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# 5 tax-saving tips when giving to loved ones and charities

Giving is wonderful and generous thing to do. Not to mention, it feels great to give. And, maximizing your tax savings when you do it only enhances that feeling.

Here are five smart things you can do to give a little more to those you care about and give a little less to Uncle Sam.

## 1. Help fund a child's higher education

Depending on your state, contributing to a 529 college savings account could come with a state income tax deduction. In addition, growth on your contributions is federally tax-deferred, and withdrawals are tax-free when used for qualified higher-education expenses.

Depositing your gift into a college savings plan has an additional benefit: You can frontload five years' worth of gifts. The current gift tax exemption is $14,000 per beneficiary per year ($28,000 if you're married filing jointly), so using this method, you can give up to $70,000 per beneficiary in one lump sum ($140,000 if married filing jointly).

## 2. Give your loved ones larger gifts during your lifetime

Making a gift during your lifetime can help you reduce your heirs' future exposure to estate tax.

In 2014, your estate can have a value of $5.34 million (provided you haven't made any taxable gifts during your lifetime) before being subject to federal estate taxes. If your estate is above this amount, giving can help reduce the value of your estate. Depending on the size, frequency, and number of your financial gifts, making them may allow you to bring the value of your estate below the taxable threshold.

And, if your gift is less than the annual gift-tax exemption amount per recipient ($14,000 for the 2014 tax year), your generosity won't cost you more in taxes.

## 3. Donate cash to the charitable organizations you support

Cash gifts (which include donations made by check and credit card) to nonprofit organizations are often tax-deductible.

The amount you could save on your taxes depends on your tax bracket. For example, if you're in the 39.6% top marginal tax bracket, a $100 gift may reduce your taxes by $39.60 ($100 x 39.6%).

## 4. Give appreciated securities to your favorite charity

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Donating appreciated securities you've owned for more than one year to a qualifying charity has a couple of tax benefits. You can take a full tax deduction for the market value of the investment, such as stocks, bonds, or mutual fund shares that have appreciated, and avoid paying taxes on the appreciated value.

For example, let's say you paid $500 several years ago for some mutual fund shares, and these shares have appreciated to $1,000. Since you're in the 28% tax bracket, your direct tax savings would be $280 ($1,000 x 28%). Plus, you avoid the capital gains tax that you'd otherwise have paid on the investment, saving an additional $75 (15% capital gains tax rate x the $500 gain).

The higher your tax bracket, the more this method can save you. Using the same example, if you're in the 39.6% tax bracket, you'd save $396 directly. And, because the capital gains tax increases to 20% for this bracket, you'd avoid an additional $100 of tax.

## 5. Simplify giving with an expertly run donor-advised fund

While you have a number of ways to give to your preferred charitable organizations, using a donor-advised fund such as Schwab Charitable allows you to immediately take a full tax deduction for the amount of the irrevocable contribution you make—even if you haven't yet named a specific charity to receive the money. Simply recommend an investment allocation for your contribution and, over time, request grants to the charities of your choice.

Notes: