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## WEALTH MANAGEMENT GROUP

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*of Wells Fargo Advisors*

### **Charitable giving considerations for 2021**

If the COVID-19 pandemic's far-reaching impacts have you looking to enhance your charitable giving, be sure to remember these tax-related considerations for 2021:

**Cash gifts.** A special rule for this year allows taxpayers who do not itemize deductions to claim up to \$300 (\$600 for joint filers) for gifts to qualifying charities.

If you do itemize, cash contributions to qualified charities in 2021 might be used to offset up to 100% of your adjusted gross income (AGI) (60% of AGI for cash gifts to a donor advised fund or 30% for cash gifts to a private foundation).

This means that if you're in a position to make generous gifts, you may potentially offset all of your taxable income. In addition, cash gifts could be used to offset Roth IRA conversion income or capital gains realized upon the sale of real estate or a large position in a single investment.

If you're unable to itemize but would like to, evaluate the possible impact of bunching several years' worth of charitable contributions into one year. This may increase your itemized deductions above the standard deduction threshold so you can potentially receive a tax benefit for those gifts. Review your income and deductions for the current year and the next few years with your tax advisor to determine what is the best timing for those bunched contributions.

**Qualified Charitable Distribution (QCD).** For taxpayers age 70½ or older, a QCD allows you to gift up to \$100,000 per year directly from your IRA to qualifying charities.

QCDs are tax-free distributions and count toward satisfying your required minimum distribution (RMD). Remember that, while RMDs were waived for 2020, they must be taken for 2021.

No deduction is allowed for a QCD since the distribution is not taxable. This strategy is beneficial if you will not itemize deductions this year. It could also help you control your AGI, which is used to determine many tax-related limitations.

Note that the amount of the QCD you are able to exclude from your income is reduced by any deductible IRA contributions you make in the year you reach age 70½ or after.

**Stock gifts.** Gifting stock directly to charity rather than selling it and contributing the proceeds provides a current tax benefit if you itemize deductions. In addition, it lets you avoid capital gains taxation on the stock's appreciation if it increased in value while you owned it. Deductions for stock gifts are limited to 30% of AGI when contributing to public charities.

Before employing any of these strategies, please contact your tax and financial advisors to help provide the best outcome.

As always, if you have any questions on this topic or any others, feel free to contact any of us at any time.

**Tay Jacoby-Fries**  
Financial Advisor

Anderson Wealth Management Group | of Wells Fargo Advisors  
California License #ON12781

222 SW Columbia Street, Suite 1850 | Portland, OR 97201  
Ph: 503-274-2777 | 877-683-7093 | Fax: 503-274-9963

tay.jacobyfries@wellsfargoadvisors.com  
www.andersonwmg.com

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**Andrew C. Anderson**  
Financial Advisor

Anderson Wealth Management Group | of Wells Fargo Advisors  
California License #OB03182

222 SW Columbia Street | Suite 1850 | Portland OR 97201  
Ph: (503) 274-2777 | (877) 683-7093 | Fax: (503) 274-9963

andrew.anderson@wfadvisors.com  
www.andersonwmg.com

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**Kristin A. Quinn**

Registered Client Associate

**Anderson Wealth Management Group | of Wells Fargo Advisors**

222 SW Columbia Street, Suite 1850, Portland OR 97201

Phone (503) 274-2777 | Toll-free (877) 683-7093 | Fax (503) 274-9963

Kristin.Quinn@wfadvisors.com

www.andersonwmg.com

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**Katy Fackler**

Senior Client Associate

**Anderson Wealth Management Group | of Wells Fargo Advisors**

222 SW Columbia Street, Suite 1850, Portland, OR 97201

503.274.2777 Office | 503.274.9963 Fax

kathleen.fackler@wfadvisors.com

www.andersonwmg.com

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CAR# 0321-04274