



## Your Philanthropic Legacy

*“We can’t help everyone, but everyone can help someone.”* – Ronald Reagan

If you were asked to choose the greatest philanthropist in American history, whom would you name? You might choose Bill and Melinda Gates due to their \$36 billion in bequests to the Gates Foundation, or possibly Warren Buffett, who has reportedly pledged to give away 99% of his massive fortune. While Buffett and the Gates have certainly made great contributions to healthcare and the fight against poverty, the true pioneer of American philanthropy was the 19th-century businessman Andrew Carnegie.

One of Carnegie’s most important contributions was not financial; it was demonstrating that charitable giving is about more than just writing a check. Apart from giving away 90% of a fortune worth over \$370 billion in today’s dollars, Carnegie was possibly the first person of great wealth to overtly emphasize the value of engaging in effective philanthropy. He realized that being judicious in the choice of the charity was even more important than choosing how much to give. He wanted his charitable efforts to be worthwhile for the donor by maximizing financial efficiency and minimizing taxes, but more importantly, he wanted his philanthropy to be effective for society by making sure the charitable dollars were spent wisely.

Given that your own philanthropic goals are probably more financially modest than Carnegie’s, allocating those dollars wisely is perhaps even more important for you. Fortunately, effective philanthropy has come a long way since Carnegie’s time. Today, you do not need to be a billionaire, or even a millionaire, to capitalize on the financial efficiency and social effectiveness of philanthropic giving. So how can you maximize the impact of your charitable inclinations?

### Efficiency

First, you should consider the impact of charitable giving on your own finances. It is often assumed that all charitable contributions are tax deductible, but under the current tax rules, charitable contributions can only be deducted from your taxes if you elect to take itemized deductions rather than a standard deduction. In 2020, every taxpayer receives a standard tax deduction of \$12,400 (\$24,800 for married couples), so you will only receive a tax benefit from your charitable contributions if the sum of your itemized deductions (including charitable contributions, mortgage interest, state taxes, and other deductions) is more than your standard deduction amount.

In light of the standard deduction, there are a few strategies that can help you maximize the tax benefit of your philanthropic efforts, such as bundling two or

more years of charitable contributions into a single tax year in order to maximize the itemized deduction, or making tax-free distributions to a charity directly from a tax-qualified retirement account such as an IRA. The details of these strategies are complex and specific to your individual finances; you should consult a qualified tax or financial professional to ensure you reap the benefits.

### **Legacy**

Carnegie also realized that many of his favorite charitable causes would need financial support well into the future, so he established a permanent philanthropic foundation to carry on his legacy. If you and your family also have a longer-term charitable vision, there is a way for you to accomplish the same thing without having to create your own foundation.

The solution is to establish a Donor Advised Fund (DAF), which essentially functions as a charitable middleman. You get tax benefits in the year that you make charitable contributions to the DAF; then you can request distributions to be made from the DAF to the individual charities of your choice at appropriate times in the future. A DAF is a great way to create a family philanthropic legacy - it allows you to bundle several years of charitable contributions into one year to take advantage of the tax deductibility, and you can often open a perpetual charitable account for as little as \$5,000.

### **Impact**

Although tax efficiency and legacy should be considered, the real motivation for most people in making charitable contributions is to do good in the world, as Carnegie did. Many of us are guided to a particular charity by our family, friends, or unique life experiences, but we may not always take the time to research the charities we support or to consider how we can maximize the impact of our charitable dollars.

Philosopher-philanthropist Peter Singer addresses this in his book, *The Life You Can Save*. He provides a framework for evaluating charities based on the amount of overall human happiness that each dollar can buy. Singer's website, [www.thelifeyoucansave.org](http://www.thelifeyoucansave.org), suggests several highly effective charities based on

this philosophy, and his TED talk (which can be found on the website) is thought provoking and insightful.

For a more broad-based evaluation of just about any large charity, you can consult [www.CharityNavigator.org](http://www.CharityNavigator.org). Charity Navigator evaluates charities on financial metrics such as the efficiency of their operating expenses, and accountability metrics such as the use of independent board members and auditors. Although its methodology is not perfect, Charity Navigator provides a good starting point for individuals to evaluate the charities that interest them, and its popularity with donors has encouraged charities to be more transparent and financially responsible.

Carnegie clearly inspired the very wealthy to be more generous and more thoughtful about their philanthropy. But his story offers lessons for anyone interested in charitable giving. Knowledge of a few tax rules and some fundamental advice from an advisor will help you maximize the tax benefits from any charitable contributions you make. The use of a DAF allows you to create a legacy without having to establish a private foundation. And Peter Singer and Charity Navigator provide a way for you to identify and evaluate the best charitable organizations in order to make your giving more impactful. Although most of us will never match the sheer magnitude of Carnegie's generosity, your own charitable dollars can be as effective as his, and this will make all the difference to your own charitable vision.

*Heritage Investment Group provides wealth management and investment guidance to high-net-worth individuals, families, charitable foundations, and qualified plans. We provide seasoned financial guidance backed by a disciplined investment process. For over 25 years, we have built our firm on a strong foundation of family and friendships with guiding principles of ethics and integrity.*

*The original version of this article was written by Heritage for the November/December 2020 edition of *The Light*, a local magazine serving Broward County, Florida.*

## **H|I|G HERITAGE** INVESTMENT GROUP

Main Office/Mailing | Tampa Office  
2480 N.E. 23rd Street, Pompano Beach, Florida 33062 | 115 South Fielding Avenue, Tampa, Florida 33606  
Phone: 954.785.5400 Fax: 954.933.0966 | Phone: 813.258.1759 Fax: 954.933.0966  
[www.heritageinvestment.com](http://www.heritageinvestment.com)