

Charitable Giving for the High-Net-Worth Individual

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Giving is one of the most meaningful parts of a financial life. It's how many of us put our values into action, support the causes we care about, and pass something lasting on to the next generation. It can also be a valuable part of your overall financial plan. With a little planning, the same generosity can go further for the charities you support and be far more efficient for you and your family.

In this article, we'll walk through what has changed in the tax rules, and then explore the most common ways to give, with a look at how each one works and who it tends to suit best.

What's Changed

The 2017 Tax Cuts and Jobs Act (TCJA) significantly increased the standard deduction while narrowing itemized deductions to a handful of items: medical and dental expenses above 7.5% of adjusted gross income (AGI), mortgage interest, state and local taxes (capped), and charitable gifts. The result is that far fewer households itemize.

The 2025 One Big Beautiful Bill Act (OBBBA) then refined the charitable rules, with some good news and some new limits:

- **For everyone, including those who don't itemize:** There is now an "above-the-line" deduction for cash gifts to public charities, up to \$1,000 for single filers and \$2,000 for joint filers. You can claim it whether or not you itemize. The gift must go directly to a public charity, so donations to a donor advised fund or private foundation don't count.

- **For those who itemize:** Only gifts above a 0.5% of AGI “floor” are deductible. And if you’re in the top 37% federal bracket (single filers above \$640,601; joint filers above \$768,701), your deduction is now valued at the 35% bracket instead.

These new limits can make a real difference for higher earners, so it helps to see the numbers. For example, imagine a donor who itemizes, has \$2,000,000 of AGI, and typically gives \$20,000 a year. Under the old rules, the full \$20,000 was deductible at 37%, saving \$7,400 in tax. Under the new rules, the first \$10,000 (0.5% of AGI) falls below the floor, leaving a \$10,000 deduction valued at 35%, which saves \$3,500. That’s roughly 53% less tax savings for the very same gift.

Most clients new to HCR Wealth Advisors have traditionally made charitable gifts by simply writing a check. Cash gifts to public 501(c)(3) charities still provide a current-year deduction of up to 60% of AGI (now subject to the OBBBA limits above), with any excess carried forward for up to five years. Cash is simple and always welcome, but it’s seldom the most efficient way to give. The strategies below can help you accomplish more with the same generosity.

Common Charitable Gifting Strategies

Donate Appreciated Assets

Many investors are sitting on large unrealized gains after the strong markets of the last 10 to 15 years. If you’re charitably inclined, those low-basis, long-term positions can do double duty.

Think of appreciated assets as charitable currency. When you donate them, you receive a current-year income tax deduction for the full fair market value, and you avoid the capital gain entirely, because the tax-exempt charity can sell the position without paying tax. Say you bought a stock for \$10,000 and it’s now worth \$100,000. Donate it, and you receive a deduction for \$100,000 (subject to the OBBBA limits above) and never owe tax on the \$90,000 of gain.

A few things to keep in mind:

- **Most charities can accept direct gifts of securities.** Donations of appreciated assets to public charities are limited to 30% of AGI, with a five-year carryforward.

- **Holding period matters.** The asset should be held for more than one year. For short-term positions, the deduction is limited to the lesser of your cost basis or the current market value.
- **You can still own it.** If you love the investment and want to keep it, you can buy it back with the cash you would have otherwise donated. That resets your cost basis to today’s market value.

Use a Donor Advised Fund

What if you’d like a deduction this year but aren’t ready to decide exactly which charities will receive your gift? A donor advised fund (DAF) offers a simple answer.

A DAF is a charitable investment account that is itself a public charity. Getting started is easy, as some sponsors, including Fidelity and Schwab, have no initial minimum. You can fund it with cash, appreciated securities, or other assets such as real estate and other illiquid investments, and the account can carry your family’s name or remain anonymous.

You receive your tax deduction as soon as the funds go into the DAF. From there, the assets can be invested and sold with no tax consequence. The gift is irrevocable, but you keep an important role: you direct how the money is invested and you recommend which public charities receive grants over time. The DAF sponsor sends those grants out to the charities. There is no legal deadline to distribute the funds, although many sponsors ask for at least a \$50 grant to a public charity every three years.

Given the OBBBA’s limits on itemized charitable deductions, “bunching” your gifts often makes a lot of sense. The idea is to contribute several years’ worth of giving to your DAF in a single year, which lets you itemize and take a larger deduction. You then spread grants to your favorite charities over time. In the following years, you take the standard deduction, and then repeat the cycle when it makes sense.

Make Qualified Charitable Distributions From a Traditional IRA

If you’re 70½ or older and have a Traditional IRA, a qualified charitable distribution (QCD) can be one of the most tax-efficient ways to give.

A QCD is a donation made directly from your pre-tax IRA to a public charity. You can give up to \$111,000

per year (per taxpayer, adjusted annually for inflation) without that money counting as taxable income. You don't need to itemize, so the OBBBA limits don't apply. And you don't need to have reached your required minimum distribution (RMD) age (73, or 75 for those born after 1960). Age 70½ is the magic number.

If you do have an RMD, a QCD counts toward it. Suppose your 2026 RMD is \$200,000 and you make a \$111,000 QCD. That \$111,000 skips your income tax return entirely, and you only take in and pay tax on the remaining \$89,000. Married couples can each make QCDs from their own IRAs, up to the annual limit.

One important note: QCDs must go directly to public charities. They can't be made to a DAF or a private foundation.

Name Charities in Your Estate Plan

Your estate plan is another natural place for charity. Many plans include specific charitable bequests or name one or more charities as the taker-in-default, meaning the recipient if all other beneficiaries have passed away.

For some families, it also makes sense to name a charity (which can be a DAF) as a beneficiary of a Traditional IRA or other retirement account. Here's why: Under the 2019 SECURE Act, most non-spouse heirs must withdraw everything from an inherited IRA within 10 years, and depending on whether the original owner had reached RMD age, annual withdrawals may be required along the way. Every dollar is taxed to the heir as ordinary income. That makes IRA dollars among the least tax-efficient assets to leave to family and among the most efficient to leave to charity, which pays no income tax on them.

If your estate may be taxable (for 2026, above \$15,000,000 for an individual or \$30,000,000 for a married couple), directing IRA assets to charity can also reduce the size of the taxable estate.

Create a Private Foundation

A private foundation takes the DAF concept a step further. Established by an individual, family, or corporation, it can support charitable causes directly,

and it can also organize and run its own charitable events and programs. Foundations are often used to build a legacy beyond one's lifetime and to give family members a role, whether as employees or as members of the board. Subject to limitations, a foundation can also support organizations other than public charities.

Gifts of cash or securities to a foundation are deductible at fair market value. Gifts of real estate or privately held stock, however, are deductible only at cost basis. Deduction limits are also lower than for DAFs and public charities: 30% of AGI for cash (versus 60%) and 20% for long-term appreciated securities (versus 30%). Foundations pay a modest excise tax on net investment income and must distribute roughly 5% of their investment assets each year, with severe IRS penalties for falling short.

A private foundation can be a wonderful family giving vehicle, but the legal, accounting, and administrative work is substantial. For most people, a DAF delivers much of the benefit with far less effort. Foundations tend to suit ultra-high-net-worth families who want to be deeply involved in their giving and leave a lasting legacy.

Bringing It Together

Charitable giving is an important part of your overall financial plan, not just something to think about near year-end. The right mix of gifts and giving methods can mean a greater impact for the charities you care about and better tax outcomes for you.

Tax laws change periodically, and the best approach is different for every family. HCR is here to help you sort through the options, understand how new rules affect you, and make decisions that are right for you and your family.

If you'd like to explore how charitable giving can fit into your broader financial plan, please [contact us](#) to discuss the strategies that may be right for you.

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