

GIVING WISELY:

How individuals and local entities can fund causes that matter



Many private citizens and organizations are moved to support their communities, but these efforts sometimes require expert financial know-how. Here's what each should bear in mind to make every donation dollar count.

Donating money to support meaningful causes is a cornerstone of a healthy financial life — and a call that many people are increasingly answering. In 2023, individual Americans — the largest source of charitable giving in the country — donated more than \$374 billion to philanthropic organizations, [according](#) to the National Philanthropic Trust. And while many of those donations came from donors considered high-net-worth individuals (HNWIs), Americans of all financial means can, and are, making donations a priority.

And the opportunities for where to donate funds are nearly endless. The United States is home to [1.8 million](#) charities, [1.5 million](#)

of which are [501\(c\)\(3\)](#) organizations — those that may allow donors to write off their financial and material donations come tax time. It's no secret that giving in this way can provide twin benefits — providing aid to charitable organizations and reducing a donor's tax burden. In fact, when done wisely, charitable giving can be a key piece of a smart financial strategy.

Meanwhile, those same nonprofit organizations and local governments also need sound financial knowledge — specifically, of funding procedures and the best ways to access and utilize those resources — to effectively get their community-centered projects off the ground. While many government entities receive

project funding from congressional, state, county or municipal allocations, many projects are funded via financing from financial institutions. Wintrust, for example, provides financing for 60 to 70 such projects each year, specifically serving the Chicago-area communities in which it has long maintained a presence.

Given the critical importance of giving to worthy causes and supporting local communities — particularly at a time of year when 30% of all charitable giving occurs — it's vital that both individuals and local-government administrators know how to advance their philanthropic and community-minded efforts. Here are some key points to keep in mind.

PART ONE

Charitable giving for individuals: Being both generous and thoughtful

The act of giving isn't all that matters — it's also about how, where and why a person gives. When mapping out the future of your philanthropic efforts, it's vital to start by examining your motivations for giving and what you hope your donations will accomplish.

The big questions

"It's important to have a giving plan, and there are several vital questions to ask yourself when devising that roadmap," advises Sean Hipskind, Vice President, Client Portfolio Manager and Wealth Planner at Wintrust Private Client. "When we say, 'Let's talk about philanthropy,' we want to know what your philosophy is. What are you interested in; what matters to you?"

Ask questions to consider the issues and causes that are most important to you and your family. For example, do you want to help alleviate poverty or hunger? Fund education-based causes? Advance the efforts of health care institutions?

Next, ask yourself where geographically you'd like to make an impact. Are you hoping to improve the lives of those in your own community, or do you feel that the direst needs lay elsewhere, perhaps even internationally? While many people donate locally and nationally, 31% of donors give to charitable organizations abroad.

Finally, ask yourself not just how much you're able to give, but what you have to give. Do you prefer to donate cash, or do you have other assets, such as appreciated stock, collectibles, art or real estate, that could make an impact?

6%

The percentage of American donors that donate stock instead of cash to charities.

SIGNS OF A WELL-RUN CHARITY

Give.org, a charity-centered arm of the Better Business Bureau, lists [20 standards](#) for a well-managed and financially sound charitable organization, including the presence of board oversight, accuracy in fundraising and publicity materials, and a threshold of no less than 65% of funds spent on charitable objectives and no more than 35% spent on fundraising activities.

Choosing charitable organizations wisely

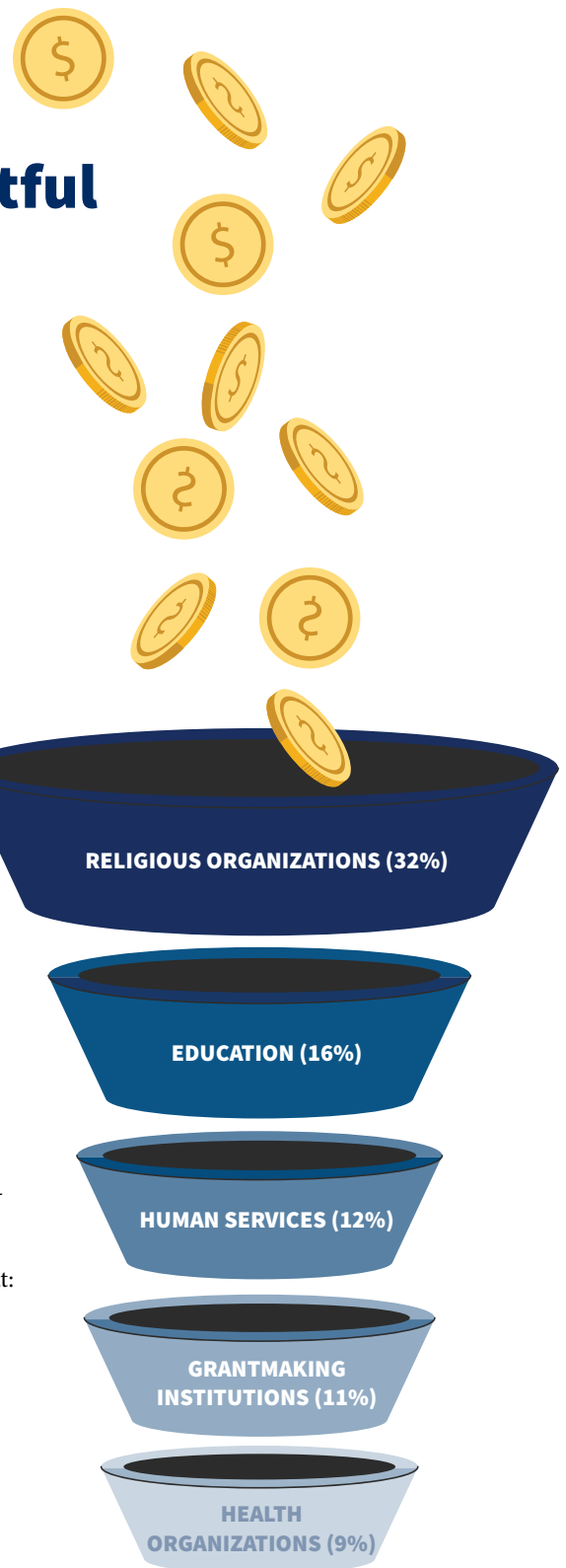
When giving to a charity, understandably you want to ensure that your donation is going to a legitimate organization. Fortunately, that's easy to do. You can check if a charitable organization is a 501(c)(3) in good standing on the [IRS website](#). That link takes you to an IRS search engine, where you can look up all pertinent information about the organization you're considering.

However, simply verifying an organization's tax-exempt status isn't enough to tell you whether it is a worthy recipient of your donation. "You'll need to research whether the nonprofit provides honorable services that are consistent with your charitable goals," according to Hipskind. "What is its mission? What are its operating guidelines? What is its reputation?"

Finally, you'll want to obtain a deeper financial picture of the organization you have in mind. Hipskind recommends reviewing the organization's 990 Form, which will spell out:

- The organization's financial stability
- How much its officers are compensated
- How contributions are granted

You should also request and review the organization's annual financial statements. You can visit sites such as [Give.org](#) or [Charity Navigator](#) that find and evaluate charities around the world.



The [most common recipients](#) of charitable giving in the U.S. are religious organizations (32%), such as Catholic Charities of America or The Salvation Army — but these dollars often aid causes that are secular, such as assisting the victims of natural disasters. Above are the next top sources of charitable dollars by type.



How giving benefits the giver

The act of giving can also result in a substantial tax benefit. Of course, there are hard and fast rules in the tax code for just how much of your charitable giving you can deduct on your tax return. Presently, you can write off cash donations equal to 60% of your Adjusted Gross Income (AGI), and property donations equal to 30% of your AGI. (Important note: The allowed write-off for cash donations is set to drop to 50% of your AGI in 2026.)

The tax benefits of giving aren't the only financial factors to consider when donating. "Gifting of appreciated assets can provide a double benefit by helping the donor permanently avoid potential capital gains taxes were those assets to be sold," explains Hipskind.

In addition, you can potentially capture estate tax benefits when making a charitable donation. Donating assets removes them from your taxable estate, which is subject to a 40% estate tax. You can make these donations during your lifetime or at death via bequest.

If you intend to give large sums of money over a long period of time, there are numerous ways to structure the donations to maximize your financial strategy and reduce your tax burden.

Options include:

Charitable remainder trusts: a trust that pays an annual amount to the donor or another beneficiary, with the remainder given to charity after the recipient's death or a set time period.

Charitable lead trusts: a trust that provides a charity with an annual disbursement over a set period of time until the remainder is ultimately given to a beneficiary.

Charitable gift annuities: a contract with a charity to make a contribution in exchange for a fixed income.

Donor advised funds: an investment account legally owned by the charitable organization but which allows the donor to control how their assets are invested.

Family foundations: a legal means of

creating a lasting legacy of philanthropy within one's family, since it establishes an entity that must disburse 5% of its assets each year.

Smart moves for individuals' charitable donations

Making donations haphazardly can create issues that go well beyond simply giving to a less-than-trustworthy organization. Donating to secure tax advantages without fully understanding the AGI-based deduction limitations can put you in a financial bind at tax season, as can failing to secure an appraisal of donated property over \$5,000.

There are also complex rules for calculating your charitable deduction of artwork and collectibles, which Wintrust suggests are best determined by a financial expert or tax advisor. Likewise, if you're planning to make a bequest via will or trust, you'll need an attorney in your corner. Finally, it's vital that you hold onto charitable receipts for all donations, and bear in mind that to be deductible, a donation to a foreign charity must go through a U.S.-based conduit.

[Learn more from Wintrust Private Client](#)

PART TWO

Finding projects and partners for community development

A community-centered project can enhance residents' quality of life or solve a problem within the community. To smoothly and efficiently complete projects with maximum community benefits, government leaders should understand how bank financing can help to fund projects and how to connect with lenders experience in financing community projects in their area.

Choosing an area of focus

Before embarking upon a project, community leaders and government officials should take the pulse of the community. Do community members support the proposed solution, or do their interests lay elsewhere? Are they asking for something else more urgently? Is there consensus that the proposed project is the best way forward, or demand for considering other solutions?

Obtaining buy-in from residents is key to a successful and well-received project, and the only way to discern the prevailing opinion of the community is to solicit it, whether via resident surveys, public town halls or other platforms by which residents can openly voice questions and concerns. That's also a common strategy when government leaders want input as they consider long-term master plans for capital assets, says Wintrust Vice President Tim O'Brien.

According to O'Brien, Wintrust funds an array of community projects, including:

- Infrastructure
- Park renovations
- Public facility construction
- Equipment acquisition
- Economic development projects
- Solar panel purchase and installation

"We like to invest in the communities we serve and work in," O'Brien says.



Finding funding, making it happen

Once it's clear that a project has the backing of the residents it will impact, it's time to investigate financing options. Governments typically have many options, such as tapping cash reserves, applying for grants or issuing bonds that are payable over many years.

Bank financing can be attractive, offering ease of access, low issuance cost and flexible terms that can be tailored to allow the government to respond to evolving circumstances.

In practice, such a partnership may arise in different ways. A local government may approach a bank to pursue funding, or a well-connected financial organization may already be aware of the project and identify an opportunity to assist with financing.

"Many of the borrowers or issuers that we work with are clients of our individual community banks," O'Brien says. That makes identifying ways in which Wintrust can support local initiatives far easier. In fact, financing opportunities are often identified by local bankers based on their community connections, such as the involvement with the chamber of commerce or by participating or volunteering at community events, O'Brien adds.

Furthermore, by establishing a presence within the community, Wintrust creates a pathway for local leaders to approach them first. "On a more macro level, our specialized government lenders have established relationships with the area's municipal advisors, who advise governments on how to best structure loans and offer them to lenders and investors. These advisors send many financing opportunities to us," O'Brien adds.

[Learn more from Wintrust Government Funds](#)

Overcoming obstacles

As with any civic undertaking, government leaders should keep bureaucratic concerns in mind. Government financing is approved via resolution or ordinance by the governing board of the local government, who are elected residents of that particular community.

“How the government can borrow money is dictated by state statute, with some government bodies having more flexibility in the types of debt that can be issued, the maximum term or the need for taxpayer approval,” O’Brien says. This last factor can be especially challenging because large-scale projects are often financed via referendum bonds that are voted on by residents — and can result in property tax increases.

Another common stumbling block are timelines, which tend to be extensive for government projects. “Issuing public debt is not something that can happen all that quickly,” O’Brien says. Governments officials have to consider factors such as the proper financing vehicle and structure, the method of sale and when the board can authorize the borrowing. With that in mind, O’Brien recommends that government leaders consider financing during the planning process “rather than finalizing the project and then figuring out how to pay for it.”

Success stories

The sense of collective community achievement realized when a project is completed



CREDIT: ZION PARK DISTRICT

— and the visible impact made — are driving forces for those who both propose and help to execute projects like these. For example, O’Brien explains, in May of 2024, Wintrust purchased Zion Park District’s issuance of General Obligation (Alternate Revenue Source) Bonds to refurbish two public parks within the city of Zion.

Proceeds of these bonds were used to complete two major park renovations to Shiloh Park and David Park. In the former, the park was reimaged to include four pickleball courts, two tennis courts, a

full-sized and half-court basketball courts, a brand-new and fully inclusive playground for children ages 2 to 5, an area with swings, several gaming tables and multiple shelters to protect the park’s visitors from the elements.

Meanwhile, David Park was reinvigorated with two full-sized soccer fields, a reimaged and inclusive playground, two full-sized basketball courts, a skate park, a walking loop and a new parking lot. At press time, the David Park project is still ongoing, but the ribbon-cutting ceremony for Shiloh Park is planned for November 2024.

Whether you’re an individual hoping to make a difference with your charitable donation — while also making smart moves with your personal finances in mind — or a government leader wondering how to take a community project from concept to completion, Wintrust can help.

With extensive knowledge of philanthropic tax implications, as well as the best approaches for securing your wealth while also giving back, our experts can help you balance your charitable efforts and long-term financial planning. Meanwhile, our Wintrust Community Impact (CI) team is committed to partnering with local government and nonprofits to support the invaluable projects that keep our communities thriving.



The expert advice in this white paper was provided by **Sean Hipskind** (left), Vice President, Client Portfolio Manager and Wealth Planner at Wintrust Private Client, and **Tim O’Brien**, Vice President, Wintrust.

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