

WEALTH WISDOM

BY HUDSON FINANCIAL SERVICES



December 16, 2025

Year-End Giving Strategies - Tax Smart and Impactful

Key Takeaways

- A third of annual donations: About one-third of all charitable contributions are made in December.
- Donating before December 31 may offer tax advantages. New rules starting in 2026 (via the OBBB Act) may affect deductions for high earners and corporations.
- Consider tools like IRAs, donor-advised funds, appreciated securities, and bundling donations.
- Because of complex rules and evolving tax laws, working with financial, tax, and legal professionals may help you make the most of your charitable giving strategy.

A third of annual donations: About one-third of all charitable contributions are made in December, driven by holiday spirit and year-end tax preparation. So, if you're considering making annual charitable donations, you are not alone. Nonprofits often receive 17–31 percent of their annual online revenue in December, with 47 percent of that revenue coming in the last week of December, and 20 percent coming on December 31.

There are both emotional and strategic reasons Americans wait until the end of the year to fund their favorite causes, including a combination of cultural norms, tax incentives, and the spirit of the holiday season where people are reminded of the importance of family, togetherness, and goodwill, which can translate into increased charitable actions.

December also offers an opportunity for people to reflect on the year and their own successes and failures, leading to a desire to give back. Individuals may feel grateful for their blessings and want to share with others in need. Charitable acts allow them the opportunity to finish the year on a positive note and giving back to the community.



Nonprofits are aware of the emotional triggers as the year comes to a close and ramp up their giving campaigns to capitalize on the expected generosity.

From a strategic standpoint, Americans know that charitable contributions made by December 31st may result in tax advantages. This may create financial incentives, especially for high-net-worth individuals and businesses, to make charitable donations at the end of the year that also can have tax benefits.

Keep in mind this article is for informational purposes only and is not a replacement for real-life advice. Consult your tax, legal, and accounting professionals before modifying your charitable giving strategy for tax reasons.

America is a Generous Nation



Regardless of the motivation, Americans are generous. For 2024, total charitable contributions were over \$590 billion. That's a 6.3% increase from the prior year and the largest increase since the pandemic year of 2021.

"Giving Tuesday," which takes place on the Tuesday after Thanksgiving, has also evolved into a global movement that encourages year-end donations, particularly through social media and online platforms. Nonprofits raised a record \$3.6 billion on Giving Tuesday in 2024, a 16% increase from 2023.

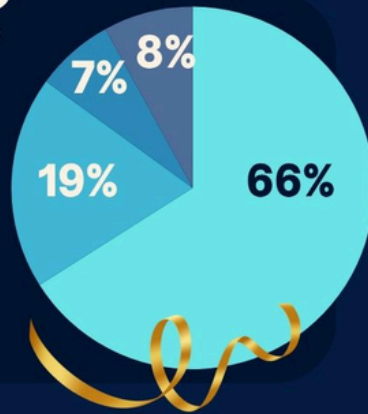
This year, Giving Tuesday (not to be confused with the spending holidays of Black Friday or Cyber Monday) was December 2nd.

Who is Contributing?

Individuals donate most of the nation's charitable contributions— by a lot. In total, 66% of last year's giving came from individuals, an 8.2% increase from the prior year. The closest runner-up was foundations at 19%, followed by bequests at 8% and corporations at 7%.

WHO GAVE?

\$392.45B **INDIVIDUALS** ↑ 8.2%
 \$109.81B **FOUNDATIONS** ↑ 2.4%
 \$44.4B **CORPORATIONS** ↑ 9.1%
 \$45.84B **BEQUESTS** ↓ -1.6%



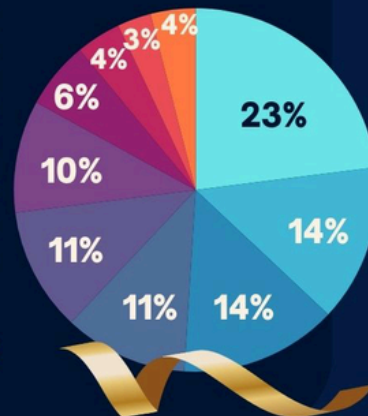
Source: The Benefactor Group, September 2025

The bequest slice of the charitable contribution pie may be set to expand in the coming years as the 'Great Wealth Transfer' from older generations continues. Cerulli Associates projects that wealth transferred through 2048 will total \$124 trillion—\$105 trillion is expected to flow to heirs, while \$18 trillion will go to charity.

Where are the Contributions Going?

WHO RECEIVED?

\$146.54B **RELIGION** ↑ 1.9%
 \$91.15B **HUMAN SERVICES** ↑ 5.0%
 \$88.32B **EDUCATION** ↑ 13.2%
 \$71.92B **FOUNDATIONS** ↑ 3.5%
 \$66.84B **PUBLIC-SOCIETY BENEFIT** ↑ 19.5%
 \$60.51B **HEALTH** ↑ 5.0%
 \$35.54B **INTERNATIONAL AFFAIRS** ↑ 17.7%
 \$25.13B **ARTS/HUMANITIES** ↑ 9.5%
 \$21.57B **ENVIRONMENT/ANIMALS** ↑ 7.7%
OTHER



Source: The Benefactor Group, September 2025

In 2024, nearly half of all charitable dollars went to religion (23%), Human Services (14%), and Education (14%). The rest was spread among Foundations (11%), Public-Society Benefit (11%), Health (10%), International Affairs (6%), Arts/Culture/Humanities (4%), Environment/Animals (3%), and the rest went to other small categories. The largest year-over-year percentage increases in donations went to Public-Society Benefits, International Affairs, and Education.

How do you Choose a Charity to Support

- **Research the Charity:** Use publicly available sources to understand what a charity does and who it serves. One factor to consider is the group's transparency and accountability in financial reporting and program effectiveness. You can also get information on websites such as Charity Navigator, GuideStar, or the Better Business Bureau's Wise Giving Alliance.
- **Understand the Mission & Impact:** Another factor to consider is whether the organization's values and goals align with yours. Look for a clear and measurable impact on the community or cause they serve. Consider the scope of their programs and services.
- **Consider Your Interests & Passions:** Your interests and passions can help you find a cause that resonates with you and inspires you to make a difference.
- **Getting Involved:** Many charities offer volunteer opportunities or ways you can participate in their events and campaigns. These opportunities can give you an even greater understanding of the charity's impact while helping you build a deeper connection to the cause.

How Does the One Big Beautiful Bill Act Impact Charitable Tax Deductions?

In general, the new tax provisions in the OBBB may enhance the tax benefits of charitable donations. However, the Act does introduce limits for high earners. Here are some key changes in tax treatment for charitable donations.

Starting in 2026, the law allows for a new charitable gift deduction for taxpayers who do not itemize up to \$1,000 for single filers or \$2,000 for married couples filing jointly. Those who itemize can only claim a tax deduction if their qualified charitable contributions exceed 0.5 percent of their adjusted gross income.

For taxpayers in the highest tax brackets, the value of charitable deductions will be limited to 35 percent of the contribution amount, even if they are in the 37 percent marginal tax bracket. This means that a \$1,000 donation would yield a \$350 deduction instead of the previous \$370.

Corporations will face new rules, including a 1% floor for charitable contributions. The purpose is to prevent excessive tax breaks while still encouraging corporations to give to charity.

You may want to consider these new provisions when thinking about your charitable contribution strategy. If you are a high earner or have a business, you may need to address how your current strategy works or conflicts with the new rules.

What are some Tax-Advantaged Charitable Giving Strategies?

- **Consider Using Your Traditional IRA to Make Qualified Charitable Distributions.** If you are at least 70½ years old, you can donate up to \$108,000 in 2025 from your IRA as a Qualified Charitable Distribution. Each spouse can contribute that amount, equaling \$216,000 if you are married. The distribution may satisfy your annual required minimum distribution (RMD). Since it is not reported as income, the RMD won't be reported on your personal tax return. Current tax law raised the standard deduction, which has influenced some RMD decisions.
- **Donating Appreciated Securities.** Suppose you are considering using the proceeds from appreciated securities to make a charitable donation. If that is the case, consider the tax consequences of donating the securities rather than selling the position and donating the cash.
- **Donating Depreciated Securities.** On the other hand, if you have depreciated securities, you might want to explore the tax consequences of recognizing those losses before making the gift. That approach may allow you to hold the losses, which could be used to offset capital gains in the future.
- **Consult with Your Financial Professional** before modifying your investment strategy for tax reasons. Your financial professional may want to speak with your tax, legal, and accounting professionals before moving ahead with any strategy that generates losses in an account.
- **Donor-Advised Funds:** A donor-advised fund (DAF) acts like a charitable investment account for the sole purpose of supporting the charitable organizations you care about. You can contribute cash, securities, or other assets to a DAF and are generally eligible to take an immediate tax deduction. You can recommend grants to the eligible IRS-qualified public charity of your choosing through your DAF.

Some donor-advised funds are considered mutual funds and are sold only by prospectus. The prospectus will provide information on charges, risks, expenses, and investment objectives and should be reviewed carefully before investing. Investment companies can provide a prospectus, or you may prefer to ask your financial professional. Please read it carefully before you invest or send money.

- **Charitable Remainder Trusts:** Charitable remainder trusts are irrevocable trusts that let you donate assets to charity and draw annual income for life or a specific period. You can transfer property, cash, or other assets into an irrevocable trust. The trust pays income to at least one living beneficiary and continues for a specific term or the life of one or more beneficiaries. At the end of the payment term, the remainder of the trust passes to the charitable organization(s).

You can also use up to \$54,000 of a Qualified Charitable Distribution from your IRA to make a one-time donation to a charitable remainder trust.

- **Charitable Lead Trusts (CLTs):** A CLT is used for both philanthropic and financial purposes. Through this type of trust, you can provide income to one or more charitable organizations for a specified term, after which the remaining assets are transferred to others, such as family members. This structure may allow you to achieve charitable goals while potentially reducing estate and gift taxes.

Income to the charity can be structured as either fixed or variable, depending on the type of CLT. Fixed annuity payments can provide predictable income to the charity, while unitrust payments, which fluctuate based on the trust's asset value, can potentially offer growth in the charitable contributions over time.

- **Using a trust to help your charitable initiatives** involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the relevant rules and regulations.
- **Bundling Charitable Deductions.** To itemize deductions with the higher standard deduction threshold coming with the OBBB, you might want to consider “bundling” and make your charitable contributions every other year. This strategy could help you accumulate a larger pool of deductions that exceed your standard deduction amount. For example, in Year 1, you could take the standard deduction with little or no charitable giving, holding off the amount you would have given until Year 2. Then in Year 2, you would donate the equivalent of two years' worth of charitable contributions and possibly itemize your deductions.

Your Impact is About Effectiveness & Timing

Thoughtful philanthropy can create a lasting impact while enhancing your overall financial strategy. We can help you explore the possibilities, from structuring gifts effectively to weighing different approaches and ensuring your philanthropy aligns with your broader financial strategy. If you're interested, feel free to contact us to discuss how to turn your charitable vision into action for 2025 and beyond.

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