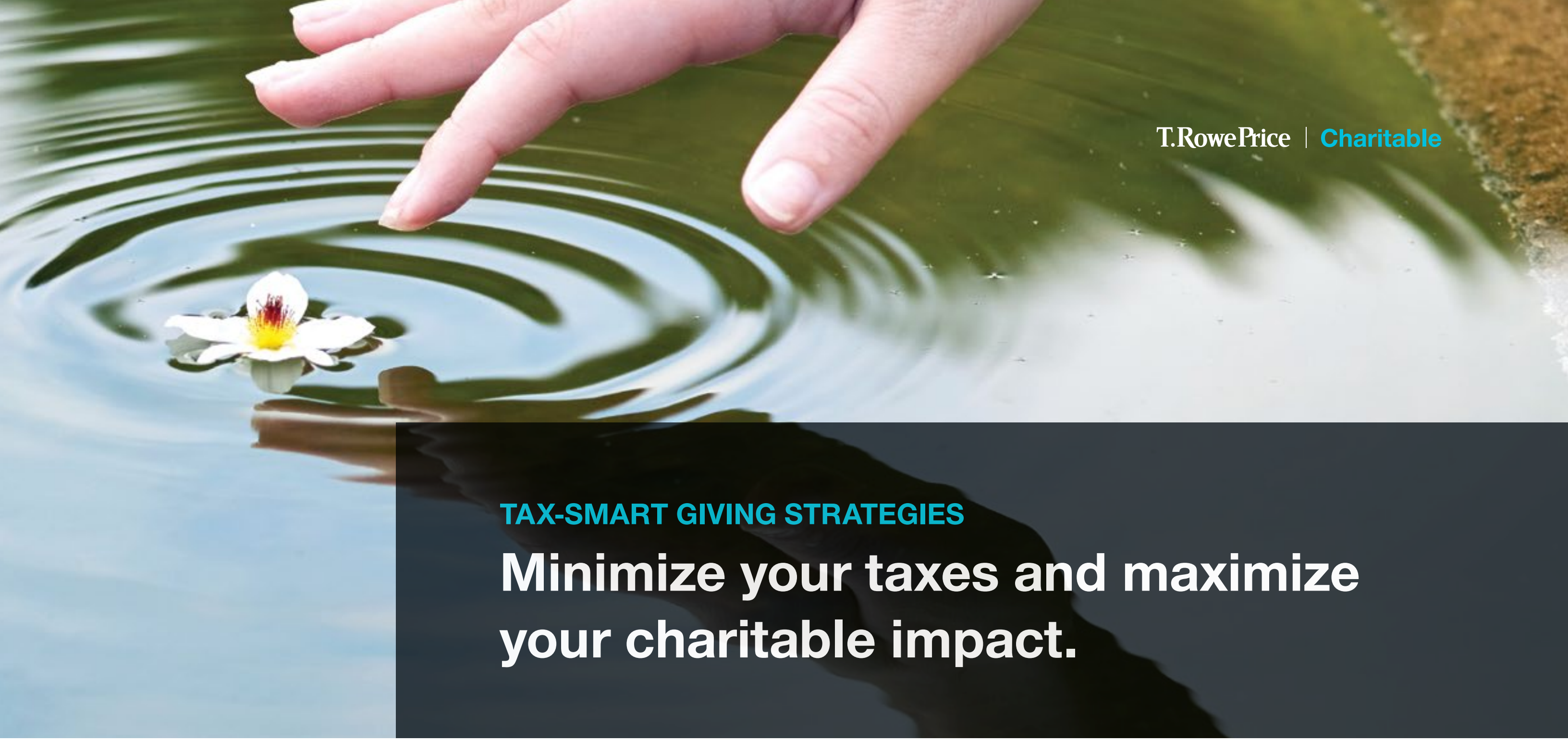


T. Rowe Price | Charitable

TAX-SMART GIVING STRATEGIES

# Minimize your taxes and maximize your charitable impact.

Tax deductions for charitable contributions have traditionally been an important consideration when developing a financial and tax strategy. But changes brought by the 2017 Tax Cuts and Jobs Act require donors to take a more strategic approach to utilizing the charitable contributions through itemized deductions because the higher standard deduction it instituted reduced the likelihood that donors could benefit from itemization.

With a little planning, you can continue giving charitably while maximizing tax savings. Whether you use a donor-advised fund, such as T. Rowe Price Charitable, or donate directly to your favorite charity, here are a few ideas to consider.

## Four strategies for the intelligent donor

### 1

### Donate long-term appreciated assets

Do you have appreciated assets you want to sell, such as stocks, bonds, mutual funds, real estate, business interests, collectibles, or even cryptocurrency? If so, you may want to determine whether cashing out or taking a tax deduction would be more favorable. Whatever kind of asset you consider donating, the accompanying illustrations demonstrate how that asset could result in significant support for your favorite charities.

| Example: Donating appreciated stock yields tax savings* | SELL ASSET | DONATE ASSET | ADDITIONAL TAX SAVINGS |
|---|---|---|---|
| **Current Market Value** | $100,000 | $100,000 | – |
| **Cost Basis** | $20,000 | $20,000 | – |
| **Appreciation** | $80,000 | $80,000 | – |
| **Federal Capital Gains Tax at 20%** | $16,000 | – | $16,000 |
| **Donation Received by Charity** | $84,000 | $100,000 | – |
| **Federal Income Tax Benefit at 37%**** | $31,080 | $37,000 | $5,920 |
| **Total Tax Savings**† | $15,080 | $37,000 | $21,920 |

* This is an illustration for donating appreciated, unrestricted, marketable stock held for more than 1 year to a public charity (including a donor-advised fund).

** The Federal income tax benefit is calculated assuming that you can fully realize the federal income tax benefit from itemizing your deductions. Your savings may be reduced due to the amount of your adjusted gross income or your donation is not made to a public charity.

† This is the net of tax benefit at 37% minus capital gains tax paid at 20%. This illustration does not take into account your state or local taxes or the 3.8% Medicare surtax, which may result in additional tax savings. Savings in all cases could be significantly reduced if your donated asset is subject to restrictions or has a holding period of 1 year or less.

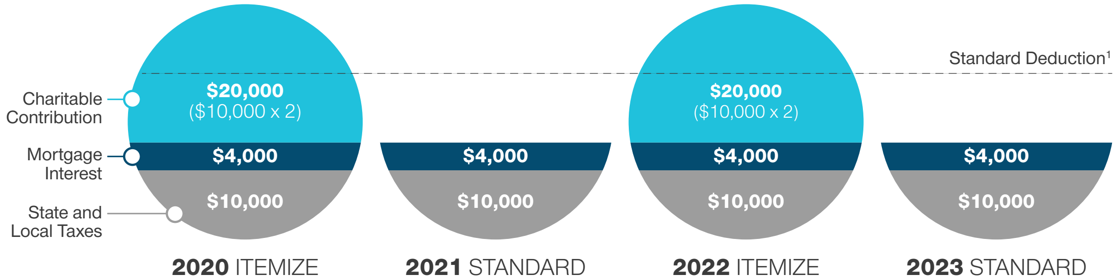
## 2

### Bunch up: Group your giving to qualify for itemized deductions

With a higher standard deduction after the 2017 tax law changes, many taxpayers are unable to benefit from itemized deductions. A strategy called bunching enables you to realize tax savings from itemization once again. Rather than make yearly charitable contributions, combine two or more years of contributions into one tax year to increase your itemized deductions for the year above the applicable standard deduction. Then, for the following year(s) already covered by the bunching, you would take the standard deduction. And if you use T. Rowe Price Charitable, you can continue to disburse grants to charities annually, even when "bunching" contributions into your giving account.

#### Example: How bunching works for the Palmer family

The Palmers pay $4,000 in mortgage interest and $10,000 in state and local taxes. By doubling their usual $10,000 charitable contribution in 2020 and 2022, they exceed the $24,800 standard deduction.[1] Thus, the Palmers increase their deductible expenses above the standard deduction by $9,200 for 2020 and a similar amount for 2022.




[1] The standard deduction is $24,800 for 2020 for married couples filing jointly and adjusts annually for inflation.

## 3

### Minimize capital gains tax when rebalancing your portfolio

When investors rebalance their investment portfolios to ensure that their asset allocation is aligned with their long-term goals, they often sell both winners and losers in the process. The rebalancing may leave you with more gains that are not fully offset by losses. If you can benefit from itemizing your deductions, you can donate some of the appreciated securities you would otherwise sell to avoid taxes on capital gains and benefit from the charitable tax deduction. You should be mindful of the deduction limitations due to your adjusted gross income or the type of charities you are donating to. Consult IRS Publication 526 or your tax advisor if necessary.

## 4

### Start a giving account before you retire

If you are nearing retirement, consider opening a T. Rowe Price Charitable giving account. Then fund it generously while your income and tax bracket are still high and you are likely eligible for the charitable tax deduction. This ensures that you have ample resources to support your favorite charities in retirement (when your financial resources may be constrained) but have more time to focus on philanthropy. And there is another benefit of this strategy—any growth on your invested giving account is tax-free.

### Grow your giving power with T. Rowe Price Charitable.

Use these tax saving strategies to amplify your impact on charities you support while reducing your tax obligation. Open a giving account today, and give your contributions the potential to grow in a range of investment pools managed by T. Rowe Price. All pools are subject to market risk, including possible loss of principal.

Visit **trowepricecharitable.org**