

# Is the End of the Year Really the Best Time To Donate?

Exchange Capital Management  
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It's no secret that the holidays are prime time for charitable contributions, with over 30% of donations pouring in during December. While the holidays can bolster the giving spirit, some may benefit from pushing off their donations until after the ball drops and the new year begins.

This is where donation bunching comes into play – a clever strategy where you consolidate two years' worth of donations into a single year to significantly improve your tax benefits. While it's not a one-size-fits-all approach, it's a potential game-changer worth exploring.

## What Is Donation Bunching?

To understand the advantage of bunching your donations into a single year, you need to take a look at the tax year's standard deduction and see where your deductions stack up.

Filing Status	Standard Deduction in 2023
Single	\$13,850
Married, filing separately	\$13,850
Married, filing jointly	\$27,700
Head of Household	\$20,800
If you're 65+ or blind, you get an additional standard deduction: \$1,850. If you're both 65+ and blind, that bonus doubles to \$3,700.	

Many people opt for the standard deduction because, when they add it all up, their itemized deductions don't quite hit the mark. But, if your itemizable deductions – like charitable contributions – go above the standard deduction, it's time to think about itemizing.

Here are some expenses you can itemize:

- Mortgage interest
- State and local income tax
- Property taxes
- Medical and Dental expenses
- Charitable donations
- Student loan interest

These expenses may have limitations to how much is deductible. To see how much you can deduct or what else is considered an itemized deduction, [click here](#).

If you're teetering between the standard deduction and a higher itemized limit, or if you're already exceeding the standard deduction, it's worth considering donation bunching. The goal is to time your charitable contributions strategically, making sure that in a given year, your combined donations surpass the standard deduction. This might mean skipping donations one year and doubling them the next, resulting in a higher tax benefit.

### Donation Bunching in Action

Imagine you're married and filing jointly, and your itemizable deductions are just under the \$27,700 standard deduction. Your total deductions, including a \$10,000 charitable donation, add up to \$25,000. If there's nothing else to itemize, then you should use the standard deduction (meaning there is no immediate tax benefit from your charitable donations).

But consider this: by strategically timing your charitable donation, you could surpass the standard deduction in a given year. Instead of donating in December, delay your contribution until January. This way, you'll have two donations in the same tax year, one in January and another in December. Keep in mind that since you're bunching two donations in one year, you won't donate anything the following year.

This doesn't mean you're giving less overall; you're simply adjusting the timing of your donations. Since it's just a one-month delay, it won't impact the charity, but it can significantly benefit you. Bunching these two donations in a single year boosts your itemized deduction to \$35,000, with \$20,000 from charitable giving alone. Then, in the next year, you can skip donating and claim the standard deduction. Repeat this bunching strategy in the following year to claim another \$35,000. By doing so, you'll be able to reduce your income by an additional \$7,300 in each year you bunch donations.

Bunching isn't only a tax strategy; it's a common tactic in financial planning. Many people apply it to charitable giving because it's under your control – you decide when to write the check while also minimizing your taxes.

## **Should I Bunch My Charitable Donations?**

As with most things, what works for one might not work for another. Bunching is only worth it if combining your donations in one year pushes you over the standard deduction. If not, there's no need to delay your donations just for tax purposes.

If you're interested in bunching your donations, check out Schwab's Bunching and Tax Savings Calculator. This can help you decide whether it's the right time to consider donation bunching in your tax strategy.

## **The Bottom Line**

While it's great to save on taxes, let's not forget the heart of the matter: giving is about helping out organizations that could use a hand. However, if you can make your donations count for both the cause and your wallet, that's a win-win.

Yet sometimes this is easier said than done. Some charities run campaigns and fundraisers or offer donation matching that you might want to take advantage of. However, if you have flexibility on when you can donate, donation bunching can be valuable.

