

3 Strategies for Tax-Smart Year-End Giving with DAFs in 2025



As December 31st approaches, wealth advisors play a critical role in helping clients maximize their charitable impact while optimizing tax benefits. **This guide equips you to confidently advise clients through effective tax-smart charitable giving with a donor-advised fund (DAF) before year-end.**

#1 / Charitable Bunching with Donor-Advised Funds

Charitable bunching is a game-changing approach to year-end giving that delivers substantial tax benefits. Instead of giving to charity annually, bunching involves consolidating multiple years of charitable contributions into a single tax year. By donating significantly more in one year, clients' total deductions stretch well beyond the standard deduction, reducing their tax liability. Then, in subsequent years, they claim the standard deduction.

The power of bunching comes down to the difference between the standard deduction and itemized deductions. While deductions can include charitable giving, mortgage interest, property taxes, and medical expenses, these tax-deductible transactions are only relevant if they exceed the standard deduction. For most clients, a significant commitment to giving would be necessary to surpass this threshold. Bunching achieves this without breaking the bank—allowing clients to maximize tax benefits while maintaining their charitable impact.

How DAFs Make Bunching Simple

Once clients decide on the amount they wish to bunch in one tax year, they contribute to a DAF, such as those offered through Foundation Source's DAF platform. This allows them to:

- Claim the deduction immediately in the year of contribution
- Distribute donations over time so their favorite charities don't see a drop-off in giving
- Maintain flexibility in timing charitable gifts
- Grow assets tax-free before making grants

By helping clients implement bunching and giving through a DAF, you can reduce their tax burden while enabling them to give more to charity—ultimately strengthening their overall financial strategy and increasing their philanthropic impact over time.

When to Use

Bunching is available to all U.S. taxpayers but works best for clients who:

- Are near or over the standard deduction threshold
- Have fluctuating income year to year and want tax deductions in high-income years while supporting charities across all years
- Give consistently to charity each year
- Want to maintain annual giving patterns to their favorite organizations

#2 / Donating Appreciated Securities

While many clients instinctively think of cash donations during the giving season, contributing long-term appreciated assets—such as stocks, bonds, or mutual funds held for more than a year—can be a more strategic and impactful choice. By transferring these assets directly to a charity or DAF, clients can achieve meaningful philanthropic impact while improving their overall tax position. This strategy is particularly advantageous as clients review portfolios and assess unrealized gains heading into year-end.

The benefit of donating appreciated stock lies in its dual tax advantages:

1. Clients can mitigate paying capital gains taxes on the appreciation of donated assets, allowing the full market value to benefit the charity.
2. By itemizing deductions, they can claim the fair market value of the gift—potentially lowering their taxable income.

For advisors, this approach offers a compelling way to add value: helping clients reduce tax exposure, align investment and giving strategies, and make more intentional, high-impact gifts.

3 Steps to Donating Stock at Year-End

STEP 1: Choose a DAF Sponsor

Help clients select a DAF sponsor that aligns with their giving goals and provides the flexibility they need. A DAF offers the advantage of accepting stock donations seamlessly while allowing clients to support multiple organizations over time—or hold funds until they’re ready to decide on specific charities.

STEP 2: Select the Most Tax-Efficient Securities

As a trusted advisor, you are uniquely positioned to maximize the tax efficiency of your clients’ charitable giving. Your comprehensive understanding of their portfolio, including specific tax lots, allows you to identify which securities will deliver the greatest tax benefit when donated. This strategic guidance is especially valuable for higher-income clients for whom the potential tax savings are substantial. While clients can make stock donations independently, your expertise ensures they’re making informed decisions that align with both their philanthropic goals and overall financial strategy.

STEP 3: Plan Ahead to Meet Deadlines

To qualify for the current tax year, stock transfers must be completed by December 31. Because most DAF sponsors require several business days to process donations, aim to initiate transfers at least two weeks before year-end. Planning ahead helps ensure gifts are received and recorded on time, avoiding last-minute stress for both you and your client.

#3 / Contributing Complex or Non-Cash Assets

When clients think about charitable giving, they often consider cash or publicly traded securities. However, DAFs can accept a wide range of non-cash assets, making them a powerful tool for clients with concentrated or illiquid holdings. These gifts might include privately held business interests, restricted stock, real estate, or even cryptocurrency. For clients with highly appreciated assets, contributing these directly to a DAF allows them to convert non-liquid wealth into charitable capital—without incurring capital gains taxes that would result from a sale.

This strategy is particularly valuable during liquidity events or periods of unusually high income. By donating part of a business interest before a sale, for example, clients can potentially reduce taxable gains while funding future charitable initiatives. DAFs streamline the process by handling complex asset contributions, liquidating the asset on behalf of the donor, and allocating the proceeds to their charitable account. The result is flexibility: clients receive an immediate charitable deduction in the current tax year, while retaining the freedom to recommend grants to charities over time.

Planning Considerations and Timing

When facilitating these gifts, timing and documentation are key. Non-cash contributions often require formal valuation, legal review, and coordination among advisors, attorneys, and the sponsoring DAF organization. Most DAF sponsors have dedicated teams that assess and approve complex assets, ensuring compliance with IRS rules and internal acceptance policies. Advisors can add significant value by initiating these conversations early—ideally several months before a planned transaction or year-end—to allow sufficient time for due diligence and transfer logistics.

Deduction Rules and IRS Limits

Before proceeding, clients should understand the deduction rules for different asset types. In most cases, contributions of long-term appreciated non-cash assets to a public charity (including a DAF) are deductible at fair market value, up to 30% of adjusted gross income. Any unused deduction can typically be carried forward for up to five additional years.

By planning ahead, advisors can help clients transform complex holdings into charitable resources—unlocking meaningful philanthropic impact while optimizing their tax position.

Final Note for Advisors

Year-end charitable giving represents more than tax planning—it's a chance to help clients align their values with their financial goals and make a lasting impact for the causes they care about. At a time when philanthropy has never been more important, these conversations deepen relationships and position you as a trusted wealth advisor.

This guide is for educational purposes and should not be construed as legal, tax or investment advice. Advisors should work with clients' CPAs and attorneys to implement strategies.

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