

# Edward Jones Charitable Gift Fund:

## A convenient way to make a lasting impact

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There are many ways to support a cause that's important to you. You might donate time by volunteering, give items directly to a charity or contribute money. How you give is a deeply personal choice, but those who choose to donate financially may find their contributions go further with the Edward Jones Charitable Gift Fund, a donor-advised fund (DAF).

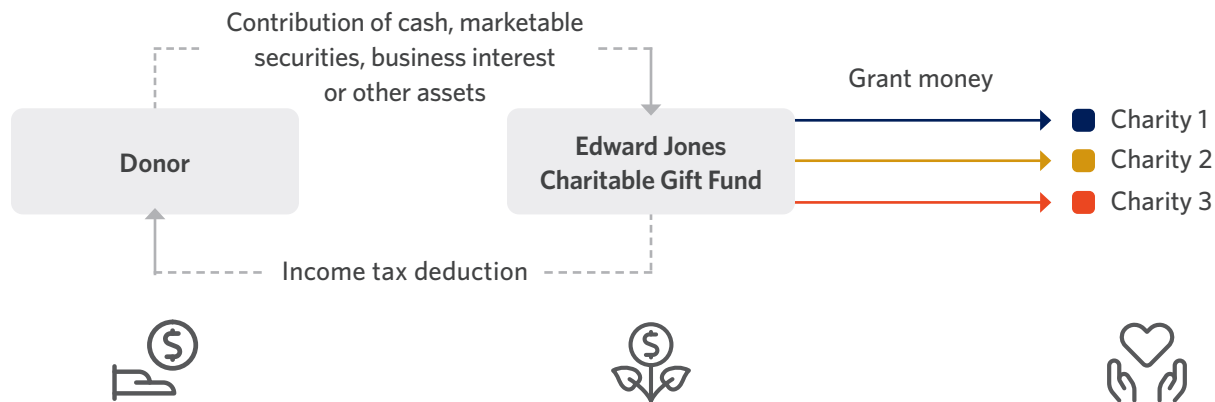
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### What is a donor-advised fund?


A DAF is a charitable-giving tool that allows you to make an irrevocable contribution to the fund, for which you gain an immediate tax deduction. Over time, you can request distributions be made to IRS-approved, public charities of your choosing. The minimum initial contribution for the Edward Jones Charitable Gift Fund is \$10,000 when donating cash and marketable securities. When donating unique assets, such as business interests, or tangible personal property, such as collectibles, the value of the asset must be at least \$500,000.




## The donor-advised fund process



 You contribute to the DAF. This contribution is irrevocable — once the money is in the account, it can only go to an IRS-approved charity. The contribution may be tax deductible.

 The money is invested based on your preferences,<sup>1</sup> giving it the potential to grow tax free, expanding your charitable impact.

 You choose<sup>1</sup> which charities to support, when to support them and how much to give.

<sup>1</sup> Donor retains an advisory relationship with the DAF, allowing the donor to make recommendations on how the money is invested and granted.

## Who should consider a donor-advised fund for charitable giving?

A donor-advised fund can be a powerful tool for maximizing your charitable impact in certain situations — for example, if you want to give to charity and:

**... you want your charitable giving to be tax-deductible, but you don't give enough each year to itemize your deductions.** If you plan to make consistent charitable contributions, you may consider combining several years' worth of planned giving into a single DAF contribution. This may enable you to itemize your taxes and realize a larger deduction in the current tax year. And you can request a grant be made from the DAF to the charities of your choice over time. Remember, you receive the tax deduction in the year you contribute to the DAF and not when the money is granted from the DAF to the charity.

**... you own investments or other assets that have significantly increased in value.** Contributing appreciated securities, business interest, artwork or other collectibles directly to a charity allows you

to avoid paying taxes on the capital gains. This means the charity receives more of the proceeds than if you were to sell the security and then gift the after-tax proceeds. You can also take an income tax deduction for donations of these assets. However, many charities are not set up to handle this type of gift, so transferring the appreciated securities to a DAF and then granting to the charities of your choice is a good way to use this strategy.

### Giving \$100,000 of stock with \$90,000 of long-term capital gains to charity

|                                | If you give the stock to a DAF | If you sell the stock for cash |
|--------------------------------|--------------------------------|--------------------------------|
| Capital gains tax <sup>1</sup> | \$0                            | \$18,000                       |
| Amount given to charity        | \$100,000                      | \$82,000                       |

<sup>1</sup> Assumes 20% capital gains tax rate and no fluctuation in value.

**... you have experienced an unusually high-income year.** If you sold a business, exercised stock options, executed a Roth conversion or otherwise received extra income, it may be a good time to give. Similarly, you may want to consider giving if you expect your taxable income to be lower in the future, such as when you're nearing retirement. Typically,

in high-income years, your marginal tax rate is also higher, so the benefits from charitable giving in those years would be greater than in subsequent, lower-income years. By stacking future donations into a higher-income year and making grants over time from a DAF, you may increase your tax benefits as well as your impact on charitable organizations.

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## How you can incorporate a donor-advised fund into your financial strategy

In addition to the potential tax benefits listed above, a donor-advised fund has several other benefits, depending on how you choose to use it.

**The opportunity to grow your charitable gifts over time, tax free.** A DAF allows you to invest your contributions, providing an opportunity for the money to grow. Additionally, this growth is not taxable to you, the DAF or the charity that receives the grant. When determining the investment allocation in your DAF, consider the appropriate amount of investment risk for the DAF and how long you expect to make distributions or grants from it.

**Streamline tax reporting.** For those who itemize their taxes, keeping records throughout the year can be a burdensome process. If you plan to give to multiple charities throughout the year, you need to keep proof of your contributions through a donation receipt from every charity you support. Using a DAF may streamline your record keeping. Donating first to a DAF and then granting to multiple charities allows for a single donation receipt.

**Share the values of charitable giving.** During your lifetime, you may wish to pass along your giving activities to your children or loved ones. DAFs can allow for joint or supervised charitable giving. Giving money to a DAF removes it from your estate and may help alleviate intergenerational conflict about subsequent charitable grants.

**Leave a legacy.** A DAF can be a beneficiary of your will, trust, annuity, insurance contract, retirement plan or investment account. The DAF also allows you to name a successor older than 18, such as a child or spouse who can continue in your spirit of giving.

Alternatively, you can direct the DAF to continue making grants to charities of your choice for a period of time after your passing. By donating amounts over the estate tax exclusion (\$13.61 million per person in 2024) to the DAF, you may be able to avoid the estate tax and receive an income tax deduction. This can be done either during your lifetime or through an estate plan.

**Provide an alternative to a family foundation.** While family foundations offer more control over investment options, administration and granting, DAFs can offer many of the same benefits at a lower cost to set up and maintain.

**Evaluate a charity's fiscal responsibility over time.** Rather than giving a charity a single lump-sum donation, you may want to give smaller amounts over time while evaluating the charity's ability to fulfill its stated objectives. By contributing the full amount to the DAF in a single year, you realize any potential tax benefits upfront. Your stable grants could help the charity plan its budget.

**Remain anonymous to the charities you support.**

While some people may wish to maintain a close relationship with each charity they support, others may find the resulting volume of solicitations undesirable. A DAF can allow you to remain anonymous to the charity if you wish.

**In memoriam giving.** A DAF can allow you to honor a loved one's legacy in two ways. You can designate a grant from your existing DAF to be made in memory

of your loved one, or a new DAF can be set up in their memory for friends and family to make contributions.

**Ensure the charities you choose to support are qualified by the IRS.** A third-party administrator is responsible for day-to-day operations of the DAF. As part of their services, they ensure the charity you support is approved by the IRS before fulfilling your grant request to make certain your donations are eligible for an income tax deduction.

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**Trade-offs of using a donor-advised fund**

DAFs have several key benefits, but there are important trade-offs to consider. Your financial advisor can help you determine whether a DAF has a place in your financial strategy.

**Contribution is irrevocable.** Once you contribute to your DAF, you cannot access that money for anything other than charitable giving. Grants can only be made to IRS-approved charities.

**Investment risk.** Edward Jones Charitable Gift Fund offers seven professionally managed portfolios ranging from conservative to more aggressive. You can invest in up to two of these portfolios to align with the expected time horizon and risk tolerance of your granting. While the amount of investment risk you choose for your DAF contributions depends on the portfolio you select, every portfolio will carry some risk of loss. It's important you understand the benefits and are comfortable with potential risks of using a DAF.



**Lower levels of control.** While the DAF can be cost effective and offers streamlined administration, it does restrict the available range of investments, the donor's (your) ability to hire individuals to administer the program and the ability to grant money to individuals or private charities. If you want more control, you may want to consider other giving strategies.

**Investment management and other fees.**

While a DAF is a low-cost alternative to a private foundation, it still has fees. Therefore, it is generally not recommended to use a DAF to make a cash contribution and grant all the money to a single charity in a single year. It would be more cost effective to give the money directly to the charity.

**No contributions from qualified charitable distributions (QCDs).** After age 73, individuals must take required minimum distributions (RMDs) from some retirement accounts, most of which are taxable. However, individuals who do not need this income can forgo this tax by designating the RMD as a QCD and directing the retirement account to distribute the money directly to a charity. Current IRS rules prohibit QCDs from being placed in a DAF.

**Additional considerations:**

- The minimum grant size is \$250. A DAF may not be suitable if you wish to give smaller amounts.
- There is a delay between the time you request a grant and when it is given to a charity. Grants generally cannot be used for specific fundraising events.
- Large gifts may reduce your tax bracket to a point it may be more advantageous to split them between multiple years. Work with your tax professional on potential multi-year tax planning.
- As with any strategy involving taxes, there is a potential for laws and tax rates to change, making the strategy less effective than expected.

**Giving back. Paying it forward. Making a difference.**

However you define it, many of us share the goal of supporting causes with a purpose. At Edward Jones, our purpose is to partner for positive impact to improve the lives of our clients and colleagues, and together, better our communities and society.

## General considerations for charitable giving

### Contributions are still subject to IRS limits on charitable tax deductions.

Depending on the size of a cash donation, you can deduct up to 60% of your income for that year. Any donations above that amount can be used in any of the following five years. Similarly, contributing appreciated investments is limited to 30% of your income. Unused deductions generally can be used to offset taxable income for up to five years.

### Donating investments with a loss isn't beneficial

While donating stocks or other investments that have appreciated to a DAF can provide extra benefit, donating an investment that has diminished in value is not as beneficial. Instead, consider selling the security to recognize the loss and donate the proceeds to your DAF. This loss can be used to offset taxable gains on other investments.

### Donating investments with short-term capital gains is less beneficial

Gains on investments that you have owned for less than one year are considered short-term gains for tax purposes. If you donate investments with a short-term capital gain, your income tax deduction is limited to the amount you originally paid for the investment and not the current value. If you hold this investment for more than one year, you could receive a tax deduction for the full market value of the investment, subject to AGI limits. However, your circumstances might warrant selling or donating the investment. Working with your tax professional, your financial advisor can help you determine what is best.

### Prohibition on receiving more than incidental benefit

As with all charitable contributions, you cannot receive more than any incidental benefit for your contribution to the DAF to receive the tax deduction. This is important to remember, because you may be giving from the DAF for years after you receive the tax deduction.

### Unique assets: Prearranged sale rules

The sale of unique assets, such as business interests, to a third party cannot be arranged prior to donating the asset. If the IRS deems the sale was virtually certain at the time of donation, you may lose the tax benefits of donating the asset.

### Related use property

Tangible personal property, such as collectibles, given to a charity but not used for the charity's primary charitable purpose is considered unrelated use, limiting the donor's income tax deduction to the lesser of basis or fair market value.

Tangible personal property donated to a DAF will always be deemed unrelated use. However, when you give these assets to a DAF, it 1) eliminates the capital gains tax, 2) allows the DAF to liquidate the asset and give cash to one or more charities and 3) maximizes the amount of money given to charity as compared to selling the asset and giving the net proceeds. Depending on your goals, it may be better to sell the asset and give the net proceeds to the DAF or give the asset directly to a charity that can use it for its primary charitable purpose.

## Comparing ways to give

|   | Edward Jones Charitable Gift Fund   | Cash   | Charitable lead or remainder trust                 | Private foundation   |
|---|---|--|--|--|
| Types of organizations you can support            | IRS-approved public charities   | Public charities, private foundations and individuals (not all are eligible for an income tax deduction) | IRS-approved public charities and some foundations | As long as the grant is made for charitable purposes, many different organizations and individuals |
| Setup cost, maintenance and time to establish     | Lower   | Lower  | Higher   | Higher   |
| Potential to grow the assets                      | Yes   | No   | Yes  | Yes  |
| Investment options                                | One of seven professionally managed portfolios                              | N/A  | A broader set of investment options                | A broader set of investment options  |
| Income tax deduction limit as a percentage of AGI | 60% for cash and tangible personal property, 30% for appreciated securities | 60%  | Depends on the type of charity and trust           | 30% for cash, 20% for appreciated assets   |
| Tax on investment income                          | 0%  | N/A  | Depends on the nature of the trust                 | 1.39% of net investment income   |
| Ability to donate to the charity anonymously      | Yes   | No   | Yes  | No   |



**Ask your financial advisor how the Edward Jones Charitable Gift Fund can help you fulfill your charitable giving goals.**

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