

BUSINESSDIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



Enhance your corporate giving strategy with a donor advised fund

Consider the benefits of an uncomplicated, tax-savvy way to give back.

Giving can create positive change in people, institutions and communities. It sustains a multitude of worthwhile organizations, launches innovative new ideas and gives us a sense of fulfillment.

A well-crafted giving strategy also holds a number of benefits for your company. It enhances employee engagement by giving your employees additional ways to connect with your company's mission and the community. It can also strengthen your company's roots within your broader community. While it may seem daunting to establish giving within your company, a corporate donor advised fund (DAF) can help maximize your impact and eliminate many of the administrative hurdles.

Similar to a private foundation, a corporate DAF provides an immediate full tax benefit and lets you donate to your favorite charities at any time in the future, but the operational costs are usually lower, management is easier and it gives you a simple way to engage your associates in giving back to the

community, aligning your company's values and mission with your giving practices.

Below are some key things to know about corporate donor advised funds and how to get started.

THE BENEFITS OF A DONOR ADVISED FUND

DAFs provide an easy way to make significant charitable gifts with immediate tax benefits and deductions. Similar to private foundations, DAFs serve as tax-efficient giving vehicles, offering many of the same benefits while being easier to set up and maintain. Some of these benefits include:

- No capital gains tax on long-term appreciated assets that are gifted
- Immediate tax deduction for the full market value of the gift for most assets (and any amount that can't be deducted in the current year can be carried over and deducted for up to five succeeding years)

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Enhance your corporate giving strategy with a donor advised fund (cont.)

- No excise taxes, unlike a private foundation
- Assets donated are no longer part of the estate value
- No minimum annual distribution requirement

HOW CORPORATE DONOR ADVISED FUNDS WORK

As a tax-qualified public charity, a DAF program provides you with immediate and full tax deductions and, at the same time, seeks to increase the value of your original gift through prudent investing.

The fund enables you to create a legacy of giving within your company, see the benefits in your lifetime and designate a successor donor, as well as name charities to receive grants beyond your lifetime.

Below we explore benefits of a DAF in more detail:

IMMEDIATE TAX REDUCTION

One of the most appealing benefits of a corporate DAF is that you can take an immediate tax deduction – up to the maximum allowed by law – for the amount you’ve donated. Then, you or the fund’s named donors (typically a CEO, CFO or business manager) can recommend the fund make grants to preferred charities at any time in the future. You can avoid the pressure of making snap year-end decisions to meet an income tax deadline, and you can spread your company’s giving over time. Recurring grants can be arranged, and you may be able to take a larger deduction within a given year than you would for a donation or contribution to a private foundation.

NO CAPITAL GAINS TAX

If you contribute long-term appreciated securities to the fund, you’ll avoid capital gains tax on the appreciated portion and receive an immediate charitable tax deduction for the full fair market value of your gift. This is particularly useful for shares bought at a very low price (or other basis) that have appreciated greatly over the years.

CREATING A TRADITION OF GIVING

Helping others and creating a positive impact in the community through giving can be a priority for your company that lasts far beyond your lifetime with a DAF. The fund enables you to create a legacy of giving within your company, see the benefits in your lifetime and designate a successor donor to recommend grants

for you after your death. Alternatively, you may name specific charities to receive grants beyond your lifetime.

CHOOSING THE CHARITIES AND CAUSES YOU WANT TO SUPPORT

While people support different charities, the one common denominator among donors is a generous spirit. You may recommend grants to any combination of more than 1.5 million U.S. charities that qualify as 501(c)(3) public organizations under the Internal Revenue code.

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Because the timetable is up to you or your named donors, you will have plenty of time to consider your choices. Your advisor will verify the tax-exempt charitable status of the organizations you recommend, thereby protecting you from supporting nonqualified recipients and losing your tax deduction.

Once your company has chosen charities that align with your values and mission and you’re ready to give, you or the named donors can make grants from the account in amounts of \$100 or more to as many qualified charities as you wish. (Your advisor can also do this if you’d prefer.) The fund will send a letter with the grant check to the charity, recognizing that you recommended the gift, or, if you wish, you can remain anonymous. ■

NEXT STEPS

- Talk with your financial advisor to learn more about how a DAF can impact your company’s giving.
- Work with your legal and tax professionals alongside your advisor to coordinate the most appropriate charitable solution for your situation.
- Start thinking about the causes and organizations that are meaningful to you and your company that you would like to support through a DAF.



Is your business a solo show? Learn about owner-only 401(k) plans

How to determine if this retirement vehicle makes sense for you.

The owner-only 401(k) is a retirement vehicle that gained a lot of momentum in 2001 when the IRS made it much more flexible for business owners. An owner-only 401(k) is a retirement savings account designed for those running a business as the only employee, allowing contributions not just from your salary but also your business. It's a vehicle that offers many advantages – but you must meet certain requirements to deploy it. Below is more insight into how owner-only 401(k) plans work.

HOW MUCH CAN I CONTRIBUTE?

An owner-only 401(k) allows you to make a contribution both from your salary and from your business. This allows you to maximize your retirement savings, reduce your tax burden and catch up on contributions if you are over 50.

You can designate up to 25% of your total compensation to a profit-sharing plan, plus up to \$23,000 to a 401(k) plan if you earn at least that amount annually. This brings your total contribution level up to a maximum of \$69,000, or 100% of your total compensation, whichever is less.

If you are 50 or older, you can make an additional “catch-up” contribution of up to \$7,500.

CHOOSE YOUR TAX ADVANTAGE

Pick a traditional 401(k) to reduce your income tax in the year your contributions are made or go with a Roth option in the 401(k) if available, which doesn't get you an initial tax break but does allow you to withdraw the funds tax-free in retirement. If you think your income will be higher in retirement, the Roth

can be a good move. If you think it will be lower, taking the tax break now may be right for you.

SPOUSAL BENEFITS

While this type of plan is specifically for businesses with no employees, you and your spouse can participate if you both are employed by and receive compensation from the business.

OTHER ADVANTAGES

The owner-only 401(k) offers some administrative advantages over a regular qualified retirement plan. Unless your balance exceeds \$250,000, you do not have to file a 5500 form every year with the IRS. You also do not need to perform nondiscrimination testing, which is a compliance regulation from the IRS that usually requires a plan administrator. And you may be able to take a loan from your owner-only 401(k) of 50% of the account balance (greater than \$10,000) or \$50,000 – whichever is less.

An owner-only 401(k) also allows for consolidation of multiple accounts. Most retirement plan assets, including funds from profit sharing and money-purchase plans, and both traditional and SEP IRAs, can be transferred into your owner-only 401(k).

SETTING IT UP

Talk to your advisor about setting up an owner-only 401(k). You'll need an employee identification number, and you'll sign a plan adoption agreement. Once it's set up, you can start investing in vehicles like ETFs, index funds, mutual funds and more – whichever make sense for your long-term financial and retirement goals. ■



Embracing sustainability may benefit business

Explore tips for going green in the workplace.

Green life, sustainable mutual funds, buying local, the “buy nothing” movement, plastic-free living, eco-fashion, electric vehicles. You’ve seen all the headlines about reducing your impact on the planet, but you may be wondering how you can best implement a greener workplace in a way that considers the needs of your business, employees and clients or customers.

The Environmental Protection Agency (EPA) defines sustainability as “creating and maintaining the conditions under which humans and nature can exist in productive harmony to support present and future generations.” The overarching idea is to find ways to do business that have a gentler effect on the Earth.

Fortunately, there are a lot. And companies who are tapping into this zeitgeist could enjoy cost savings over time as they lead the way into the future.

BE AN ENERGY STAR

The EPA's Energy Star program provides a wealth of information on making your office more energy-friendly. Energy Star buildings can save up to 60 cents a square foot on operations and maintenance as well as 53 cents a square foot on utilities. Something as easy as replacing 50 lightbulbs with 12-watt LEDs can save up to \$190 a year. Plus, they generate less heat so they're safer and keep your company cooler in the summer.

RECRUIT A TEAM

Create a “green team” responsible for generating new ideas about ways to reduce energy and save costs. Incentivize creative thinking with lunch and learns from a favorite local vendor, gift cards or even offer a bonus based on how much people participate in green initiatives.

SOURCE IT

Most office supply vendors now offer more environmentally conscious options for everything from paper products to biodegradable packing tape and printer toner. See if buying in large quantities can reduce the price of switching, or work with operational staff to reduce usage.

GROW SOMETHING

Inside your office, simple desk plants can not only create a Zen and welcoming atmosphere, they also help clean the air. Look for low-water, low-light plants like a pothos that require little maintenance and care. Planting trees is also a great way to reduce CO2 in the air, shade and cool your building, prevent soil erosion and even attract a few birds.

THINK BIG

Sustainability can encompass so much more than environmental factors. Consider other initiatives that contribute positively to your business and your community, like corporate responsibility and governance as well as diversity and inclusion initiatives. ■

NEXT STEPS

- Consider downloading the Energy Star Action Workbook for Small Business, available at energystar.gov, to fast-track saving energy.
- Talk to your employees about ways they think you could reduce and recycle.
- Reach out to vendors to see what their sustainable product offerings look like.

Sources: epa.gov; raymondjames.com; energystar.gov; techrepublic.com; arborday.org; Energy Star small business workbook; gep.com; gardeningknowhow.com.

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