

# Intellectual Capital Blog

## 2020 Holiday Gift Guide | 04 December 2020

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It's hard to believe the holidays are almost upon us! Use this guide to see how you can give in an impactful and efficient way this holiday season.

### 01 Giving directly to loved ones

If you want to give directly to your loved ones, you are able to gift up to \$15,000 per year to an unlimited number of individuals without incurring any gift tax (annual gift exclusion). If you are married, you can split the gift with your spouse and gift a total of \$30,000 per year. Leveraging this annual gift can be a great strategy to reduce your estate while also providing for your loved ones.

**Holiday tip:** Investing their \$15,000 gift in sustainable investments may allow your loved ones to earn returns while having a positive impact on the environment and society this holiday season.

### 02 Giving the gift of education

If you would like to contribute to a loved one's education, consider paying the educational institution directly. Giving directly to the school does not count towards the annual gift exclusion and does not have a limit (this applies to giving directly to medical institutions as well). Alternatively, you can give up to five years of gifts to a loved one's 529 plan without incurring gift tax for a total of \$75,000 (\$150,000 if you split the gift with a spouse). **Holiday tip:** Think of your loved ones who recently had a child. Instead of sending a gift this year, consider setting up a 529 account.

### 03 Giving to charity on a loved one's behalf

If there is a specific cause you or you loved ones are passionate about, you can always give directly to a public charity. There is no limit to the amount you can donate to a public charity. However, there are limits on how much you can deduct from your taxes in any given year and the amount of the deduction depends on the type of asset you donate. If you are considering gifting directly to a charity, speak to your tax advisor on the most efficient way to do so. For 2020 only, you can deduct up to 100% of your adjusted gross income if you give a cash gift to a public charity<sup>1</sup>. **Holiday tip:** Ask each family member to "pitch" a charity they are passionate about. Have the family vote on which cause you'd all like to support together!

### 04 Giving to charity through a Donor Advised Fund

If you want flexibility as to where and when you donate to a charitable cause, consider creating a Donor Advised Fund (DAF). A DAF is an investment account created solely to support the charitable organizations that are important to you<sup>2</sup>. Once it is established, you can contribute to the DAF with cash or appreciated securities and those assets are invested. At any point in time, you may recommend a distribution from the DAF account to a registered charity of your choice<sup>3</sup>. You will get a tax deduction for the year you contributed to the DAF. **Holiday tip:** Allow the DAF to grow and create a new family tradition by deciding together annually which charity will receive future distributions.

### 05 Giving the gift of time

At the end of the day, the best gift of all is spending quality time with your loved ones. Consider organizing a family meeting this holiday season – whether in person or over video chat – to reflect on what drives you as a family, what is important to you, and what you want your legacy to be. The more aligned your family members are regarding your values and vision, the more impact you can have with your wealth. **Holiday tip:** Tell your financial advisor if you are planning a family meeting and they can provide you with suggestions on how to facilitate your discussion.

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<sup>1</sup> This change does not apply to contributions made to donor advised funds, supporting organizations or private foundations

<sup>2</sup> A DAF must be established at a public charity

<sup>3</sup> Some DAF providers require a minimum charitable distribution within a certain period of time. If no action is taken to satisfy that requirement, the DAF organization will distribute a portion of the account according to their policy

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