

## End of Year Tax Planning

I always counsel our clients to make smart tax planning decisions. As I have some charitable commitments coming up in the first quarter of 2024, I wanted to practice what I preach and mitigate my future tax obligations.

Anyone who gives to charity should have what is called a donor advised fund. These funds are set up in your name at a brokerage firm like Schwab or Fidelity. They will allow you to make unlimited contributions to the fund which will then be invested in balanced stock index funds until you direct the fund to send donations to the charities of your choice. All contributions to a donor advised fund are 100% tax deductible to the donor in the year that they are made, not in the year that the fund contributes to a charity.

Therefore, I was able to deduct charitable contributions in 2023 that will not be sent to the charities of my choice until 2024 or later. This can be beneficial for people whose annual contributions are not significantly greater than the standard deductions because they can bunch deductions into one year and take standard deductions in the other years. The strategic planning does not end there.

In February of 2023, I wrote in the Palm Beach Post that a bitcoin fund which I owned called GBTC was trading at a 43% discount to its net asset value. Since that time Bitcoin has approximately doubled while the GBTC more than tripled as the valuation discount narrowed. Instead of donating cash to the donor advised fund, I donated \$50,000 worth of GBTC which had a taxable basis of about \$16,000.

Donor Advised funds do not owe capital gains taxes when they liquidate appreciated stock. Since I still wanted to own the shares that I donated, I used the \$50,000 of cash that I otherwise would have donated, to repurchase \$50,000 of GBTC. Now my basis will be \$50,000 instead of \$16,000. Not only did I accelerate my deduction to 2023, but I also avoided \$34,000 of eventual capital gains taxes.

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