difference, and being assured that your donation is an efficient use of your money and time, and has the impact you desire. That can be time-consuming and complicated. This Wealth Insights report is a practical guide to help you think comprehensively about your giving plan and identify actionable steps you can take to fulfill your philanthropic goals today, tomorrow and beyond.

A values-driven approach to wealth

These are pivotal years for charitable giving. Amid a global pandemic, accelerating climate change, worries over economic collapse and a renewed focus on sustainability, human rights, social justice and equality, Americans reached deep into their pockets to contribute to the organizations and causes closest to their hearts.

For many, charitable giving is an emotional, even spiritual act—something we do not because we must, but because we choose to. When we give, we pass on our beliefs and values, not just our money. Our gifts can also inspire others to take action. Indeed, these donors view charitable giving as charitable living, and have a life-long commitment to supporting what's important to them.

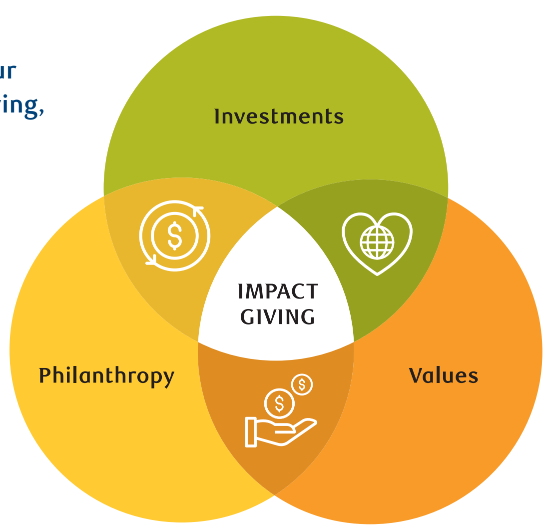
Beyond the simple act of charity, today's philanthropy reflects a desire to understand and resolve issues, and a personal commitment to creating positive change. Giving also forges deeper connections to our families and communities, instilling a sense of satisfaction that we're working together to create a better world.

Yet as long-time donors know, philanthropy can be overwhelming: the needs are so great, the issues are complex, and relationships can be complicated. Plus, choices abound; there are currently more than 1.5 million nonprofits in the nation according to the National Center for Charitable Statistics.

So where do you begin?
There is no single true path to philanthropy; it is as individual and unique as every donor, driven by one's ambitions for society.

A natural starting point for new donors is to look within, asking yourself what motivates you. Or perhaps you've given for years and seek to take your philanthropy to the next level. Either way, this Wealth Insights report provides the tools, strategies and insights to help you achieve new possibilities.

Align your values with your wealth, which includes living, investing and giving



A legacy of philanthropy

Charitable giving has long been part of our national character. Some historians attribute our legacy of generosity to three distinct attributes of American society:

Faith
Giving to faith-based organizations of all denominations remains a core tenet of American life. Religious charitable giving remains the top giving category, and some religious groups have developed investing strategies based on moral principles.

Entrepreneurial spirit
The American dream is to work hard to get ahead. Many successful people see it as their duty or obligation to give back to society once they've made it.

Social consciousness
Americans have a legacy of philanthropy and civic engagement dating back to the colonial era. In fact, the Mayflower Compact contained philanthropic language.

Life planning

Holistic approach for life's journey

Reaching your destination requires a holistic approach to your financial life. Where you focus often depends on your life stage. It may require you to make trade-offs in your priorities. It is important to be proactive about your long-term well-being, no matter your age or wealth. At RBC Wealth Management, we believe financial wellness requires a wealth plan that always addresses each of these key financial pillars:

Accumulate and grow your wealth

From having an emergency fund to developing various ways to save for the future, it's important to focus on achieving long-term wealth. As you step through life's stages, there will be opportunities to accelerate wealth building through events such as home ownership, inheritance, liquidation events and income spikes.

Fund your lifestyle today and tomorrow

How you think about spending needs today versus in the future plays into lifestyle choices. Planning ahead to help ensure your essential needs are covered is a top priority. This requires a view into the future and understanding the impact of the market, inflation, taxes, interest rates and other risks that might impact your plan and how the impact changes as you age.

Protect what is important to you

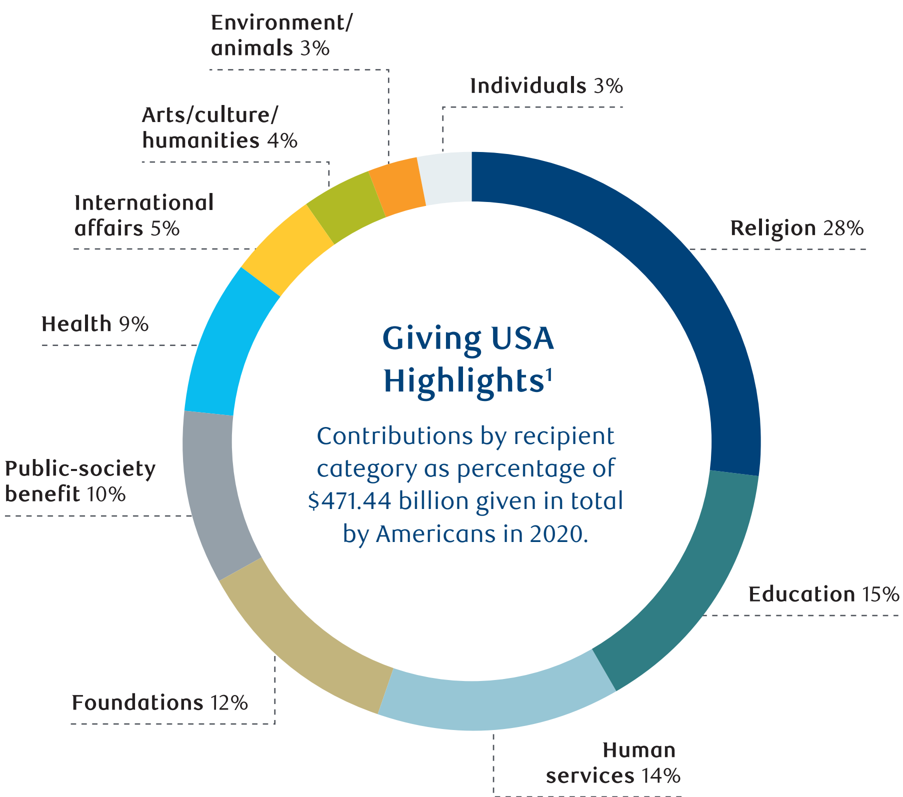
Protecting your family and your wealth during your working years is foundational to sustaining wealth. As you age and your wealth grows, it is important to revisit the purpose and amount of coverage for your protection strategies, as well as explore other important considerations, including protecting your wealth for the next generation.

Create a lasting legacy

Tackling estate essentials is an important step that everyone should prioritize, regardless of age or wealth. Establishing key estate documents, including a current health care directive, will and power of attorney, are important first steps. Ensuring your assets are properly titled and beneficiary designations are current is a vital part of any basic estate plan.

Charitable giving reaches new heights

In a time of unprecedented events and challenges, Americans from all socio-economic backgrounds opened their hearts and wallets at record-breaking levels.



Total of numbers in illustration exceed 100% due to rounding.

By the numbers

- **Nearly 80% of dollars donated in the year 2020 came from individuals.** That equates to more than $1.29 billion per day.[2]
- **60% of households** participated in some form of charitable giving.[3]
- **High-net-worth families donated, on average, $29,269.** Among the general population, that figure was $2,514.[3]
- **75% of foundations** reported an increased engagement in advocacy.[4]
- **1,000,000+** Number of individual donor-advised fund accounts in the U.S. Ten percent of all charitable giving dollars flowed through donor-advised funds.[5]

In 2020, the urge to support pandemic relief and social justice efforts translated into $471 billion in charitable giving, a 5% increase over 2019.[1]

Checking up on charities

According to the National Center for Charitable Statistics, there are more than 1.5 million charitable organizations in the U.S. With so many choices, how can you be confident that your gift fulfills your intentions? And how can you be sure that the nonprofit you donate to is well managed?

Charity Navigator and Giving Compass are reputable charity assessment organizations that evaluate hundreds of thousands of registered charitable organizations based in the United States. They provide insights into a nonprofit's financial stability, adherence to best practices for both accountability and transparency, and results reporting. Both organizations serve as one-stop shops for donors who seek deeper insights into nonprofits.

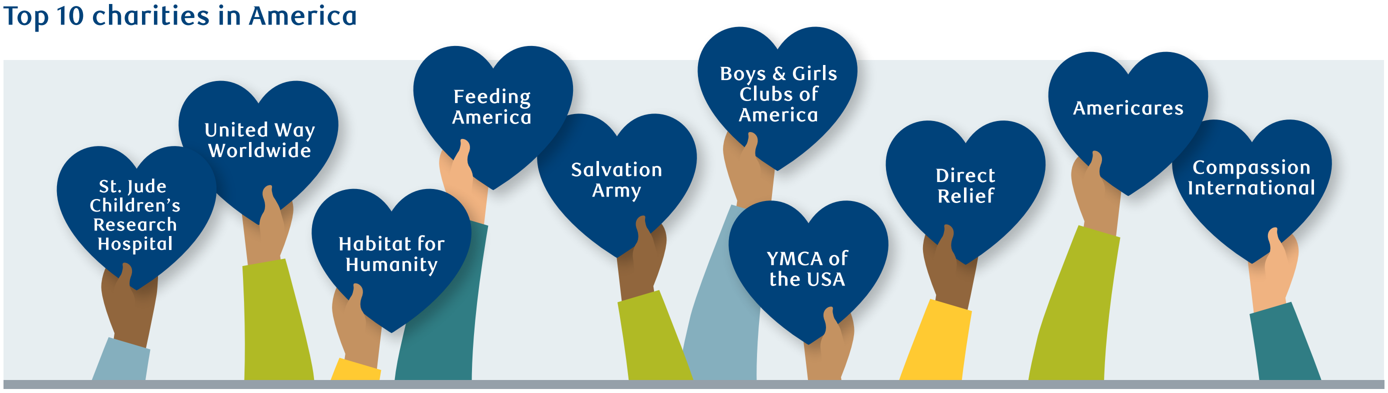
Time, talent or treasure: What can you give?

There are many ways to give, and donating your skill set and expertise could be a more meaningful gift than cash. Consider the value you have to offer, including time (volunteering), talent (sharing your skills) and treasure (financial donations).

You could donate money to an organization, such as a food bank, volunteer to organize a canned goods drive, or lend your skills by assisting a nonprofit with services within your area of expertise.

A few hours of specialized work may well be worth more to an organization than a cash donation.

Top 10 charities in America



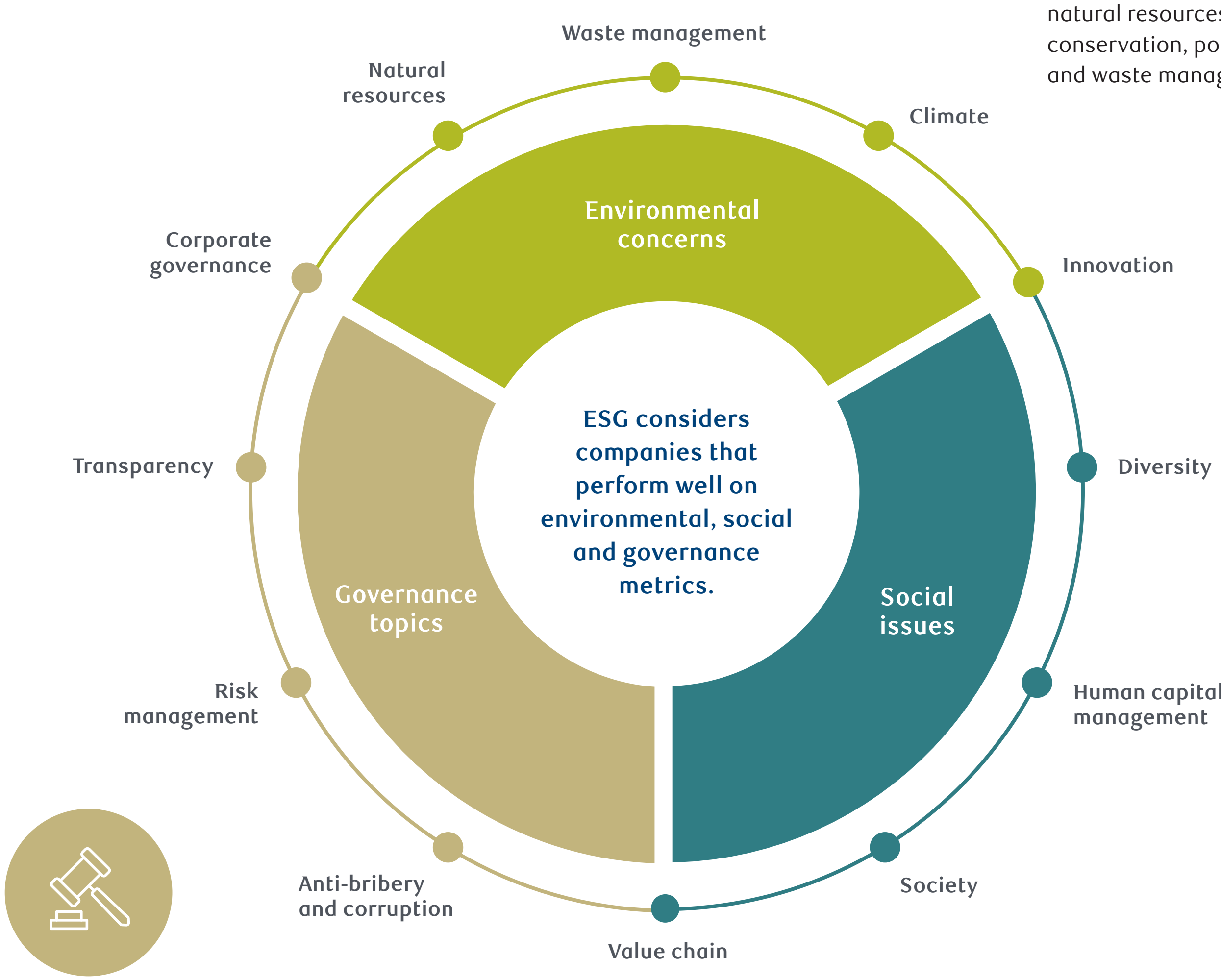
Level up your charitable giving!

Start	Step up	Sustain
Payroll deduction at work through the United Way or monthly payment to charity via credit card payments.	Form a Giving Club to provide ongoing support for your favorite causes.	Become a volunteer or board member.
Volunteer your time at a food bank, animal rescue shelter, Habitat for Humanity, etc.	Volunteer more: coach a team, mentor a child or oversee a project for a cause that you are passionate about.	Establish a Giving Group to create a planned giving program.
Donate blood. Become a mentor through Big Brothers or Big Sisters. Participate in Walk-a-Thons.	Become a Court Appointed Special Advocate.	Change your career to align with your philanthropic goals.
Contribute at your place of worship.	Become more active in your organization's community-based philanthropy. Help educate others on planned giving.	Invest in line with your values.
Contribute used clothing and other items.	Develop a giving plan that reflects your values.	Participate in micro-lending.

Invest in a world you want to live in

Charitable giving and environmental, social and corporate governance (ESG) investing. It's not surprising that charitable givers wish to align their investments with their values. Responsible investing can help individual donors, families, foundations and philanthropic organizations put more capital to work for social good. Better yet, responsible investing can deliver social impact alongside financial returns, which in turn enables reinvestment of those funds in pursuit of even greater social good. Women and millennials are at the forefront of responsible investing, and with these groups controlling more assets, responsible investing is expected to remain a dominant theme.

Environmental concerns, including climate change, natural resources conservation, pollution and waste management.



Governance topics, such as accounting practices, board accountability and structure, executive compensation, corporate ethics, regulatory compliance and transparency.

Social issues, such as corporate philanthropy, community relations, workplace health and safety, human rights and diversity.

New faces, fresh approaches

The pandemic has changed much about how we live and how we give. It has convinced us that the health and well-being of any person is linked to the health and well-being of all. It also instilled in donors a sense of responsibility along with a new-found respect for organizations and workers serving on the front lines throughout the pandemic. Endowments that were once an afterthought are now at the top of donors' priority lists. And donors are increasingly likely to view nonprofits as partners, committing funds to sustain programs for multiple years.

Put simply, during difficult times people recognize the vulnerability of the charities they support. They want to help confirm their favorite causes can weather the next crisis.

Other notable trends include:

Generation impact takes the lead
A surge of millennial activists are acting with a sense of urgency to direct resources to those who need them.

Breaking down silos
Donors are working with like-minded people in a coordinated manner, creating new partnerships among nonprofits, businesses and public organizations.

New thinking and approaches
Support of innovative giving models and creative thinking, such as direct cash assistance to families in need, or giving larger gifts to grassroots groups.

The rise of women mega-donors
Ultra-wealthy women are challenging traditional notions of who can be a philanthropist. For example, Mackenzie Scott captured the world's attention with the pace and magnitude of her giving. In 2020 Scott announced $5.8 billion in gifts to 500 nonprofits; a year later she donated another $2.74 billion to 286 groups.

Donor-advised funds as the preferred giving vehicle
The growing use of donor-advised funds as an easy, cost-effective and tax-considerate way to give.

The digital transformation accelerates
Technology and social media have made it easier than ever to discover, support and share new charitable causes online.

Charitable giving as charitable living
Many people live their values everyday by how they spend their money. They support companies that have a mission to help people in need, such as TOMS shoes, Bombas socks, Love Your Melon hats and Leesa mattresses.

Charitable giving by generations

A look at how each generation gives, how much they give, and where their charitable dollars go. Despite their differences, all groups support local places of worship and children's charities.

To millennials, philanthropy is no longer defined by giving money to a charity. From their perspective, philanthropy extends to include charitable activities that bypass traditional nonprofits and ways of giving—and the term "philanthropist" can apply to anyone working to make a difference.

Different generations are driven by varying motivations. Yet every generation is stepping up in its unique way to make much-needed contributions.

Millennials

On average, millennials give $481 to charity annually, with 84% of them donating to charity and nonprofits.

Millennials prefer to donate money through online platforms and like to establish recurring donations.

Millennials are also the most likely to use mobile devices—phones, tablets and laptops—to research charities, donate money, and advocate for their latest cause.

Gen X

The average Gen X donation totals $732 per year, with 59% of the group identifying as regular donors.

While there are fewer Gen X donations than their younger millennial counterparts, Gen Xers are more likely to launch fundraising campaigns or volunteer their time and efforts to worthy causes.

While millennials are most often influenced by social media posts and online donations, Gen Xers say that email is the preferred communication method.

Baby boomers

Baby boomers donate an average of $1,212 per person annually.

Many boomers are former activists of the 1960s and continue to support causes today; their passion for social justice, world peace and environmental issues remains strong.

Silent generation

The silent generation—those born between 1927 and 1946—give an average of $1,367 annually per person.

While this generation comprises only 11% of the population, it accounts for 26% of all giving. Seniors also have different giving habits, preferring to give to organizations that reach out to them via direct mail and to causes they see in the news.

Favorite charities:

Millennials	Gen X	Baby boomers	Silent generation
• Health and medical nonprofits • Human rights and international affairs groups	• Local social and human services organizations • Animal organizations	• Local social services nonprofits • Animal organizations • Human rights and international affairs groups	• Military and veteran causes • Local social services • Emergency and disaster relief fundraising events and efforts

Source: Define Financial, January 2022

Solo mission or a family affair?

Giving together can unite your family across the years, geography and life circumstances. Involving children and grandchildren in philanthropy is an act of love and a way to pass on a family's values across generations.

Make it your mission

Drafting a family mission statement for your charitable activities should be one of your first priorities. This mission statement conveys a common purpose and reflects your family's vision for change. It will ultimately serve as a high-level guide to keep you on track toward your philanthropic goals.

Crafting a family mission statement can be a fun activity. It allows all the voices in the family to be heard; it requires everyone to listen and to share. When all family members contribute, they feel invested in the end result.

When drafting your family mission statement, ask each family member to express their giving priorities in writing, rank them, and indicate the timing, amount and method of giving they would like the family to consider. Identifying common goals and priorities will help you fine-tune your family statement and set your plan in motion.

A clear mission statement is crucial for determining donor intent within a family. Without a mission statement, contradictory views from children regarding their parents' intent are common and problematic. Once you align your assets with your values, be sure to stick to your stated giving formula to avoid family issues.

How to encourage the next generation's charitable giving:

Philanthropy is an opportunity to bring family together around a common goal, communicate values across generations, and develop a sense of social responsibility in the next generation.

Topics to cover during a family conversation:

- The role that charitable giving has played in your life
- Ask family members about the causes they care about
- Share your giving history with a particular organization
- If your family has been giving for generations, share a story of giving made by previous generations
- Talk about how an organization helped you or another family member in a meaningful way. For example, did your ancestors receive support from an organization when they first arrived in America?

Start a charitable giving conversation.

Explore shared giving causes as a family.

Establish a giving allowance for the next generation.

Incorporate giving into your spending plan

A strategy to help you plan for must-haves, wants, and savings or emergency funds. Your charitable giving dollars are part of your overall spending plan. The bucket earmarked for your monthly extras is the same bucket that individuals or couples tap to make their charitable gifts.

A common starting point for charitable giving may be workplace giving through the United Way, America's largest nonprofit, with a network of 1,800 affiliated organizations around the world.

Your spending plan breakdown

50%

The biggest piece—the 50% piece—goes toward all of your basic necessities. This is must-have stuff, including:

- Rent/mortgage payments/utilities
- Insurance
- Transportation expenses
- Groceries
- Child care/tuition
- Internet and mobile
- Minimum credit card payment(s)
- Student loan payment(s)
- Car payment(s)
- Taxes

30%

The 30% piece goes toward all the extras—"wants" that are nice, but not essential:

- Cable TV
- Vacations
- Dining out
- Non-essential clothing purchases
- Hobbies
- Magazines
- Music and movie subscriptions
- Gym memberships
- **Your charitable gifts**

20%

The 20% that's left over goes in your savings account or emergency fund. You can also use it to make an extra payment on a credit card or student loan or to:

- Add money to an emergency fund
- Increase your retirement savings
- Make extra payments on must-have items
- Save for a major purchase or adventure

Strategies for giving more

These simple strategies can boost your charitable contributions:

- **Create a household spending plan that includes giving as a line item.** Charitable funds will be built into your wealth plan instead of pulled from another budget item.
- **Automate your giving.** Instead of giving in lump sums at year's end—when you already feel spread thin—make regular contributions to specific charities by scheduling bank deductions or credit card transactions, or have your advisor systematically send highly appreciated stock gifts. Automating the giving process makes it a routine part of your finances.
- **Give a little more each year.** Increase your charitable giving budget incrementally by a set amount or percentage annually. Families with children can incorporate giving into everyday life. Create a donation jar in your house to contribute extra cash or change and encourage your children to participate. Even small donations add up over time.

Realize your philanthropic vision

Many donors engage in checkbook charity, which happens when they respond to a specific solicitation. These gifts are often made on the spur of the moment, involve smaller dollar amounts and may not reflect your broader giving strategy. For those thinking about how to evaluate their impact, there are important issues that should be taken into consideration.

The opportunities for charitable giving are limitless. Faced with such a wide range of possibilities, your starting point begins with a simple question: what do I want to achieve?

How do you give?

☐ Assets: cash, personal property, stocks, etc.

☐ Volunteer hours

☐ Advocacy

☐ Other ______________________________

What guides your giving?

Use the following list to reflect on which values are important to you. You may also write in additional values. Couples and families may choose to do the activity together. Or you can do this on your own and then share your responses.

____ Accessibility	____ Equity	____ Integrity	____ Security
____ Community	____ Fairness	____ Justice	____ Systems
____ Connection	____ Faith	____ Leadership	____ Stewardship
____ Diversity	____ Family	____ Nature	____ Vision
____ Effectiveness	____ Health	____ Patriotism	____ Well-being
____ Empowerment	____ Inclusion	____ Peace	______________
____ Environment	____ Innovation	____ Respect	______________

Identify five values that resonate the most with you. Select from the list above, or write in additional values:

Value 1 ______________________________

Value 2 ______________________________

Value 3 ______________________________

Value 4 ______________________________

Value 5 ______________________________

Three values with the greatest potential impact

- **Effectiveness:** Ensuring that intended beneficiaries are at the decision-making table, and evaluating impact through data
- **Equity:** A focus on the people who are the least well served by systems, with an emphasis on racial disparities
- **Systems:** Addressing the structural root causes of issues

Connect your values to the relevant causes

Now think about how you can translate your values into an actual giving plan. Giving is most effective when it connects to what inspires you. What do you want to achieve? What motivates you to give at this time? What experiences have shaped your desire to give your time or money? What is your vision for your community or the world? While the following list is far from exhaustive, it may spark ideas on the range of giving opportunities.

Animals

- ☐ Animal rights, welfare and service
- ☐ Wildlife conservation
- ☐ Zoos and aquariums

Arts, culture and humanities

- ☐ Libraries, historical societies and landmark preservation
- ☐ Museums and performing arts
- ☐ Public broadcasting and media

Community development

- ☐ Community foundations
- ☐ Housing and neighborhood development

Education

- ☐ Early childhood, youth and adult education programs and services
- ☐ Special education and education reform
- ☐ Scholarship and financial support

Environment

- ☐ Environmental protection and conservation
- ☐ Botanical gardens, parks and nature centers

Health

- ☐ Diseases, disorders and disciplines
- ☐ Patient and family support
- ☐ Treatment and prevention services
- ☐ Medical research

Human and civil rights

- ☐ Advocacy and education

Human services

- ☐ Children and family services
- ☐ Youth development, shelter and crisis services
- ☐ Food banks, food pantries and food distribution
- ☐ Multipurpose human service organizations
- ☐ Homeless services and social services

International

- ☐ Development and relief services
- ☐ International peace, security and affairs
- ☐ Humanitarian relief supplies

International non-government organizations (NGOs focused on crisis giving)

NGOs are often charities headquartered in one country but overseeing projects in numerous other locations and countries. These organizations typically overlap with the types of charities listed below:

- ☐ International development
- ☐ Disaster relief and humanitarian aid
- ☐ Conservation
- ☐ Child sponsorship organizations
- ☐ Peace and human rights
- ☐ Social and public policy research

Religion

- ☐ Religious activities
- ☐ Religious media and broadcasting

From inspiration to realization

The best way to help confirm that your personal goals are met is to work closely with your financial advisor, accountant and attorney to craft a strategy that suits your individual goals and objectives. With some thoughtful planning, the gifts you make can have a major impact on the causes closest to your heart.

How to develop an effective giving plan

A truly strategic philanthropy experience allows you to make lasting change in the world—and realize the most meaning for you as a person, a couple or a family.

Start by reflecting on:

- **What drives you**

  Making your goals and values the essential elements of your strategy will keep you engaged and confirm the steps you take reflect your passions.

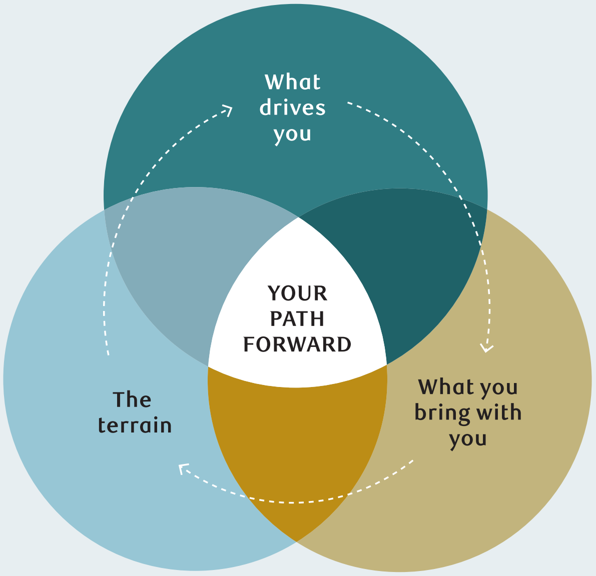
- **What you bring on your journey**

  Think about the resources you have, the time you wish to devote, the relationships in your network and the experience you can draw on.

- **The landscape**

  By better understanding the terrain, you'll be more confident that you are addressing the most urgent challenges in the field and taking advantage of opportunities to advance your goals.

What am I most excited about?
What is the best use of my time?
Where do I go from here?



To help navigate the complex landscapes of charitable giving, look at overlapping areas between what resonates for you emotionally, the assets you currently bring to the effort, and what's happening in the fields you care about.

Courtesy of Arabella Advisors

Donors are recognizing that the issues they care about are becoming ever more complex and they are increasingly seeking strategic advice about how to find the best path to impact. RBC Wealth Management has partnered with Arabella Advisors, an award-winning consulting firm that supports changemakers pursuing significant social and environmental impact, to help donors who are getting started—or are deepening their philanthropy—to build a personalized plan to make their giving impactful and rewarding. To learn more, visit www.arabellaadvisors.com and contact your advisor. *Adapted from material created by Arabella Advisors. Used with permission.*

Next, map a route:

Once you pinpoint the direction you want to go in, it's time to map a route that matches your needs and reflects the burdens that hold you back and the aspirations that propel you forward.

1

Launch your journey

As you begin your journey, thinking strategically about philanthropy and getting serious about achieving maximum impact can be overwhelming. There are many issues and partners to choose from, the landscape is unknown, and often there is extraordinary pressure to act.

At your starting point, ask yourself:

- How do I pick a path and follow it with confidence?

2

Get your bearings

At this point you may be building relationships, beginning to see how your dollars can make a difference on an issue, and engaging meaningfully in the work. But questions relating to your strategies, processes and engagement levels may begin to arise.

Questions to explore at this step include:

- What am I most excited about?
- What is causing me stress?
- What support do I need now?
- What's next?
- How do I pivot away from aspects I'm not enjoying or that aren't working?

3

Reflect at the scenic overlook

If you've had the right support, you are more able to reflect on what you've learned and you may be able to see gaps in the field that you can fill. At this stage in your journey, you've built confidence in yourself as a donor and in your knowledge of the relevant issues.

At this point you may wonder:

- How can I best fill the gaps I see?
- How do I navigate the complexities?
- Do I need new or different people, partners or resources to make it happen?

4

Adapt to a changing landscape

As you gain experience, you may be ready to take on more complex challenges in more innovative ways. You may decide to partner with other donors or to engage in policy change to address root causes or bring a solution to scale. This phase often involves donors learning new skills or adapting their partnerships.

As you stop to reflect here, ask yourself:

- What platforms do I need?
- Who do I need to tap to help me?
- Are there any changes I need to make in the way I operate to collaborate effectively with others?

5

Blaze your own trail

You may reach a point when you realize that the solutions to the challenges you seek to address are not ready-made and that the way to create change is to develop a new initiative.

Consider these questions:

- Am I comfortable with the risk?
- What would give me confidence?
- What is the best use of my time?
- How can I engage others to help?
- How do I structure the initiative for success?

6

Deliver impact

The pinnacle of the journey is different for every individual or family, as is the pace you take to get there. Success is also defined in different ways. For some, it goes beyond issue impact to strengthening family bonds, creating a legacy, or living a life that aligns with their values. It's also rarely the end point—donors often want to take another path to address other issues or take on another challenge within the issue area they are already working in.

Ask yourself:

- Do I need to be as invested or engaged as I was before?
- Can my trusted people and partners take the lead?
- Where do I go from here?

Charitable giving vehicles: Choose your giving options

Perhaps you want to support your favorite charity or develop a new program to address a specific concern in your community. Whatever your personal goals, charitable giving can help you achieve them. In fact, charitable giving strategies often provide solutions unavailable through traditional estate planning.

Your financial advisor can assist with your specific charitable giving plans and guide you through any complexities. Contact your financial advisor today to discuss the benefits of charitable giving.

Outright gifts

The most common form of charitable contribution is the outright gift of cash or other assets made to a charitable organization during the donor's lifetime. These gifts can range from small donations of cash or property to large endowments.

Qualified charitable distributions

A qualified charitable distribution (QCD) allows donors to reduce taxable income, achieve charitable giving goals and satisfy required minimum distributions—all in one transaction.

Individuals over age 70½ can donate up to $100,000 from an IRA directly to a qualified charity without triggering any federal income taxes. The SECURE Act of 2019 delayed required minimum distributions to age 72, but the age at which a QCD is allowed without income tax consequences remained age 70½.

Donor-advised funds

A donor-advised fund (DAF) is a simple, convenient and flexible giving account established to support the charitable organizations you care about. It allows individuals, families or organizations to make charitable contributions (cash, bonds, stocks, real estate and more) to eligible charities, receive an immediate tax deduction and recommend grants from the fund.

Donors can contribute to the fund as frequently as they like and recommend grants to their favorite charitable organizations. Once the fund is created, donors make recommendations to the sponsor regarding distributions to charities and how to invest the funds. The sponsor determines whether to approve these recommendations and may place restrictions on the fund, such as minimum grant amount, maximum number of grants in a given year, minimum account balance, etc.

Donors may use the deduction to offset up to 60% of adjusted gross income (AGI) for cash contributions; appreciated securities (marketable securities are valued at fair market value) are usually limited to an offset of up to 30% of AGI. A five-year carryforward of any remaining deduction is available.

Other considerations:

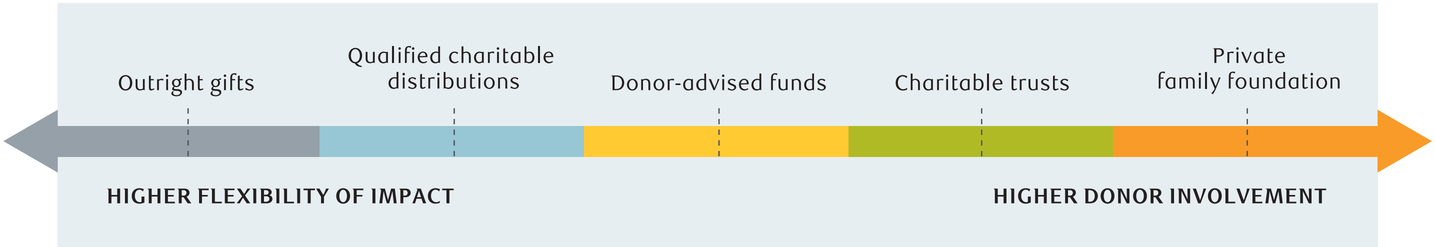
- Donors may contribute a range of assets–cash, securities, mutual fund shares
- There is no income tax on income in this account or annual filing requirement
- Grants are restricted to public 501(c)(3) charities and are irrevocable
- In most cases DAFs in the U.S. make grants to U.S. charities or to American organizations supporting international activities

How donor-advised funds work

Donor-advised funds have become the preferred way to give in the United States due to their ease, simplicity and flexibility. And today donor-advised funds and responsible investing strategies are converging for greater philanthropic impact.

Comparison of donor involvement

When you make an outright gift (like a cash contribution), you are not in control of your giving, whereas a private family foundation has nearly total involvement with their giving because they make larger gifts and conduct their own due diligence.



Charitable trusts

There are two primary types of charitable trusts: charitable lead trusts and charitable remainder trusts.

These trust types mirror each other but serve different needs. One commonality is that the charity or charities must qualify with the Internal Revenue Service to receive charitable deductions according to the type of trust and terms you select.

- **Charitable lead trusts**
  This trust first distributes a portion of its proceeds to a charity, for which donors receive a charitable donation tax deduction equal to those payments. The remainder of the principal is then distributed to the donor's beneficiaries. Keep in mind that a charitable lead trust is irrevocable, and that in most cases donors are responsible for the tax on non-distributed income and gains.

- **Charitable remainder trusts**
  With this trust, donors choose to receive an income from the distribution of the non-income-producing assets placed into the trust first. Donors also receive a charitable donation tax deduction based on the present value of the remainder of the assets earmarked for the charity. At the end of the term, or upon the donor's death, the chosen charity receives the rest of the assets.

Once the assets are moved into a charitable trust, the trust sells the assets and distributes them according to the trust type and the terms selected. Once created, the trust is irrevocable—even if the donor suffers a personal or business financial loss.

Private family foundation

A private foundation has always been an excellent opportunity for creating a charity to reflect your family name and values.

Private foundations are created in one of two formats: a trust or a corporation. Both are governed by a document created by your legal advisor that gives donors control over decisions about foundation design, administration and investment management. Due to its complexity and cost, a private foundation is usually established by donors with considerable assets.

Donors may deduct up to 30% of AGI for cash contributions; appreciated securities (marketable securities held long-term are valued at fair market value) are limited to 20% of AGI. A five-year carry-forward of any remaining deduction is available.

Other considerations:

- Compared to donor-advised funds, private foundations are created with larger gifts
- Private foundations must pay out at least 5% of their endowment annually
- There are tax-filing requirements

Other ways to give

- **Bequests from your assets**
  Bequests are gifts from your assets—whether a transfer of cash, securities or other property—made through your estate plan or will. You can make a bequest to designated charitable organizations by including language in your will or living trust.

  It is also simple to name a charity as beneficiary of all or a percentage of your IRA. Because the charity is tax-exempt, after your death it can withdraw the assets from the account without having to pay income taxes on the withdrawal, a significant tax advantage.

- **Life insurance**
  Life insurance lets a donor make a significant lifetime gift to charity for a tax-deductible annual contribution. Gifts of life insurance provide many benefits to the receiving charity, including minimal administration requirements, no delays in settlement, and the ability to access policy cash values during the donor's lifetime.

The best of both worlds: Make an impact and receive tax benefits

Charitable giving is a powerful financial tool. It provides double satisfaction—making an impact while possibly lowering your tax bill. While all of the gifting vehicles below have benefits, it may not be easy for you to determine which strategies work best in your situation. Working with an advisor can help you craft the optimal giving strategy to maximize your philanthropic goals and tax savings during your lifetime.

Potential tax benefits

- You may receive an income tax deduction in the year you make the gift, subject to adjusted gross income limits
- The federal gift tax does not apply to charitable gifts
- Charitable gifts may help reduce your estate tax liability

Other potential benefits

- Restructure a non-diversified portfolio without incurring an immediate capital gain
- Help avoid current capital gains tax on the sale of a business
- Take an immediate tax deduction on an irrevocable future gift to charity

Popular ways to give

There are a number of strategies, each with its own advantages and benefits, you can leverage for effective philanthropy:

Type of gift	Benefit
Outright gift	Immediate income tax deduction
Will or trust bequest	Estate can take income and estate tax deductions
Donor-advised fund (DAF)	Immediate income tax deduction Donor may advise on which charities receive assets over a future timeframe
Private foundation	Immediate income tax deduction Donor and descendants have complete control over which charities receive grants

Bunching tax deductions to impact charitable giving

If annual giving is part of your long-term strategy, you may have the ability to support your favorite causes while enjoying the possible income tax benefits.

To quickly define bunching: it is doubling your charitable giving in tax year one, and not making any charitable donations in tax year two, or vice versa. In this case, a charitably minded taxpayer would simply shift the timing of their deductible charitable expenses by bunching them together within the same tax year.

Bunching is an outgrowth of the Tax Cuts and Jobs Act (TCJA) of 2017. Under the TCJA, the standard deduction nearly doubled in size. Therefore, donors who find themselves on the margin between taking the standard deduction or itemizing could maximize their tax benefits by bunching two years of charitable contributions into one year, itemizing deductions for that year, and taking the standard deduction the other year. A DAF is one of the most efficient ways to execute this strategy.

Thriving in every life stage

Use this checklist as a starting point to begin planning.

Key financial pillars	Working toward tomorrow	Approaching retirement	Thriving in your encore years
Accumulate and grow your wealth	☐ Define your goals, plan, save and invest with regular reviews ☐ Have an emergency fund of at least six months of expenses ☐ Max contributions to employer-sponsored retirement plans ☐ Leverage a Roth IRA or Roth 401(k) in your early career years	☐ Align investments, track and rebalance regularly to help offset the impact of inflation ☐ Take advantage of catch-up contributions at age 50+ ☐ Use a Roth conversion to build flexibility and tax diversification into your plan	☐ Understand the probable outcome of your comprehensive wealth plan; review annually ☐ Consider consolidating accounts with one financial provider to simplify your financial life ☐ Use the bucket strategy to restructure your assets into portfolios to meet your near-, intermediate- and long-term needs
Fund your lifestyle today and tomorrow	☐ Monitor spending levels with a set budget and eliminate unproductive debt ☐ Consider deferring the use of HSA dollars to fund your health care expenses in retirement ☐ Model expected retirement expenses into your wealth plan	☐ Create a plan for your retirement paycheck and determine when to start Social Security ☐ Consider an annuity to help manage income and longevity risk ☐ Create a retirement budget to cover your needs, but allow flexibility for your wants	☐ Manage your spending to cover your needs, goals and priorities ☐ Plan ahead for required minimum distributions starting at age 72 ☐ Create your retirement paycheck in a tax-efficient manner and revisit your paycheck strategy annually
Protect what is important to you	☐ Evaluate your options for health, disability and life insurance coverage ☐ Consider property and casualty insurance; as your estate grows, you may need umbrella insurance	☐ Evaluate your need for long-term care coverage ☐ Use credit strategically to manage the impact of the unexpected; establish a credit line before you retire ☐ Re-evaluate your life insurance needs	☐ Enroll promptly in Medicare at age 65 and claim Social Security by age 70 ☐ Avoid selling assets in down markets by using a credit strategy or insurance cash value to supplement income ☐ Discuss your care and caregiving wishes with your family
Create a lasting legacy	☐ Establish a revocable trust, will, health care directive and power of attorney ☐ Check beneficiary designations and that assets are properly titled ☐ Think about a gifting plan that is impactful and aligned to your values	☐ Revisit estate-planning documents, asset titling and beneficiary designations ☐ Use trusts to protect your assets, transfer your wealth and facilitate your estate settlement ☐ Couples should have a plan that considers different scenarios for survivorship; include housing and care needs	☐ Make sure your estate plan is aligned with your wishes and updated ☐ Understand gift and estate tax thresholds and take advantage of wealth transfer exclusions and deductions

About Wealth Insights

Your financial journey is informed by both a clear understanding of where you are today and the strategic options that can fuel your tomorrows.

At RBC Wealth Management, we are committed to delivering insights that educate, equip and engage you for that journey.

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