



November 19, 2014

Hello:

Are you aware of all the tax deductions that are available to you for your charitable activities and donations?

If you're like many of our clients, you engage in volunteer activities for charities, religious organizations and community service groups during the holiday season, and you probably make donations, too. Our goal is to help you understand the tax deductions that are available to you. Please note that this information is not to be construed as tax advice and we recommend that you consult with your tax advisor if you have any questions about this information.

**Are you a volunteer?** IRS rules let you deduct unreimbursed expenses incurred when volunteering for a qualified organization. This includes costs incurred in traveling from your home to places where you render services, phone calls, postage stamps, stationery and other out-of-pocket costs. Generally, the amounts must be unreimbursed, directly connected with the services you are providing to the qualified organization, be expenses that you would not have otherwise incurred and not be personal, living or family expenses.

You may not deduct the value of your services. For example, if you are a photographer who normally charges \$50 per hour for your services and you devote 100 hours during the year taking photos for a charity, you cannot deduct the \$5,000 value of your work. Also, the use of your home for meetings is not deductible.

**Do you use your automobile for volunteer work?** If so, you can deduct your actual expenses for gas and oil (not insurance or depreciation), or you can simply deduct 14 cents per mile. You may also deduct unreimbursed parking fees and tolls. You need to keep records (receipts, canceled checks, travel diary, etc.) showing not merely the number of miles driven, but the starting and ending odometer readings and dates of usage.

**Do you travel as a volunteer?** If you must be away from home overnight in support of a charity, reasonable payments for meals and lodging are deductible along with transportation costs, provided there is no significant element of personal pleasure, recreation or vacation in the travel. Out-of-

pocket, unreimbursed costs at a convention connected with your volunteer work are deductible if you're officially representing a charitable organization.

If you have a single unreimbursed expense of \$250 or more, you can deduct it only if you obtain a receipt from the charity on or before the earlier of (a) the date you file your return for the year you make the contribution or (b) the due date, including extensions, for filing the return. The receipt must describe the goods or services you provided, their value and whether you received any goods or services in exchange. Unreimbursed expenses of less than \$250 are not subject to this rule. However, you must maintain adequate records for all amounts in order to be allowed a deduction.

**Donating cash or via credit card?** If you do, you must maintain a record of the contribution and a written communication from the charity showing its name, the date and the amount of your donation. When donating via credit card, make sure your credit card statement shows the name of the charity and the transaction posting date. And remember that there are limitations to how much you can donate, based on your Adjusted Gross Income, so be sure to talk with your tax advisor before you make large donations.

**Considering a large donation?** Congress is considering legislation to once again let people over age 70½ donate up to \$100,000 directly from an IRA (the prior provision expired); if reenacted, this law could be valuable to you if you're considering large donations. We don't know if the law will be amended, so check with us or your tax advisor before you make any big donations before year-end.

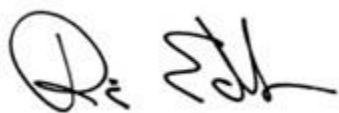
**Consider donating appreciated assets instead of cash.** When making large donations, it can often be much better tax-wise to donate shares of stock, mutual funds or real estate. This way, you avoid the capital gains tax – but you can still get the full tax deduction and the charity still gets the full value of the donation, a rare triple-win under tax law! These transactions can take weeks to complete, and require involvement with the charity, so if you'd like to explore this idea please talk with us right away, since year-end is fast approaching.

**Finally, bequests.** If you are thinking of leaving money to a charity when you pass away, you might consider altering your beneficiary designation on your retirement account at work, IRA, life insurance policy or annuity rather than altering your will. Talk with us, as well as your tax advisor and estate attorney, before making any decisions about bequests.

Taking tax deductions for charitable work can be complicated, so we encourage you to talk with your tax advisor as we are not permitted to provide tax advice. We work with many professional tax advisors and are happy to provide you with a referral, so please call us if you need one.

Thank you for your support of the community during the holiday season!

Regards!

A handwritten signature in black ink, appearing to read 'Ric Edelman', written in a cursive style.

Ric Edelman

Chairman and CEO

P.S. While we always encourage you to consult with your tax advisor on matters such as these, we are happy to talk with your tax preparer on your behalf. If you have not already provided us with authorization to share information with your tax advisor, perhaps now is a good time. Just talk with your Edelman advisor.

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Investing strategies, such as asset allocation, diversification, or rebalancing, do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There are no guarantees that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies.