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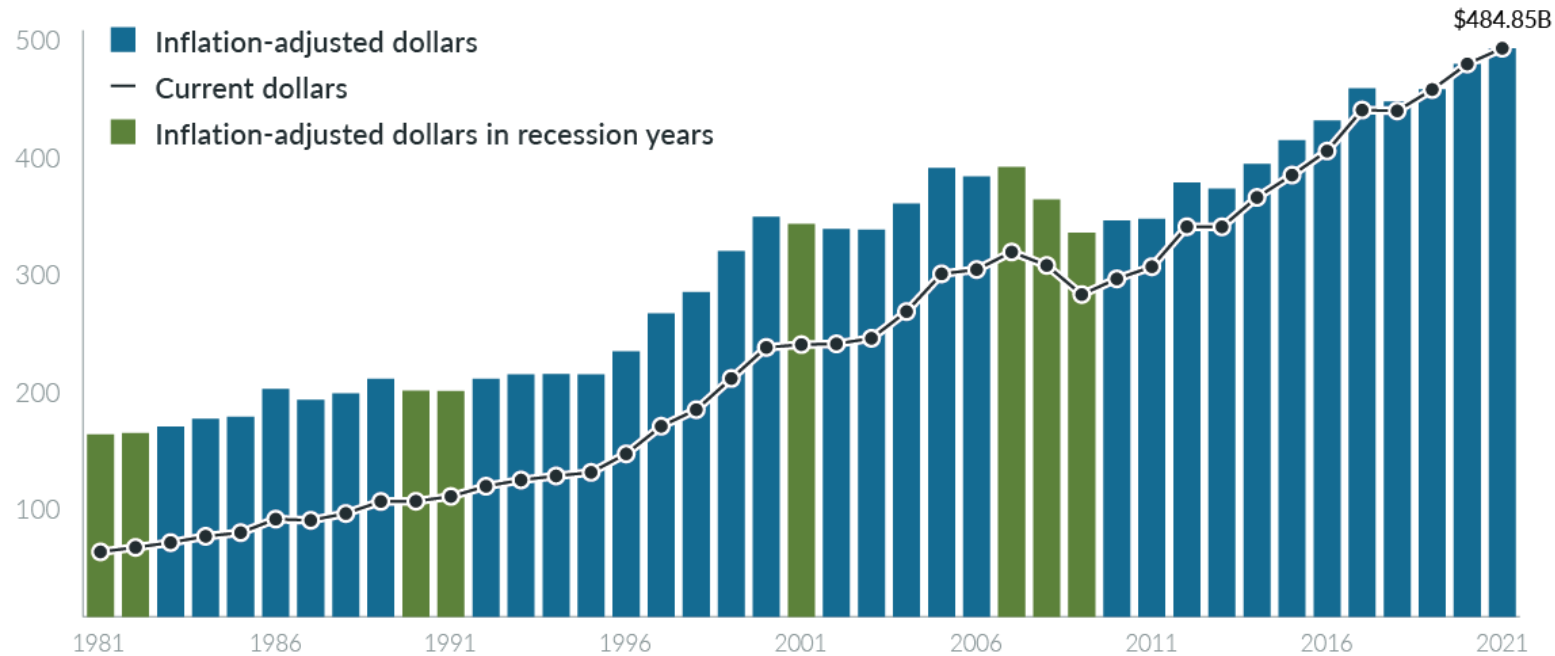
# Beyond Cash

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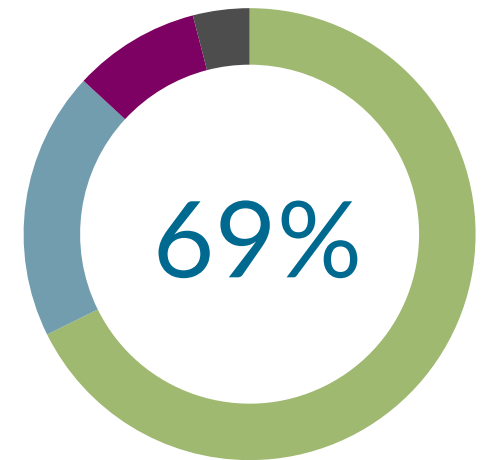
Planning Strategies for Complex Charitable Contributions

# Current Landscape of Philanthropy

## Charitable giving continues to increase<sup>1</sup>



An overwhelming majority of that giving is done by individuals<sup>1</sup>



Individual  
Foundations  
Bequests  
Corporations

<sup>1</sup> "Giving USA 2022 Study," Lilly Family School of Philanthropy.

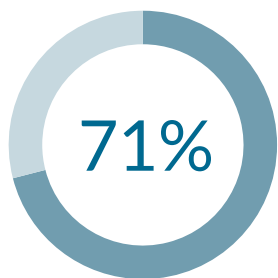
# Why Charitable Planning?

Meet a clear client need, differentiate and grow your business

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Of high-net-worth (HNW) households contribute to charity<sup>1</sup>



Of HNW clients agree that discussing philanthropy with their advisor is important<sup>1</sup>

## Integrating charitable planning into your client conversations:



Reinforces your position as a broad financial expert and may help you unlock new assets



Helps you think beyond the individual to the family



Allows you to develop a deeper client connection

<sup>1</sup> "2018 U.S. Trust Study of High Net Worth Philanthropy" conducted in partnership with the Indiana University Lilly Family School of Philanthropy.

# Assets to fund philanthropy

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Cash equivalents



Appreciated securities



Complex, non-publicly traded assets

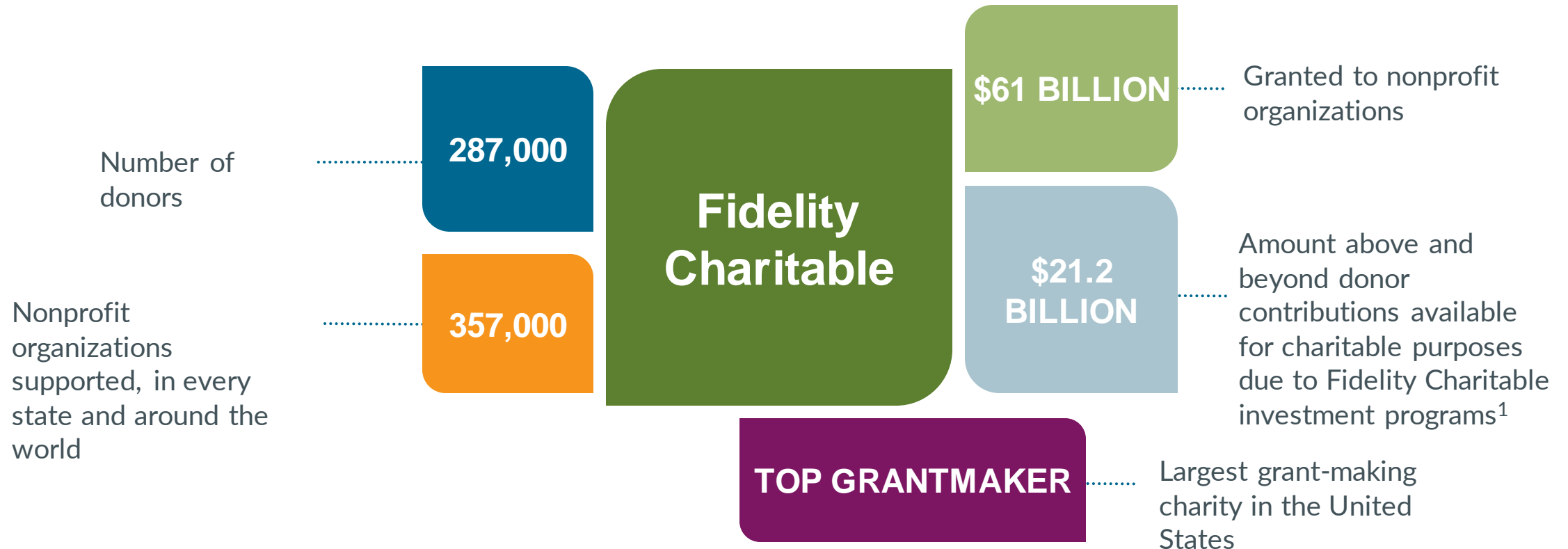
## Benefits of donating long-term appreciated assets or complex assets:

- Generally entitled to the full fair market tax deduction<sup>1</sup> at the time of gift
- Reduce or eliminate capital gains tax
- Give more by donating directly rather than liquidating or before there is a prearrangement to sell

<sup>1</sup> For contributions of complex or non-publicly traded assets generally fair market value is determined by a qualified appraiser in compliance with IRS.

# About Fidelity Charitable®

Fidelity Charitable® is an independent 501(c)(3) public charity, established in 1991. Our mission is to grow the American tradition of philanthropy by providing programs that make charitable giving accessible, simple, and effective. The primary vehicle for reaching that goal is our donor-advised fund, called the Giving Account®.



All data as of December 31, 2021

<sup>1</sup>Based on cumulative contributions since inception minus cumulative grants since inception, subtracted from current assets as of December 31, 2021



# Give

MAKE A DONATION

# Grow

POTENTIALLY GROW  
THE BALANCE

# Grant

SUPPORT CHARITIES

# Charitable tax incentives

## Income tax

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2022 Deduction limits as a percentage of Adjusted Gross Income (AGI):



### Cash

- 60% to donor-advised funds
- 30% to private foundations



### Long-term appreciated property

- 30% to public charities or private operating foundations
- 20% to private foundations

Generally, deductions exceeding these limits can be carried forward for up to five additional years

# Charitable tax incentives

## Capital gains tax

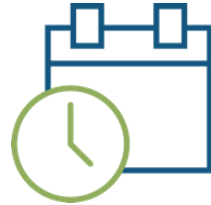
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### Short term

(owned for a year or less)

- Taxed at ordinary rates



### Long-term

- Taxed at 15% for most, 20% for those in the highest income bracket
- Additional 3.8% Medicare surtax in some cases

Eliminated when appreciated assets are contributed rather than liquidated and sold



# Charitable tax incentives

## Estate taxes

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- Federal estate tax exemption raised to \$12.06 million<sup>1</sup>
- Highest taxable rate is 40%<sup>2</sup>
- Unlimited deduction for charitable contributions

Charitable gifts made during a client's lifetime removes the assets from  
(and any future appreciation related to) their estate

<sup>1</sup> Adjusted annually for inflation

<sup>2</sup> 2022 tax rate

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# Tax Strategies

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# Donate stock to reduce taxes and increase giving

Capital gains taxes are potentially eliminated when long-term appreciated assets are given directly to a charity.

Stock		Donate Cash
\$20,000	Value of stock when purchased	\$20,000
\$50,000	Current price	\$50,000
\$0	Capital gains and Medicare surtax paid* (23.8%)	-\$7,140
\$50,000	Total contribution to charity (after deducting federal taxes)	\$42,860

**\$18,500**

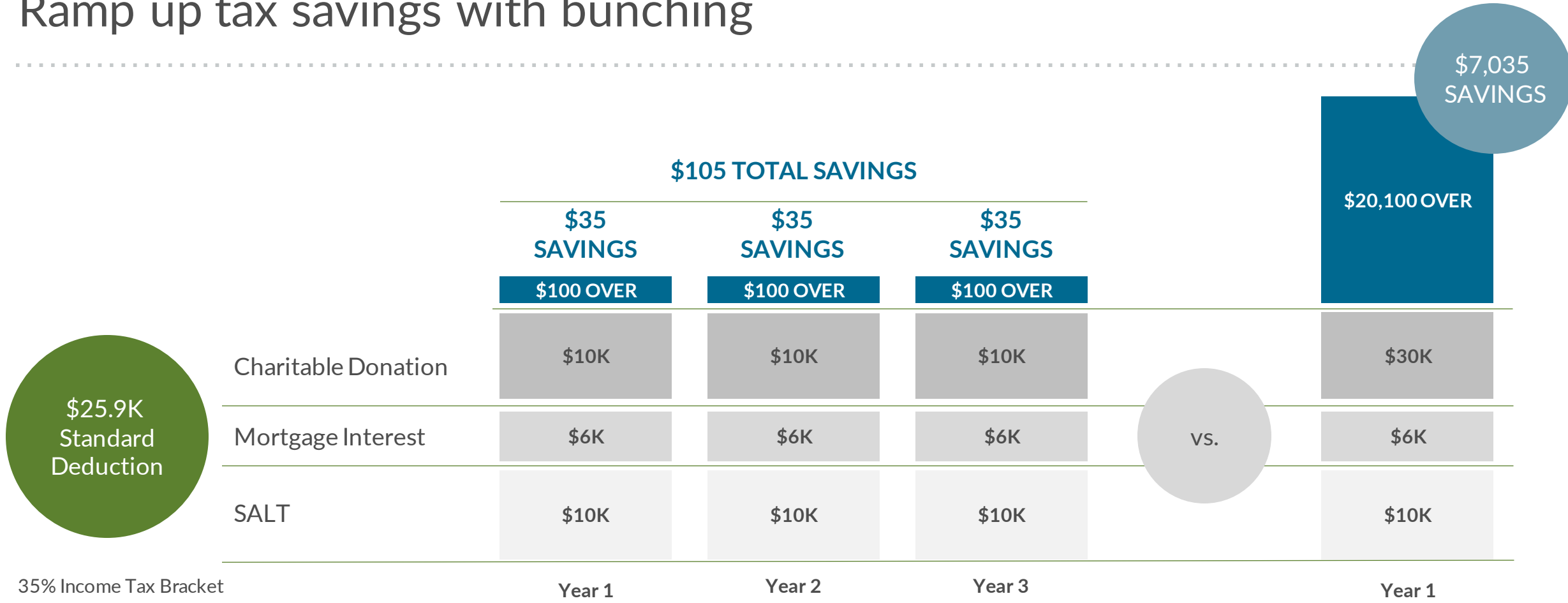
Income tax savings by making contribution

\$15,858

**Greater tax deduction, greater contribution**

This is a hypothetical example for illustrative purposes only. The chart assumes that the donor is in the 37% federal income bracket and will itemize deductions. State and local taxes and the federal alternative minimum tax are not taken into account. Please consult your tax advisor regarding your specific legal and tax situation. Information herein is not legal or tax advice. Assumes all realized gains are subject to the maximum federal long-term capital gains tax rate of 20% and the Medicare surtax of 3.8%. Does not take into account state or local taxes, if any.

# Ramp up tax savings with bunching



**\$6,930\* MORE SAVED**

This is a hypothetical example for illustrative purposes only. This chart assumes a married filing jointly couple who contribute a cash gift. The tax savings referenced here are specific to the charitable donation made above the \$25,900 standard deduction. Information herein is not legal or tax advice. \*As with any tax planning strategy, there may be additional considerations that pertain to your client's personal situation. Other strategies may provide more flexibility and similar savings. Please consult your tax advisor.

\$6,930\*

MORE SAVED

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BOTTOM LINE

\*As with any tax planning strategy, there may be additional considerations that pertain to your client's personal situation. Other strategies may provide more flexibility and similar savings. Please consult your tax advisor.

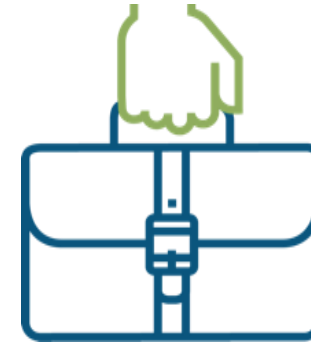
# Common giving strategies and vehicles

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## Giving While Living









- Donor-Advised Funds
- Private Foundations



## Giving and Generating Income

- Charitable Remainder Trusts (CRTs)
- Charitable Lead Trusts (CLTs)

# Giving vehicle comparison

	Donor-Advised Fund (DAF) <sup>2</sup>	Private Foundations	Charitable Lead and Remainder Trusts	Check, Cash or Credit Direct to Charity
<b>Tax deduction</b>	Fair market value	Cost basis or fair market value, depending on the type of asset	Calculated based on trust terms and 7520 rate	Cash amount gifted
<b>Organizations you can support</b>	IRS-qualified public charities	Many organizations and individuals; grants must be charitable purposes	IRS-qualified public charities and generally private foundations	Public charities, private foundations
<b>Growth potential</b>				
<b>Donations of non-cash items</b>				
<b>Income tax deduction limit<sup>1</sup></b>	60% for cash 30% for appreciated assets <sup>3</sup>	30% for cash 20% for appreciated assets <sup>4</sup>	Depends on the type of charity supported by the trust and the type of trust	60%
<b>Tax on investment income</b>	None	1.39% of net investment income	Depends on the nature of the trust	NA

<sup>1</sup> Percentage of adjusted gross income.

<sup>2</sup> At a 501(c)(3) charity.

<sup>3</sup> Appreciated assets held over a year are generally deductible at fair market value—applies to both publicly and non-publicly traded assets.

<sup>4</sup> Appreciated, publicly traded assets held for over a year are generally deductible at fair market value, while non-publicly traded assets are generally deductible only at basis.

# Charitable Investment Advisor Program

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Your clients can nominate you to actively manage the charitable assets they contribute to Fidelity Charitable®

## Donor benefits

- You manage the charitable assets in the Giving Account®
- Gain a more customized asset allocation, to match their charitable giving time horizon and objectives

## Advisor benefits

- Integrate charitable giving into your client's overall financial plans
- View charitable assets in your client's Giving Account® alongside their investment portfolios
- Leverage your investment expertise with the goal of increasing your client's charitable giving



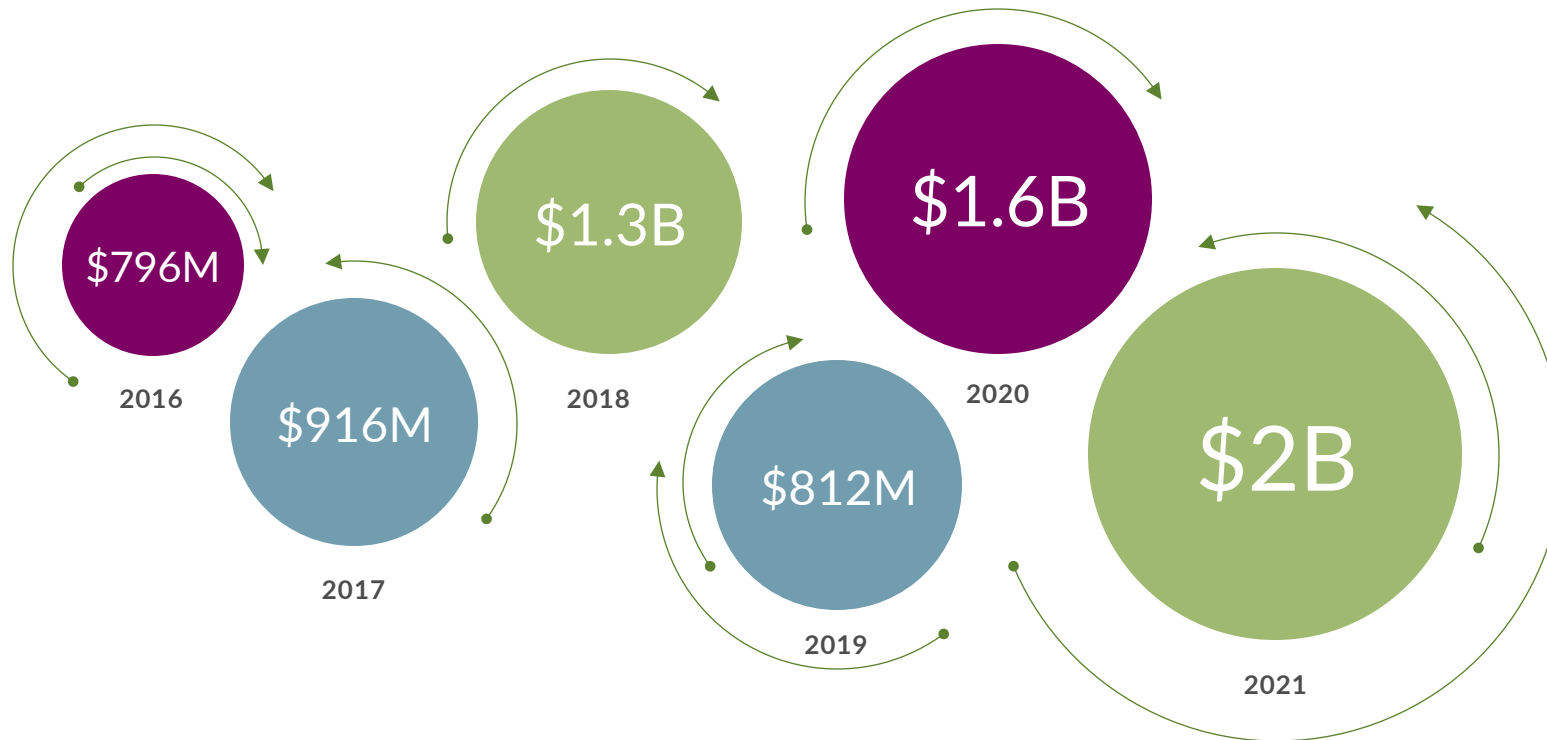
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# Complex Assets

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# Our complex asset expertise

## Non-publicly traded asset contributions, by dollars



— **\$10B**

Converted \$10B  
in non-publicly traded  
assets to dollars for charity  
since inception

# Examples of complex assets

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- Private Company Stock
  - S-corp
  - C-corp
- Bitcoin (and other cryptocurrencies)
- Private Equity Interests: Shares, LLC and Limited Partnership
- Restricted Stock
- Insurance Interests
- Oil and Gas Royalty Interests
- Certain Alternative Investments



<sup>1</sup> 2012 Fidelity Charitable<sup>SM</sup> "Advice & Giving" survey, conducted by Harris Interactive for Fidelity Investments® on behalf of Fidelity Charitable. Respondents who work with a paid financial advisor and have at least \$100,000 in household income and a minimum of \$1 million in investable assets, excluding their primary residence.

# Why donate complex assets?

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Assets often have a low cost basis, making them a more efficient asset to donate



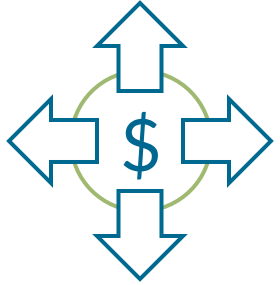
Fair market value tax deduction



Potentially minimize capital gains

# Key diligence points for the charity

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Transferability



Valuation



Liquidity & Timing



Risk Management

# Four case studies



Private company  
business exit



Public company  
M&A



Equity compensation



Pre-IPO

# Appraisal requirements

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## Need “qualified independent appraisal” if over \$10,000

- Accredited by national appraisal organization
- Regularly receives compensation for performing valuations
- Has met certain education and experience requirements
- Cannot be a party to the transaction

## Appraisal “as of” the date of the contribution

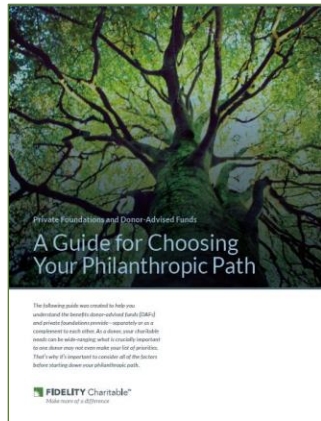
- Only information “known or knowable” on or before the effective date can be considered in determining value
- Discounts for lack of marketability and lack of control
- Factors affecting discount include existing market, imminent sale of the company, put option, voting rights, etc.

No earlier than 60 days prior to the gift up until taxpayer’s filing deadline, with extensions

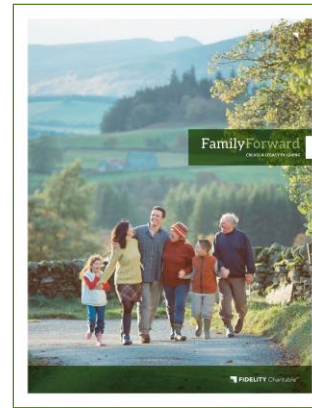
# Client resources



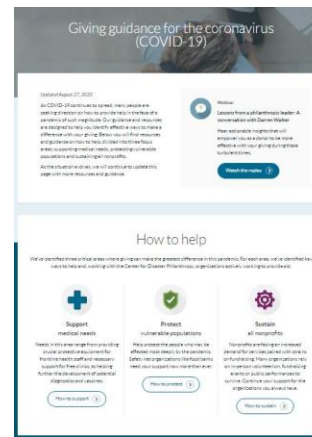
[Boost Your Giving IQ](#)



[A Guide to Choosing Your Philanthropic Path](#)



[Family Forward Guide](#)



[COVID-19 Giving Guidance](#)

More guides, videos, tools and calculators at [fidelitycharitable.org](https://fidelitycharitable.org)



## Next steps

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Set a meeting date with your clients



Reach out to us prior to your meeting  
if you need support



Get resources for your client conversations at  
[fidelitycharitable.org](https://fidelitycharitable.org)

Questions?

# Disclosures

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# Appendix