

How to Budget for Charitable Giving

Charitable giving should be treated as any other expense. It's important to plan for it so that you're giving what you can while still being mindful of your other financial responsibilities. Having a line in your budget for it will assure that you are giving what you want and, most importantly, what you can afford.

While there is no cookie-cutter approach to budgeting for charitable giving, there are different options available to suit your needs. Not everyone is going to be able to donate the same amount at the same time, but if you are aware of the various methods, it can make budgeting for charitable giving an easier task.

Consider these options as you map out your strategy.

Choose a Meaningful Cause

Before you determine how to budget for charitable giving, you need to decide where you're going to donate. You want to choose a cause that you are truly passionate about. Contributing to a cause that aligns with your values and goals will leave you more likely to stick to your commitment. You'll also feel good about what you're doing, which is something you can't put a price tag on.

Decide How Much to Give

Once you decide where to donate, think about how much you want to give while making sure your finances are in order. It's often recommended to have at least three to six months of expenses in a savings account and no high-interest debt in your name, such as credit cards.

After you've accomplished this, you can look at your monthly expenses and what you have saved to determine an amount to give. This doesn't have to be a large amount – organizations will be grateful for whatever donations they receive. Keep this in mind as you determine what amount works for your budget.

Decide When to Give

While organizations may seek large donations around the holidays, you have the option to donate smaller monthly donations year-round, which may make budgeting a bit more manageable.

Many nonprofits can even withdraw a set amount from your account every month, just like a bill you would pay online. This is a good idea if you know you can afford the same amount every month. If your expenses fluctuate and you're worried that you won't always have the money, consider making smaller donations throughout the year when it's financially possible for you.

Use a Dedicated Savings Account

Many people put money that they wish to donate in a dedicated savings account. You can add money here once your financial obligations have been met. This is a good way to keep money for your expenses separate from what you wish to donate. When the account is labeled "Charitable Giving," you know exactly how much money you have available to donate. You can use this account to have donations deducted automatically monthly or whenever it's possible.

Donate Appreciated Stock

Donating appreciated stock is a cashless transaction that yields double tax benefits to the donor.

As the donor, you will receive an itemized deduction equal to the fair market value of the stock. Fair market value is calculated as the high-low average of the stock price on the day contributed. You'll also be able to potentially eliminate capital gains tax on appreciation of securities held over one year.

Designate Windfalls

When you receive money you didn't budget for, you can decide to donate a portion to the cause of your choice. This way you're not taking from money you need for expenses.

Take a Tax Deduction

As you budget for charitable giving, be sure to also keep detailed records of your charitable contributions. You may be able to deduct them on your tax returns.

The Bottom Line

As you map out your donations, remember that your plan is going to be unique to your situation. You will need to determine the amount and source of your donation as it pertains to your finances. With that, no matter what route you take, your donations will be truly appreciated and put to use by the group receiving them.

Charitable giving does not need to be a difficult process, and with proper planning, it can be seamless and make a tremendous impact on our community. Please reach out if you would like to talk through your charitable giving plans and developing a personalized budget for giving in the new year. Thank you for all that you do to find ways to help our nonprofit community.

Stifel does not provide legal or tax advice. You should consult with your legal and tax advisors regarding your particular situation.