Morgan Stanley | Global Impact Funding Trust

# Make the Most of Your Charitable Contributions With "Deduction Bunching"

## Maximize tax benefits while supporting the causes you care about

**Donor Advised Funds (DAFs)** offer a flexible and strategic way to align charitable giving with smart tax planning. One of the most effective techniques? Deduction bunching. Bunching several years of charitable donations into one larger contribution to a DAF can push total giving above the standard deduction, allowing for itemized deductions and greater potential tax benefits. Grants to charities can be recommended over time, while the remaining balance stays invested and may grow tax-free.

## This approach is ideal for donors who:

- Want to maximize their tax benefit
- Prefer to give gradually but with long-term intent
- May not yet know which charities they want to support

## Key benefits of bunching with a DAF

**Immediate tax deduction**

May be entitled to a larger charitable income tax deduction in the year of contribution

**Long-term grantmaking**

Continue recommending grants over time—no pressure to give all at once

**Flexible planning**

Coordinate giving with years of higher income or unexpected tax events

### Here's how Margaret and Dennis saved with bunching[1]:

*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:**

Standard deduction (2025): $31,500

- No tax benefit from their $4,000 charitable contributions
- Federal Tax: $38,134

1. The example presented is not indicative of an actual client or specific client experience. Similar outcome should not be expected.

**With bunching:**

Donate $20,000 in year 1 (5 years' worth of giving)

- Itemized deductions in year 1: $40,0004
- Federal tax in Year 1: $36,094
- Tax savings: $2,040

By bunching five years of charitable gifts into a single year, Margaret and Dennis increase their deductions, reduce federal income taxes, and maintain their charitable impact over time.

## We're Here to Help

Our expert team is ready to guide you in integrating deduction bunching into your strategy. If you have any questions or need assistance, please don't hesitate to reach out to your Morgan Stanley financial advisor.

### Disclosures:

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CRC #4716699 09/2025