

End-of-year-giving

Donors look to appreciated investments to support Catholic causes, gain tax benefits

December 1, 2021 – With a surging stock market occurring during the past year, donors are encouraged to look towards gifts of appreciated investments for tax benefits. Options may include gifts of appreciated stock, required minimum distributions (RMD) from their IRA that become a qualified charitable distribution (QCD) for donors age 70.5 or older, gifts from a donor advised fund and inclusion of a Catholic organization in a will. All of these methods can create a forever opportunity for Catholic organizations and a tax benefit for the donor, too.

In a recent online seminar, Patrick Schmitt, the Co-CEO of FreeWill, cited two macro trends that should be on everyone's giving radar: the surging stock market and aging donors. These two macro trends will affect planned and major gifts for end-of-year giving and continue into 2022.

Surging Stock Market

A rising stock market is setting new records every week. The S&P 500 has more than doubled since the pandemic drop in 2020. It rose 68% from March to December 2020 and grew by another 22% in 2021. The rising stock market means multiple types of gifts should get larger: appreciated stocks, gifts from IRA accounts and donor advised funds. In 2021, donor IRA mutual fund retirement accounts grew by 4%, with required minimum distributions growing by an average of 20%. Donor advised funds are growing at a similar level.

The Catholic Foundation of Eastern Pennsylvania is encouraging donors to take advantage of the robust market.

"People's investment holdings have grown significantly during the past year," said Tom Scalici, vice chairman of the Catholic Foundation's board and CEO of Cornerstone Advisors Asset Management. "The timing is right for donors to make a gift to support their favorite Catholic cause's endowment fund with the Catholic Foundation."

Scalici's cites many advantages for donors and Catholic organizations: the donor receives a tax benefit, their gift lives forever and provides ongoing income for their favorite Catholic cause and the Catholic organization becomes more fiscally stable.

Donors have the choice of making a gift to an already existing endowment fund or creating a new one to benefit their favorite Catholic cause.



Catholic Foundation OF EASTERN PENNSYLVANIA

Aging Donors

The second trend occurring now is an aging donor population. Aging donor demographics will dramatically impact giving for the next two decades. According to a Pew Research Center shared in Schmitt's presentation, approximately 10,000 Americans will turn 75 every day for the next 10 years.

Boomers are no longer the largest generation, but they do make up the largest percentage of American donors. They give 41% of donations and they make up 55% of the high net-worth donors in our communities. Schmitt shared an interesting statistic from a recent survey he conducted with his webinar viewers. They told him that more than 50 percent of their donor bases consisted of people 65 and older.

"Don't get distracted by Millennials," Schmitt said. "Right now, they make up a very small percentage of your giving."

In short, do not lose sight of older donors while you create ways to involve your Millennial audience. The senior community will be able to direct funds tax-free from their IRA's beginning at age 70.5 and then required when they turn age 72. Of course, the number of seniors is also really important in terms of planned giving such as a gift in a will and life insurance beneficiaries.

Schmitt mentioned 9 million people are expected to pass away between 2019 and 2029. There is a tremendous opportunity for faithful donors and Catholic institutions and causes to connect with each other to discuss planned giving.

"We are working feverishly to bring together loyal Catholic donors with their favorite Catholic parish, school or ministry in personally sincere and compelling ways," said Deb Kipp, Director of Development at the Catholic Foundation. "Our promise it to ensure our Catholic institutions and causes live forever and make donors feel good about making that happen."

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