VIEW CAPITAL
ADVISORS, LLC

Panorama

July 2020 ISSUE 36

Donor Advised Funds for Retirees

In this Issue:

All retirees face the daunting challenge of not outliving their money. Longer life expectancies and uncertain financial markets add to the challenge. And yet, many retirees maintain a high priority to supporting charitable causes that they care about even during their retirement years.

A commitment to funding annual charitable gifts during retirement means that you have to prioritize your available spending resources from all categories of your desired or necessary spending. This is where a donor-advised charitable fund can help.

A donor-advised fund is like a charitable investment account, for the sole purpose of supporting charitable organizations that you choose. You contribute cash, securities or other assets to a donor-advised fund account at a sponsoring public charity, like Fidelity or Schwab Charitable. You are entitled to take an immediate charitable income tax within certain limitations for your contributions. Then those funds can be invested in the account for tax-free growth and you can recommend grants to virtually any IRS-qualified public charity whenever you choose.

How can this account help you in retirement? First, donor-advised funds (DAFs) provide five primary tax benefits to the donor:

- You receive an immediate income tax deduction in the year you contribute to your account. Since the organization sponsoring the account is a public charity, contributions immediately qualify for maximum income tax benefits, subject to some standard deduction and AGI limitations:
    - Deduction for cash – up to 60 % of AGI.
    - Deduction for securities and other appreciated assets – up to 30 % of AGI.

- Any limited deductions may be used during a five-year carry-forward period.
- You will incur no capital gains tax on gifts of appreciated assets to the donor-advised fund (i.e. securities, real estate, or other illiquid assets.)
- Your account will not be subject to estate taxes.
- Your investments in an account can appreciate tax-free.
- If you are subject to alternative minimum tax (AMT), your contribution will reduce your AMT impact.

Second, since you control the timing and amounts distributed to your desired charities, tax deferred growth in the fund can help reduce the strain on making such contributions from your retirement years cash flows. You can certainly donate an appreciated asset directly to a public charity, but with a donor-advised fund you can benefit from the charitable deduction while using the proceeds from the donated asset to fund several years of charitable commitments. Better yet, start building up the donor-advised fund account before you retire and you may significantly reduce or completely remove the cash flow burden of those future charitable contributions on your valuable retirement income dollars.

Integrity

Innovation

Character

IRS Begins Audits of High Net Worth Individuals

We have spoken in earlier newsletters about the IRS periodically focusing its audit efforts on high net worth (HNW) individual taxpayers. Why do they do that? Because that's where the money is! The Internal Revenue Service has announced that it will ramp up examinations on several hundred HNW taxpayers. These examinations will address partnerships, private foundations (PFs), trusts and other matters for sophisticated individual taxpayers.

With its coordinated IRS campaign, HNW taxpayers can expect aggressive IRS audits and they should be prepared to respond with a coordinated strategy. The IRS hasn't indicated the level of individual net worth that will bring them within the purview of this campaign.

On June 18, the IRS Large Business and International Division Commissioner announced that the IRS will start their examinations beginning July 15. The key goal of the campaign is to work across IRS divisions to address sophisticated planning utilized by HNW individuals. The IRS created the Global High Wealth Industry Group in 2009 to strengthen its ability to audit and collect tax from HNW individuals, their related entities and non-U.S. assets. But the IRS has faced increasing scrutiny for failing to fully collect tax from HNW individuals, their related entities and non-U.S. assets.

The Treasury Inspector General (TIGTA) recommended that the IRS prioritize enforcement against high-income individuals who didn't file tax returns. TIGTA reported on May 29, 2020, that the IRS has failed to address high-income non- filers where they have estimated that 34% of high-income non-filers owed an estimated $45.7 billion in taxes for the 2014 through 2016 tax years.

These IRS HNW individual audits are expected to address several areas utilized by HNW individuals. The issues are likely to include partnerships and other passthroughs, private foundations and international matters.

1. Partnerships and Other Passthroughs. The campaign is expected to target HNW taxpayers with partnerships and other pass-through entities. The partnership audit rules were changed in 2015 to make it easier for the IRS to audit partnerships and collect tax from those audits. Partners and partnerships should review their structures and partnership agreements in light of the partnership audit changes before an exam be-

gins.

2. Private Foundations (PFs). IRS examinations are expected to include individuals with PFs. On June 18, the IRS Tax-Exempt and Government Entities Division Commissioner stated that she expected examinations of PFs to increase, linking individual compliance to private PFs. PFs are subject to several excise taxes and compliance requirements to ensure that PF assets are devoted to charitable purposes and to ensure that disqualified individuals don't obtain certain prohibited personal benefits.
3. Traps for Multi-jurisdictional Families. Individuals with non-U.S. assets and income are subject to special tax and reporting requirements for offshore accounts and assets. The IRS has focused enforcement efforts on taxpayers with offshore bank accounts, assets and structures for several years. Reporting and compliance for these assets can be a trap for the unwary, especially for taxpayers living outside the United States, globally mobile individuals and multijurisdictional families.
4. TCJA Examinations for Individuals. The 2017 Tax Cuts and Jobs Act (TCJA) made major changes to the taxation of HNW individuals with international assets and activities. Many of the changes had a disproportionate impact on HNW individuals. HNW individuals should be prepared to address TCJA tax issues and related planning during the coming cycle of examinations.

Preparing for Audit

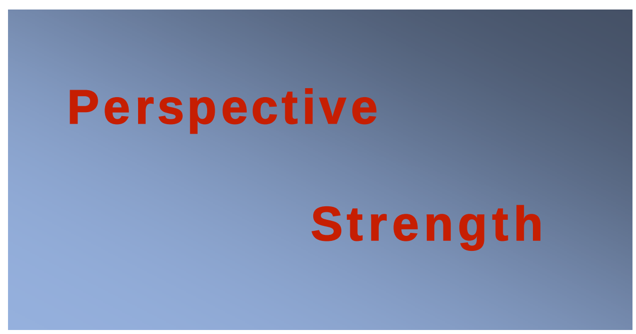
The IRS compliance campaign will focus IRS resources on issues that it believes are common to many taxpayers. The response to an IRS Wealth Squad audit will draw upon the nature of IRS campaigns and developments in global transparency.

1. IRS Campaigns. In 2016, the IRS announced that it was shifting its audit strategy and implementing "campaigns" intended to identify the most serious tax compliance risks and then deploy its limited resources efficiently. Taxpayers under audit should determine which active campaigns directly affect both their individual tax returns and any related entities and be prepared to explain their filing positions taken on their tax returns.

2. Information Document Requests. HNW individuals selected for examination can expect the IRS to issue one or more Information Document Requests (IDR) during the course of the audit. HNW taxpayers should prepare to communicate with their examination team about the availability of any requested information and the expected deadline for responding to any IDRs before the IRS issues a final IDR.

3. Information Exchange Enhances Enforcement. The IRS has increased access to taxpayer information due to transparency efforts and sharing agreements for access to non-U.S. financial account information from foreign governments and financial institutions.

HNW individuals should be prepared to address issues relating to their sources of income, estate planning, foreign financial accounts, gifts to family members, assets transferred to PFs or charitable organizations and to identify assets they own both within and outside the United States. HNW taxpayers should ensure they understand how the IRS' audit campaign could affect them and which issues, or positions, they should be prepared to defend if they are selected for examination.



Investing Maxims for Volatile Markets

Markets have always had their good and bad cycles. We were all reminded of this fact earlier this year when the S & P 500 was down almost 20% through the end of the first quarter of 2020.

We all share the same investing objective of not losing our capital. And yet, you can't grow your nest egg without taking on some market risk. But some investors fared better than others during the melee. The reason that some weathered the storm better than others is attributable to their following some of these simple maxims:

Lose Less:

Consider this simple example from BlackRock using Morningstar data. If you invested $100,000 in the S&P 500 Index before the tech bubble burst in early 2000, your portfolio would be worth roughly $310,570 on December 31, 2019. If you invested differently over that same period such that you received about 50% of the returns in bull markets and 50% of the losses in bear markets, your portfolio would be worth slightly more—roughly $311,560. As we like to say, half the up and half the down got you all the up with only half the down. In simpler terms: the portfolio captured the same return, but with about half the volatility.

All returns are not created equal:

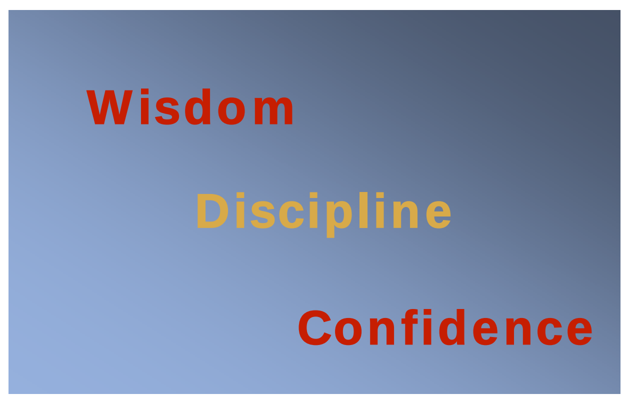
It's easy to believe that if you lose 50% and then gain 50%, you should return to your starting position. But you actually need to gain 100% to break even from a 50% loss. That's why successful investing is not just about what happens during bull markets. Your returns during bear markets can be just as—or potentially even more—important. The greater the loss, the harder it is and longer it takes to break even.

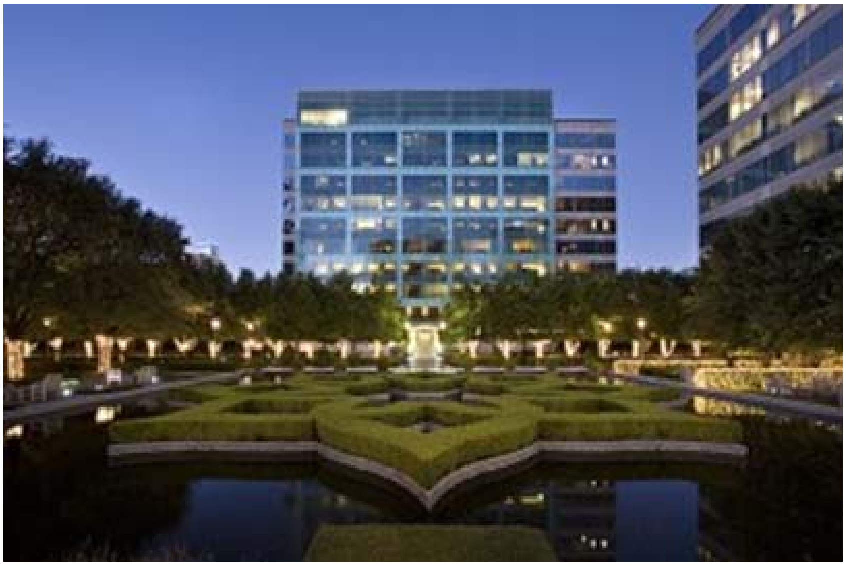
Diversification can feel disappointing:

A well-diversified portfolio is designed to help you achieve your long-term goals as well as limit your portfolio's downs (and ups). But it doesn't always feel good. You may get upset when you inevitably lose money during certain periods even though your loss is less than that of the S&P 500 Index. You may also be disappointed during up markets when you see how well the S&P 500 Index performed, and you didn't do as well. The good news is that a diversified portfolio may produce a better outcome for you in terms of greater wealth accumulation in the long-term.

Keep your emotions in check:

Investors who have followed their emotions, joining the crowd of other emotional investors, have historically regretted it. Periods that followed investors cashing out of the market have provided above-average returns, while periods that followed investors adding to the market have provided below-average returns. The average investor gets the timing wrong. For example, those opportunistic investors who recently saw investing in Exxon Mobil during the volatile first quarter of 2020 while the stock was at $46/share, well below its 5 year average price, were disappointed to find that it became an even better bargain at $31/share shortly after they bought it!





Contributing to this issue:

R. Craig Brubaker

2727 N Harwood, Suite 225

Dallas, TX 75201

214-855-2550

www.view-cap.com

View Capital Advisors, LLC was founded in 2004 by its principals with the mission of providing sophisticated investment asset management and financial and estate planning to our U.S. and Non-U.S. clients.

We seek to bring wealth planning best practices and a wide range of non-proprietary solutions to our clients. We also conduct our own research and diligence on world markets and investment alternatives.

For further information, please contact your investment representative or one of our wealth planning specialists:

R. Craig Brubaker   214-855-2556
cbrubaker@view-cap.com

VIEW CAPITAL
ADVISORS, LLC