



For years, the Donor-Advised Fund was the undisputed champion of charitable giving. It was simple, flexible, and offered tax benefits. But as we navigate the landscape of 2026 under the One Big Beautiful Bill Act, new contenders have emerged.

If you're still using your Donor-Advised Fund, or DAF, as your primary vehicle for large asset transfers, you might be leaving legacy capital on the table. Here is why it's time to audit your giving strategy.

The New Math of Giving

The 2026 tax code introduced some hurdles that specifically target high-impact philanthropists:

1. **The 35% Tax-Benefit Cap:** If you are in the top 37% tax bracket, the IRS now caps the "value" of your deduction at 35 cents on the dollar (rather than 37 cents).
2. **The 0.5% AGI Floor:** You can only deduct charitable gifts that exceed 0.5% of your Adjusted Gross Income. For a household earning \$1 million annually, the first \$5,000 of your giving provides zero tax relief.
3. **The DAF Exclusion:** While the Universal Deduction allows non-itemizers to take a \$1,000 (single filer) to \$2,000 (filing jointly) "above-the-line" deduction for charity, it excludes contributions to Donor-Advised Funds.

In short, the default DAF contribution could be a more expensive way to be charitable. So, with that in mind, what's the alternative?

The Rise of the Heavyweights: CRT vs. CLT

For clients looking to be charitable with larger assets, such as private business interests, real estate, or highly appreciated stock, one idea to consider is a Split-Interest Trust.

The Charitable Remainder Trust (CRT)

A CRT is ideal if you're looking to exit a major position.

How a CRT Works

You transfer the asset, the trust sells it, and you can receive an income stream for life. Because the deduction is based on the *present value* of what the charity eventually receives, it often fits more comfortably under the new 35% cap than a one-time DAF gift.

The Charitable Lead Trust (CLT)

A CLT is ideal if you want to support a cause now while passing significant wealth to your heirs later.

How a CLT Works

One idea for 2026 is the Non-Grantor CLT. In this structure, the trust is its own taxpayer. It makes annual payments to your favorite causes, and eventually, the remaining assets pass to your heirs. Because the trust pays the income directly to charity and can generally deduct those payments at the trust level, that income does not appear on your personal return. This could significantly reduce the impact of the 35% cap and the 0.5% AGI floor on your own charitable deductions.

The Decision: Tiered Giving

Does this mean you should close your Donor-Advised Fund? No. Think of it as your "philanthropic checking account." It is well-designed for smaller, nimble grants to local nonprofits. However, your "Philanthropic Endowment" (the big, legacy-defining transfers) likely belongs in a CRT or CLT to maximize the impact of every dollar.

The rules have changed, but the goal remains the same: make your hard-earned success carry your legacy forward.

Next Steps

If you'd like to discuss charitable giving and what it means for you and your financial plan, simply reply to this email so we can schedule some time to speak at your convenience.



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