Dorchester Advisors
Money worked harder

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Things You Control

Charitable Contributions' Tax implications

What's new?
The 2018 tax reform changed the landscape for Charitable giving from a tax perspective: Gifts to a charity can only reduce your tax bill if you itemize when filing but fewer people can itemize now. And, gifts will not qualify for a tax deduction unless they are received by a 501(c)(3) tax-exempt organization.

But, 2020 tax rules came with a small concession: You could deduct up to $300 of cash donations without having to itemize.

Some Potholes.
While ensuring sure your gift is tax deductible is one challenge, there are a few other potholes to avoid when making charitable gifts.

1. **Spreading limited dollars over too many causes.** The choices are almost limitless. Your resources are not. Consider focusing and concentrating on a few.

2. **Make sure your gift works hard.** Most highly efficient charities spend 75% or more on programs, with the rest going for the organization's administrative expenses. Make sure you support your cause, not enrich the fundraisers.

3. **Skip the middleman.** Give directly to the charity and avoid solicitors. The middleman gets paid to raise funds. That's a haircut on your donation you will want to avoid.

4. **Steer clear of emotional appeals.** Emotional appeals pull at our heartstrings, but it pays to be careful. You may want to concentrate on causes that have special meaning to you. Be particularly careful about causes that are driven by headlines e.g. when a disaster occurs. Donate here and little if any money will make its way to those suffering from the disaster. Instead, your funds may simply line the pockets of scammers.

5. **Don't wait until the last minute.** Many nonprofits get a big chunk of cash at year-end. If possible, you can set up monthly payments that help even out the cash flow of these organizations, making it easier on their budgets—and your finances.

6. **Rethink the small donation.** Money is money but the processing costs of small donations is high for charities. Besides, if you give once, you'll probably be inundated by requests that raise a nonprofit's costs, diluting the impact of your one-time gift.

7. **Failure to develop a strategy.** We are tempted to respond when we hear a well-crafted appeal message. Sometimes, it is a worthy cause and our desire to help is admirable, and it speaks volumes about who we are. But, be careful about squandering limited finances hence reducing donations to causes you care about the most

As always, we encourage you to consult with your tax advisor before implementing any tax strategies.

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

I believe that when we hope or worry, we are largely looking at the future and are focused on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. And yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes.

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

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Past performance is not a guide to future performance.

DorchesterAdvisors is a Registered Investment Advisor in NJ, NY and MI.

Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest mountain is as important as getting up: Pay as much attention to accumulating money before you retire as you do to consuming it after you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.