



VALUING PEOPLE. VALUING MONEY.  
MANAGING IN TOUGH TIMES INITIATIVE

# FAMILY FINANCIAL MANAGEMENT

November 2011



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## THIS MONTH'S TOPIC:

# Charity Today, Security in the Future

The last two months of the year can be very busy for families. Often in the hustle and bustle of daily life and holiday planning, many people overlook the importance of year-end tax planning.

There are several things you can do to realize some year-end tax-savings. One of the most common ways to reduce your federal tax obligation is through charitable giving.

The winter months are also a perfect time to consider charitable giving. Need is often the highest for organizations, who are either trying to meet year-end budgets or provide additional services during the holiday season.

People often give donations in the form of cash or household goods; however, you may also give charitable donations in the form of stocks or even real estate.

The actual amount of tax savings realized through charitable donations will vary for different people, based on tax bracket. If you make a cash donation, it is always a good idea to write a check; your cancelled check provides appropriate documentation of the contribution.

If you make a donation of household goods or actual cash to an organization, be certain to get a receipt. If you donate non-cash items, such as clothing or other household goods, you will need to estimate the fair market value of the items donated. For example, if you donated a bag of clothing to the local thrift store, make a list of all items in the bag, note the condition of the items as excellent, fair, or bad, and then estimate the sales price for the items. Be cautious, as this is not the price you paid for the item, but what it will sell for at the thrift store. The thrift store may be able to provide a pricing guide.



## Reduce your federal tax obligation through charitable giving.



If your non-cash donations exceed \$500, there will be an additional tax form to complete. If you prepare your own taxes using a computerized software program, you'll be prompted by most programs to complete the additional form. If you have an accountant or other tax professional prepare your taxes, they will complete it.

Donations of stock or real estate can be slightly more complicated, but are an excellent way to reduce or avoid capital gains taxes while reducing taxable income. Be cautious if you choose to donate a car or boat to charity typically, the deduction is not the fair-market value of the vehicle, but the amount the charity receives for the sale. If you are considering donating stock, real estate, or a vehicle, talk to your accountant or tax professional prior to making the donation.

Remember, to receive a tax deduction for charitable giving, you must receive a receipt and itemize your taxes. Typically a person will itemize taxes if the amount of total deductions exceeds the standard deduction, which increased in 2011. The standard deduction for married couples filing jointly is \$11,600 and \$5,800 for individuals. Other types of expenses used to calculate total deductions include mortgage interest, property taxes, and possibly medical expenses.

Written by: Jennifer Hunter, Ph.D., Assistant Extension Professor, Family Financial Management.

### Financially and Environmentally Friendly

In Kentucky, many opportunities provide the chance to help our neighbors and improve the environment for present and future generations.

Here are a few tips:

- Plant a community garden. Ask experienced gardeners to serve as mentors.
- Organize a community or neighborhood swap. Trade items, such as clothing, shoes, and purses, with friends and neighbors.
- Consider replacing trees that have died with native tree seedlings.
- Start an environmental or "green" club.
- Plant a butterfly garden at a local school or park using native plant species.
- Organize a carpooling campaign to reduce air pollution and save money.
- Promote waste-free lunches in your school or work place. Encourage others to use reusable containers and avoid disposable sandwich bags, utensils, and straws.

Written by: Ashley Osborne, Extension Associate for Environmental and Natural Resources Issues.

## FAMILY FINANCIAL MANAGEMENT

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