

TILIA



NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

Tax-Smart Giving Through a Donor Advised Fund

Giving, it is often said, is better than receiving. Giving charitably to a **Donor Advised Fund (DAF)** can be particularly good for both you and your designated charity. Your contribution of appreciated stock or cash is generally tax deductible that year while distributions to charities of choice can be spread over multiple years.

Consider a household with an unusually high tax year, perhaps due to the sale of a business or property. The donor contributes shares of Apple stock worth \$250,000 (originally purchased for \$75,000) to a DAF, securing a \$250,000 tax deduction. Over the next 10 years, the donor directs donations to her alma mater, local Rotary Club, Church, food bank and the National Fish and Wildlife Foundation. Schwab Charitable mails her

Now is the Time to Zoom Out

Confused by the current economic situation and volatile financial markets? You are far from alone on that. In times of elevated market uncertainty, maintaining the right mindset can be the most important thing for investors. We believe that “zooming out” from the relentless daily & monthly news headlines to see the bigger picture is one of the keys to long-term investment success.

The daily headlines are an easy trap to fall into. It’s plausible, though not productive, to be glued to your television waiting for the latest Consumer Price Index report or Federal Reserve Interest rate decision. The same applies to checking your phone hourly after your favorite stock beats quarterly earnings expectations only to watch the company lose 10% of its value. Do not be this person! The impact of these headlines on your long-term investment success is virtually meaningless. Reacting to them can cause meaningful damage to your long-term financial picture.

The last few years have been a minefield for anxious, headline-driven investors. The yield curve inverted in 2018, sparking recession warnings. A global pandemic shook the world in 2020. We had hotly contested election results in late 2020, followed by the events of January 6th. The decline of Covid in 2021 ushered in market euphoria with many of the most questionable investments performing the best. The see-saw tilted the other way this year, causing investor sentiment to plummet amidst high inflation & economic worries. Investing is a windy mountain road, and if you’re staring out of

donations via check to the non-profits of choice along with a personalized grant letter on custom letterhead. Had she sold that same Apple stock and donated the cash directly to those five charities, she would have unnecessarily paid *tens of thousands* in capital gains taxes.

While those capital gains can be avoided by gifting stock directly to most charities, the DAF has other big advantages. The donor gets the immediate tax deduction for the full amount, while the funds can continue to be invested and given to charity over a long period of time. DAF owners can also choose how much anonymity (if any) they want when making donations.

You don't need \$250,000 to start, either. A DAF account through Charles Schwab can be opened and funded with any contribution amount.

For more information on how to optimize your gifting strategy, please call us. Contributions to a DAF can be combined with an IRA's required minimum distributions and/or a charitable trust to offer additional giving flexibility.

the window at all of these things, you are likely to get car-sick! Despite the immense challenges we've encountered over the last 4 years, we've witnessed something incredible. The vast majority of our clients in the accumulation phase have significantly grown their net worth. Retired clients living on portfolio withdrawals inside our recommended levels have not had to pare back their distributions (in many cases they've been able to raise them).

From an investment perspective, this is what matters to us. We're worried about the short-term just like everybody else, but zooming out and looking at the bigger picture helps:

Have our clients endured the incredible rollercoaster of the last 4 years and come out stronger?

In 3 - 5 years, do we believe that the U.S. & the global economy will be larger than it is today?

Will well-managed public companies with competitive advantages continue to build value for shareholders over the next 3, 5 & 10 years?

Will investors in high quality bonds continue to earn a low-risk return that helps mitigate the impact of inflation & the volatility of stock holdings?

For us, the answer to all of these questions is a resounding yes! Our challenge is to properly assess your risk tolerance and execute a sound, diversified investment plan that is adaptable as your lives change. As long as we can continue to answer "Yes" to these bigger picture questions, then keeping our eyes on the horizon and sticking with the investment plan is the way to go.

We're honored to be sitting in the front seat with you on your investment journey. The road will always be windy, but we're there to help ensure you're steadily moving onward and upward. Thank you for your continued trust.