

# Donor Advised Funds

## BUNCHING YOUR CONTRIBUTIONS TO RECEIVE A GREATER TAX BENEFIT.

The tax law changes in 2018 almost doubled the individual and married couple standard deduction.

	<b>FORMER</b> <i>Standard Deduction</i>	<b>CURRENT</b> <i>Standard Deduction</i>
<b>INDIVIDUAL</b>	<b>\$6,300</b>	<b>\$12,000</b>
<b>MARRIED</b>	<b>\$12,700</b>	<b>\$24,000</b>

It is estimated that more than 30% of tax filers itemized their deductions prior to 2018. This means those donors made gifts to ministry that exceeded their standard deduction and chose to itemize their deductions. It is also estimated that the tax law changes of 2018 will result in only 10% of tax filers itemizing their deductions in favor of taking the higher standard deduction with no additional tax benefit from their gifts.

## HOW CAN A DONOR MAKE GIFTS AND RECEIVE A TAX BENEFIT GREATER THAN THE STANDARD DEDUCTION?

The LCMS Foundation recommends donors in this situation “bunch” their gifts for next year into a donor-advised fund this year if the two years combined exceed the standard deduction.

### *How it Works:*

Jane typically gives her congregation \$1,000 a month for a total of \$12,000 each year. Last year, Jane itemized her deductions and was able to reduce her taxable income by \$5,700 over the standard deduction (\$12,000 - \$6,300 individual standard deduction = \$5,700 less taxable income). She has no other deductions.

This year, Jane’s normal contribution of \$12,000 would receive no additional tax benefit because it is equal to the standard deduction. At the end of this year, Jane decides to fund a donor-advised fund with an additional \$12,000. Her total contribution for the year is \$24,000, and she itemizes her deductions for a reduction in taxable income of \$12,000 above the standard deduction (\$24,000 - \$12,000 individual standard deduction = \$12,000 less taxable income). Jane then recommends to the Foundation in 2019 to make her monthly contribution of \$1,000 to her congregation from her donor advised fund to continue her support.

Jane receives a tax benefit for her generosity, and the congregation continues to receive Jane’s regular monthly support. It’s a win-win situation. Next year she will have the option to use the \$12,000 standard deduction or pre-fund the donor advised fund again for following year.

## CONTACT THE LCMS FOUNDATION TODAY!



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*This promotion is for educational purposes.  
The LCMS Foundation encourages you to  
consult your tax or legal advisor if you have  
questions before establishing a donor-advised  
fund or any irrevocable gift.*