



Advisor Insights

News & Resources for Professional Advisors

Greetings from the Wayne County Community Foundation!

In this issue of our monthly *Advisor Insights Newsletter*, we are providing updates in response to many of the questions we've received lately as market conditions continue to present challenges for your clients and as yet another natural disaster impacts millions of lives. We've also taken this opportunity to share a few reminders about why the nonprofit sector is so important to the fabric of our society. We hope you enjoy the updates and, as always, we look forward to hearing your comments and suggestions about topics and resources that would be useful to you as you serve your philanthropic clients.

Thank you for all you do to make our community a better place by assisting your clients with charitable planning. It is our honor and pleasure to support your work in any way we can.

Hanging in there: Charitable giving in a challenging economy



Earlier this year, Bankrate and Psych Central released the **Money and Mental Health** study and, not surprisingly, a large number of people surveyed in the research reported that money has a negative impact on their mental health. Survey results varied across generations: Financial concerns psychologically impact 48 percent of Millennials, 46 percent of Generation X, and 40 percent of Generation Z. Needless to say, every generation will feel the sting of any bear market, including (and especially) **Baby Boomers**.

At the moment, economic conditions feel, well, awful. Some people feel better if they can gain a better understanding of the **factors that created** the unpleasant mix of inflation, rising interest rates, and a bear market in the first place. Others are comforted knowing they are not alone as they ride the **emotional rollercoaster**. And for those who are charitably inclined, challenging economic times might actually serve as an inspiration to become more intentional about charitable giving priorities. What's more, not all donors will **reduce** their donations.

Here are three messages worth sharing with your philanthropic clients as bear market conditions hang on into the fourth quarter:

"Not all stocks are down."

Giving appreciated stock to a Donor Advised Fund or other type of fund at the Community Foundation is always a tax-savvy alternative to giving cash, regardless of the economic situation. Your clients may feel disappointed that their portfolios have hit a rough patch, but this does not mean that there aren't still plenty of opportunities to avoid capital gains tax on stocks held for more than a year. (Take a look at the [historical share price of Apple](#), for example, and imagine the capital gains tax liability for clients who've held the stock for several years.)

"Consider the needs of others who are even more acutely feeling the pinch of inflation."

Community needs are rising, and the Community Foundation is dedicated to staying on top of the issues that are critically important to quality of life at any given time. Families with low or moderate household incomes can be [especially vulnerable](#) to high inflation. The team at the WCCF can help your clients zero in on nonprofits in our community that are serving the people who need the most help right now.

"Don't forget about the Qualified Charitable Distribution."

We mention this tool a lot because it is such a financially-savvy way for your clients to support the charities they care about. If your client has reached the age of 70 1/2, the client may be eligible to make annual distributions of up to \$100,000 per spouse from IRAs directly to an unrestricted or field-of-interest fund at the community foundation or other qualifying public charity. QCD transfers count toward satisfying clients' Required Minimum Distributions and avoid the income tax on those funds. Plus, those assets are no longer part of a client's estate at death, which avoids estate taxes, too. What's more, the QCD may get a boost if the [EARN Act](#) becomes law; proposed bipartisan legislation would expand the QCD rules to allow a one-time, \$50,000 QCD to a split-interest trust such as a charitable remainder trust.

Disaster philanthropy: Your clients and the important role of individual philanthropy

Sadly, your philanthropic clients have likely grown accustomed to making charitable donations to support disaster relief. Individual donations provide critical resources to help communities recover from the [many disasters](#)—weather, fire, humanitarian, disease, war—that occur each year.



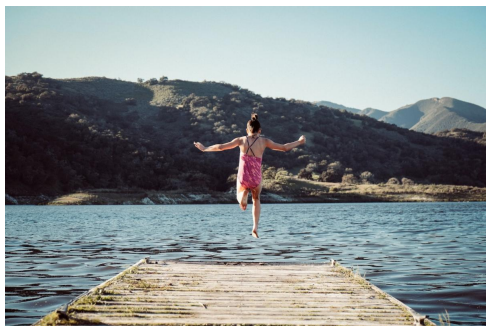
When disaster strikes locally, WCCF is prepared to respond through our **Wayne County Emergency Response Fund**. Initially created to respond to the COVID-19 crisis, this fund enables our Trustees to make timely grants to nonprofit organizations who provide critical disaster relief services in our community.

In the wake of a natural disaster, your clients may ask you about their options to support those affected. We encourage you to reach out to the team at WCCF. Disaster relief funding is frequently coordinated by community foundations, which are [widely viewed](#) as one of the very best vehicles to help donors provide financial support to relief efforts. [Individual giving](#) is critically important to any disaster relief effort, and the community foundation can help your clients make an immediate, powerful, and positive impact on the lives of those overwhelmed by disaster.

Especially heartwarming is that many donors are now exploring ways to help improve a community's readiness for disaster response, including building reserve funds for future disaster relief and bolstering emergency preparedness infrastructure for medical care, food, clothing, and shelter delivered by a network of local, on-the-ground nonprofit organizations. We are happy to work with your clients to establish Field of Interest Funds or unrestricted Community Funds at the Foundation to ensure that the people in our community remain as safe and supported as possible when disaster strikes. Field of Interest or Community Funds at the Foundation can be especially attractive because these funds are qualified recipients of QCDs (Qualified Charitable Distributions) from clients' IRAs.

We look forward to helping your clients improve the lives of those affected by disasters both here in our community and across the nation and world.

Counseling your clients about nonprofits: The good, the bad, and the big leaps



The **nonprofit sector** accounts for more than 12 million jobs in the United States, and job growth in the nonprofit sector in recent years has outpaced job growth in the private sector. As an advisor, you are more likely than ever to represent clients who hold executive positions at nonprofits, serve in key roles on nonprofit boards of directors, or do business with nonprofit organizations.

Please reach out to the Foundation as a resource when questions about nonprofit matters arise in your client discussions. Here are three examples of the types of issues that come up in the nonprofit arena:

The good: The application process for exempt status has improved dramatically in recent years, thanks to IRS enhancements to its Form 1023. This is important for you to know when you are advising clients who are involved with a new charity. For those familiar with the application process, the new Form 1023 was a huge win and a **major IRS accomplishment**.

The bad: Watch out for exempt status issues. At the heart of a nonprofit's favored tax treatment is the concept of "exempt purpose"--meaning, essentially, operating for the public good, not to further private interests. For charitable entities organized under Internal Revenue Code Section 501(c)(3), exempt status is crucial for an organization to remain exempt from paying income tax. Exempt status under Section 501(c)(3) also allows contributions to the organization to be eligible for income tax deductions (as well as estate and gift tax deductions). A bitter case in point is described in a **recent private letter ruling** outlining the reasons a healthy juice enterprise lost its exempt status.

The big leaps: The nonprofit sector, powered by private philanthropy, can be, and has been, transformational for our society. If you've not spent some time reading up on the **major societal changes** that have their roots in the nonprofit sector, you might consider doing so. As always, the team at WCCF would welcome an opportunity to provide big picture background and inspiration to support the ongoing service you provide your clients who are involved in the nonprofit sector.

The team at Wayne County Community Foundation is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

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