

Fiscal Fitness

Stocking Stuffers

Reviewing year-end charitable gifting



December 2004

Tis the season for giving – and getting a receipt for it. Unless your heart is two sizes too small, the holidays strike a charitable cord within all of us. Some statistics suggest that 75% of all charitable donations are made in the last 2 months of the year. While benevolence can be spiritually rewarding, it doesn't always have to be financially deflating. This December's *Fiscal Fitness* isn't about buying and selling; it's about giving. Please note that "giving" is used here to denote "charitable" gifting to 501(c) (3) organizations. Contrary to popular sentiment, this does not include family members.



Tip #1 – Research the proposed charity to determine what percentage of the contributed dollars goes toward programs vs. administrative/fundraising costs. Try visiting www.guidestar.org or www.charitywatch.org, which offer reports on over 850,000 non-profit organizations. Financial records are available for most substantial charities.



Tip #2 – Donate appreciated marketable securities. This popular gifting technique is often underused. Charities will happily receive marketable stock - it easily converts to cash. But for you, the tax benefit can be attractive – avoiding the capital gains tax while receiving a charitable deduction for the fair value of the stock. **Caution:** This strategy only works with appreciated securities held more than 1 year. Also, don't donate securities where you'd incur a loss. Sell the security and then donate the proceeds to maximize your deduction.



Tip #3 – Consider setting up a donor-advised fund ("DAF"). DAF's, long provided by local community foundations, have recently gained acceptance at major financial services firms such as Vanguard, T Rowe Price and Fidelity. The DAF's are simpler to implement than Charitable Remainder Trusts and tend to be less expensive to maintain. You deduct gifts to your donor fund now and decide later how and when to disperse the bounty to charitable organizations.



Tip #4 – Donate your car *this year*. Starting in 2005, your write-off will be limited to the price at which the charity sells your car. While that may seem fair, in reality, charities go for a quick turnaround selling the cars at auction. So, in effect, you'll be stuck with a much lower realized deduction. Under the current law – through December 31 – you can deduct the fair market value of the car using more favorable "blue-book" valuations.



Tip #5– Clean out your closets. Give your good conditioned used clothing and household goods to Goodwill, Salvation Army or any other not-for-profit thrift. While your clothing tax deduction is limited to thrift store value (you'd be amazed how many people believe their shoes appreciate in value over time). Anyway, you get a tax deduction, provide clothing for needy people and make room for your wife's new Christmas fashions. We have some books that will help value your used property.



Tip #6 – Use charitable organizations to help families in need. You can't deduct gifts to private families, only 501(c) (3) organizations. However, you may be able to help individuals by contributing to qualified charities and directing them to serve individuals in need through established programs of providing food, shelter, clothing, education, etc.

We understand that most charitable minded people give without regard to tax benefits. Nonetheless, consider savvy giving as obtaining a matching contribution from the government. At Houlihan Asset Management we hope the charitable spirit is rekindled this Christmas season and we extend our warmest holiday wishes to you and your family. May 2005 bring continued good health, happiness and prosperity.

On an administrative note, we have now settled into our new offices at Stone Pointe - 421 E. Cook Road, Suite 300. Our phone numbers and emails have remained the same. We apologize for the brief interruption in internet service. Additionally, our website is up and running at www.houlihan.biz, where clients can also access their TD Waterhouse accounts. Please call us if you would like your secured password forwarded.