

How to gift well



EQUILIBRIUM

12 useful things to know when gifting to charity

People give to charity for a variety of reasons, whether it be for self-worth, to give back, spread the love or just because you can. The result is the same – providing much needed income to a worthwhile cause.

Never has this incentive been more thought provoking than during the pandemic which saw people and communities come together. No matter how big or small a donation, time or monetary, the collective is powerful.

Knowing how to gift well not only helps the cause you want to support, but also empowers you too.

With this in mind, we thought we'd share our 12 useful things to know when gifting to charity.





1. Choose what you value

There are 185,000 charities registered just in England and Wales. They do amazing work in a whole variety of fields - from education to healthcare, relief of poverty to ecological protection. But not every charity is for everybody and not even the wealthiest of us can change all areas of human life through our giving.

It's worth taking a moment to think about the areas you can make a difference with your gift and the causes that matter to you most. Don't feel you have to give to the same things as everybody else - give to what you believe in.

2. Take care over your impact

A gift to a big national or international charity will always make a difference however there are also smaller charities closer to home.

Many of us are increasingly buying goods and services more locally, how about extending this to supporting local charities too? A gift of a few hundred pounds to a volunteer-run charity close to home, could make an enormous impact to that organisation. New start-ups and smaller charities often don't have the scale to advertise and attract lots of donors.

3. Involve your family

Technology is the way of the world. Whilst it's incredibly useful, it can often interfere with quality family time, each watching one screen or another. Giving is something you can do together.

Why not arrange a family meal or get together, and talk about the causes you could give to as a family? You might be interested in slightly different things which can provide a real opportunity to talk about the things that motivate or worry you. It can even open up opportunities to volunteer together.

4. Make your cause more secure

Particularly for smaller charities, knowing they will have some income every month for a year or every year for three years, makes an enormous difference to how well they can plan. Regular giving helps charities to employ staff; take on a building; upgrade an IT system; or start a new area of work, with confidence the bills can be paid. Furthermore, regular giving helps you develop a relationship with a cause and see the difference that your gifts are making.

5. Do your due diligence

All UK registered charities must go through a rigorous process to get registered and demonstrate that they are spending their money on things that are genuinely charitable.

It's important to always look for a charity which has a charity registration number. You can visit the Charity Commission's website and see a charity's accounts and list of trustees. This can help you understand how much they spend on fundraising, whether the charity has large reserves or investments, and how much they pay senior staff for example. A little bit of research may help your peace of mind.

6. Consider a DAF to give to many causes

A donor advised fund (DAF) is a charity that distributes funds in accordance with the wishes of people who make donations. When you donate to a DAF, it attracts relevant tax relief (e.g., Gift Aid) immediately. However, the money does not have to be distributed to the recipient charities immediately - it can be invested by the DAF for capital growth or income. When you are ready to make a charitable gift from the fund, you can advise the trustees of the DAF who then make the donation.

It's important to remember that once you have placed money into a DAF it is an irrevocable donation - you cannot get the money back. Using a DAF is much simpler than setting up your own charitable foundation and enables you to efficiently plan your donations over a prolonged period.

7. Gift aid is a gift

Gift aid brings benefits for both your chosen cause and your tax bill. Gift Aid means that charities can claim an extra 25p from the government for every £1 you give.

If you are a higher-rate and additional-rate taxpayer, remember you can also claim back 20% or 25% of the donation respectively via a tax return. So, for an additional rate taxpayer, a gift of £100 to a charity would end up costing you just £68.75. If the charity claims Gift Aid, they can end up receiving £125 in total.

8. Gift to bring back valuable benefits

If you give money to charity, your taxable income is reduced by the amount that you choose to give.

For those with higher earnings, charitable donations could result in your income falling below a higher tax threshold, meaning you could get valuable benefits such as Child Benefit or Tax-Free Childcare reinstated.

9. Make every day pay

For those in full-time employment, giving as you earn at work means your donation goes further, it costs you less and your charity gets a regular income. Giving through payroll means the donations you make to charity are taken from your pay before income tax is deducted.

10. Give and shop – win/win

[Easyfundraising.org.uk](https://www.easypfundraising.org.uk) and similar schemes turn your everyday online shopping into free donations for your favourite cause. To get started, search for a cause on their website and create an account, specify your chosen retailer and shop as normal. Retailers will then make a small donation to say, “thank you.”



11. Be in the business of giving

If you own a business and wish to gift, then consider gifting from the business rather than your personal account. Donations directly from a business are deductible as an expense and will serve to lower your corporate tax liability. This could be mean that you can afford to give more to the charity of your choice.

12. Give when you're gone.

When you give to charity directly from your will, the money is free from inheritance tax. Not only that, if you were to leave just 10% of your taxable estate, but the rate of inheritance tax also reduces from 40-36%. The result - those you love pay less tax and those you choose to support receive more.

Potential IHT liability	Pre donation £	Post donation £
Total assets	1,800,000	1,800,000
Taxable estate post reliefs	815,000	500,000
Charitable gift %	0.0%	10.0%
Charitable donation amount	0	81,500
Revised taxable estate	815,000	733,000
IHT rate applying	40%	36%
Revised estimated IHT liability	326,000	264,060
Total assets less IHT & gift	1,474,000	1,454,440
Effective cost of gift	0	19,560
IHT saving	0	61,940

The above illustrative guide shows that, by gifting 10% of the taxable estate (post reliefs), not only removes £81,500 from the estate, it also benefits from a reduced rate of inheritance tax from 40% to 36%. The person in this example saves £61,940 of inheritance tax despite gifting £81,500. The effective cost of the gift is therefore £19,560.

Get in touch

To find out more or to speak with one of our experts about how to start gifting today, call or email us:

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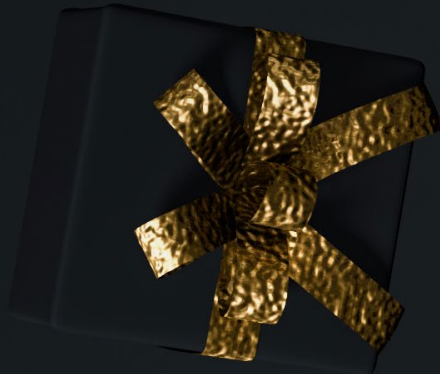
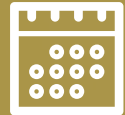
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