Maximize Your Clients’ Tax Savings:

The Power of Bunching with a Donor-Advised Fund

Turn Charitable Giving into a Smart Tax Strategy

Many clients regularly give to charity but don’t realize they could significantly increase their tax savings with the right strategy. By bunching multiple years of donations into a Donor-Advised Fund (DAF), they can reduce taxable income, take advantage of itemized deductions, and maintain their philanthropic impact over time.

How Bunching Works

Instead of making annual donations, clients that normally take the standard deduction can frontload multiple years of giving in a single year. This allows donors to:

Maximize their tax deduction by surpassing the standard deduction.

Reduce taxable income in a year when taxable income is highest.

Continue supporting charities over time without impacting cash flow.

Who Should Consider Bunching?

Bunching is a highly effective tax strategy, but it's most beneficial for individuals who meet one or more of the following criteria:

1. High-Income Earners in Peak Years

- Business owners selling their company
- Executives receiving stock options, RSUs, or large bonuses
- Investors with significant capital gains (e.g., from stock or real estate sales)
- Professionals nearing retirement who anticipate lower future income

Why? A large charitable contribution to a DAF in a high-income year can significantly reduce taxable income.

2. Charitable Individuals Who Give Regularly

- Donors whose annual giving **doesn't exceed the standard deduction**
- Individuals who plan to donate regularly over multiple years
- Those who want to support charities consistently but optimize tax benefits

Why? Bunching lets them **maximize tax savings in a single year** while maintaining their giving over time.

3. Retirees Facing RMDs

- Individuals over 73 required to take Required Minimum Distributions (RMDs)
- Those whose RMDs **push them into a higher tax bracket**

Why? Bunching into a DAF before RMDs begin can help manage taxable income in that year.

How Margaret & Dennis Save with Bunching

Married couple filing jointly, both under 65 years old

AGI: $250,000 per year

Annual Giving: $4,000 to charity

Other Itemized Deductions: $20,000

Without Bunching (Annual Giving)

Standard Deduction (2025): **$30,000**
→ No tax benefit from their $4,000 charitable contributions

Federal Tax: **$38,494**

With Bunching (5 Years of Giving in Year 1)

Donate **$20,000 in Year 1** (5 years' worth of giving)
Itemized Deductions in Year 1: **$40,000**
Federal Tax in Year 1: **$36,094**
Tax Savings: $2,500

By **bunching charitable gifts** into a single year, Margaret and Dennis **increase their deductions, reduce taxes, and maintain their charitable impact over time**.

When Does Bunching NOT Make Sense?

If the donor doesn't give to charity
Bunching is only beneficial for those committed to giving.

If total deductions (even after bunching) don't exceed the standard deduction
The tax benefit is lost if the donor still takes the standard deduction.

If the donor needs immediate tax benefits every year
A large upfront deduction may not align with their annual tax situation.

If the donor prefers direct giving
Some donors may want their gifts to go directly to charities each year rather than using a DAF.

If they expect higher income in the future
If a donor expects higher income or a financial windfall in the future, they may get more tax savings by waiting for a future high-income year.

Build Trust with Your Clients & Talk to Them about Charitable Giving

Helping your clients navigate charitable giving not only strengthens your relationship but also provides them with meaningful tax benefits and greater flexibility in their financial plans. We're here to help with your client conversations.