

SCHWAB DONOR-ADVISED FUND ACCOUNTS

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“Donor-Advised Funds are a great way to gift a highly-appreciated security to a charity.”

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



How would you like to receive a tax deduction for the fair market value of a highly-appreciated security you own, while being able to delay the decision of which charity or charities to donate the proceeds? Furthermore, you would not need to pay capital gains tax on the appreciation of the contributed security. These are the benefits of setting up a “Donor-Advised Fund” account. The three biggest providers of these accounts are Fidelity Charitable, Schwab Charitable and Vanguard Charitable.

I am familiar with how a Schwab Charitable Donor-Advised Fund account works, as last year my wife and I set one up (“The McCarthy Family Charitable Fund”) and funded it with a highly appreciated stock. We received a charitable deduction on our 2014 tax returns for the value of the stock on the day it was delivered into the account. Schwab Charitable sold the stock with the proceeds going into the “McCarthy Family Charitable Fund” account. Since then, we have been making charitable contributions out of our account by instructing Schwab Charitable to send a specified dollar amount to charities that we name.

Donor-advised funds are becoming popular. According to the National Philanthropic Trust’s 2014 Donor-advised Fund Report, which uses 2013 data, more than 217,000 exist, up 34% over the past seven years. Charitable assets in donor-advised fund accounts totaled more than \$50 billion for the first time in 2013, an increase of nearly 20% year over year. That growth handily outpaced all other giving vehicles, including private foundations and charitable trusts, as well as the 4.4% growth in overall charitable giving. Contributions to donor-advised funds now represent 7% of all individual charitable donations.

One reason for the appeal of donor-advised funds is that individuals can take an immediate tax deduction for the full amount they contribute (subject to a 30% of Adjusted Gross Income limitation). Additionally, there are no rules or regulations about how quickly the money actually has to be distributed to the charity.

Our Services

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services:

- Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:
 - Tax Return Preparation
 - Income Tax Projections
 - Tax Minimization Ideas
 - Tax Authority Representation

Other Services:

- MAM has retained several outside experts, whose services are available at no cost to our clients:
 - Medicare Planning— Eileen Hamm of Superior LTC Planning Services, Inc.
 - Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

Here are additional details about Schwab Charitable donor-advised fund accounts:

- **Cost:** While there is no cost for setting up an account, Schwab Charitable charges 0.60% annually for the first \$500,000 of assets held in the account. My understanding is that Fidelity Charitable and Vanguard Charitable also charge 0.60% annually on assets held in their accounts.
- **Minimums:** The minimum to establish an account is \$5,000, the minimum for additional contributions is \$500 and the minimum for distributions to a charity is \$50.
- **Documentation:** Schwab Charitable handles grant distribution and tax receipt consolidation, and confirms charity tax-exempt status.
- **Professional Management:** Schwab Charitable allows investment advisory firms, such as McCarthy Asset Management, Inc., to manage the assets in a donor-advised fund account, but only for account balances greater than \$250,000.
- **Transferring Appreciated Securities from Existing Schwab Account:** If you want to use a highly appreciated security (stock, mutual fund or ETF) in a non-retirement account that we manage for you to fund your Charitable account, we can prepare the paperwork that Schwab Charitable will need to accomplish the transfer.