



State of the Current Market & Charitable Gifting Strategies

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This recognition validates something we already know – we hold to the highest fiduciary standards and always act in the best interest of our clients.



* Glass Jacobson Investment Advisors, LLC received its CEFEX certification for the 12 months following 12/27/2022. The company pays F360, Inc., for the CEFEX certifi“Glass Jacobson Investment Advisors, LLC received its CEFEX certification for the 12 months following 12/27/2022. The company pays F360, Inc., for the CEFEX certification process. For more information visit <http://www.cefex.org>”

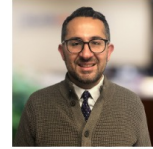


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Zubair Khan, CFA, CFP®

Director of Wealth Advisory Services

- ▶ 18 years of industry knowledge as an investment advisor and financial planner, he likes to work with families to help make correct and efficient financial decisions with their long-term goals in mind
- ▶ Bachelor of Arts from the University of Connecticut
- ▶ Master of Business Administration degree from the University of Hartford
- ▶ Master of Science in Accountancy degree from the University of Phoenix
- ▶ CFA Charterholder
- ▶ Certified Financial Planner®



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S&P 500 YTD

S&P 500 Total Return (^SPXTR)

9001.73 **+13.27 (+0.15%)** USD | May 22, 12:21



Source: ycharts.com

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First Quarter 2023 Market Returns



GLOBAL ASSET CLASS RETURNS Q1 2023

STOCKS	US	7.18%
	Developed ex US	7.58%
	Emerging Markets	3.94%
BONDS	US	2.96%
	Global ex US	2.86%

GLOBAL PREMIUM RETURNS Q1 2023

SIZE	Large	7.9%
	Small	4.9%
VALUE	Value	4.6%
	Growth	10.7%
PROF	High	8.3%
	Low	6.9%

GLOBAL SECTOR RETURNS Q1 2023

Information Technology	20.0%
Communication Services	16.7%
Consumer Discretionary	13.5%
Industrials	7.2%
Global	7.0%
Materials	5.9%
Consumer Staples	3.5%
REITs	1.1%
Utilities	-0.4%
Health Care	-1.4%
Financials	-1.8%
Real Estate	-2.3%
Energy	-3.0%

Source: Dimensional: *Ups and Downs: Value Struggles but Markets Deliver a Positive Quarter. Q1: 2023*

United States



Fed's Terminal Rate in a range of 5.25%-5.50%

Unemployment rate of around 4.5% at year-end 2023

Another quarter of broad-based decline in business investments, down 12.5% on an annual basis in the first quarter, suggests softening in the broader economy.

"The economic data warrant further rate hikes in our view, but it's now likely that even one more [rate hike] is going to be a close call." – Josh Hirt, Vanguard Senior Economist*

* Vanguard Perspective: *Active Fixed Income Perspectives Q2 2023: Everything Everywhere.* April 26, 2023

Euro Area and United Kingdom



Euro Area

European Central Bank's (ECB's) monetary policy stance, as articulated on May 4, was unequivocal: Interest rates are not sufficiently restrictive to tame inflation. The ECB raised its deposit facility rate by 25 basis points to 3.25%. Although the seventh consecutive hike marked a slowing in the rate of increases after three successive 50-point hikes, President Christine Lagarde made clear in her post-announcement news conference that the rate-hiking cycle isn't over.

- Persistent inflationary pressure
- Limited banking stress
- ECB to raise rates to a range of 3.75% to 4.00%

United Kingdom

"We continue to anticipate a recession later this year, though shallower than we had previously thought. Recent developments increase the risk, however, of a 'later landing'—a deeper recession, delayed into 2024, with higher-than-anticipated interest rates required to counter stickier inflation." – Roxane Spitznagel, Vanguard investment strategist *

* Vanguard Perspective: Active Fixed Income Perspectives Q2 2023: Everything Everywhere. April 26, 2023

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Emerging Markets



- Emerging Asia will lead the way in 2023, growing about 5.0%. Latin America is likely to grow about 1.5%, and central Europe, the Middle East, and Africa are likely to grow about 1.0%. As in many developed markets, the chances are increasing that further economic slowdowns could be delayed until 2024.
- Inflation has largely peaked in emerging markets.
- Emerging markets central banks have largely reached the peaks of their rate-hiking cycles and will likely cut rates before developed market central banks.
- With its key rate at its highest level since at least 2005 and with inflation declining slowly, the Bank of Mexico has reached its terminal rate, though we don't expect it to cut rates before 2024.*

* Vanguard Perspective: Market Perspectives. May 22, 2023

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Fixed Income

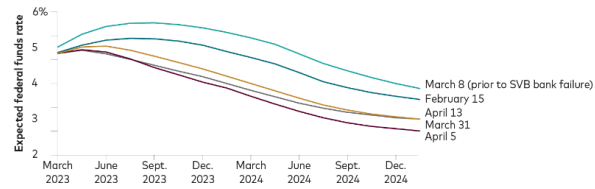


Recession will start in 2023, as bank lending should contract faster.

Federal reserve will be more cautious in its tightening path.

Higher yields have cushioned shocks and provided stability – and positive returns – to fixed income.*

Banking sector stress resulted in a lower expected fed funds rate



Source: Bloomberg data as of April 13, 2023.

The ICE BofA MOVE Index, which tracks volatility in the bond market, last month approached levels last seen during the 2008 global financial crisis. Meanwhile, stocks have remained a bastion of calm.

* Vanguard Perspective: Active Fixed Income Perspectives Q2 2023: Everything Everywhere. April 26, 2023

Fixed Income



Front-end yields declined twice as much as longer-end yields. Anticipated rate hikes were priced out and rate cuts were pulled forward. The yield curve has become much less inverted, with the difference between 2- and 10-year yields roughly halved from 109 bps just prior to the Silicon Valley Bank news to only 56 bps on March 31.

We acknowledge that the probability of a hard landing has grown and we expect the front end to remain volatile over the near term.

Yields before and after Silicon Valley Bank failure



Source: Bloomberg, as of March 31, 2023.

Donation Lumping



- 1) Definition:
 - 1) Donation lumping refers to the practice of combining multiple years' worth of charitable contributions into a single tax year to maximize the tax benefits.
- 2) How It Works:
 - 1) Instead of making annual donations, individuals or households consolidate their charitable giving into a single tax year.
 - 2) Lump-sum donations can be made to one or multiple charities, providing an opportunity to reach higher threshold limits for itemized deductions.
- 3) Benefits of Donation Lumping:
 - 1) Enhanced Tax Deductions:
 - By exceeding the standard deduction threshold, taxpayers may itemize deductions, potentially reducing their taxable income.
 - 2) Strategic Giving:
 - Lumping donations allows individuals to strategically plan and allocate larger contributions to charities they support.
 - 3) Flexibility:
 - Donors have the flexibility to choose the tax year that best aligns with their financial situation or when they anticipate higher income tax rates.

Donation Lumping – Case Study



Case Study

How exactly does this bunching strategy work? Let's say a married couple annually has \$23,000 of itemized deductions, including \$10,000 in donations to a donor-advised fund or other public charity. Because that amount is below the \$25,100 standard deduction in 2021 and \$25,900 standard deduction in 2022, they could take the standard deduction each year, and over two years they would claim a total of \$51,000 in standard deductions. This is shown in Option 1.

However, the couple instead takes a more tax-smart approach, as shown in Option 2. Rather than donating \$10,000 to charity each year, the couple concentrates or bunches two years of charitable contributions into a single year. The bunched giving creates a total of \$33,000 in itemized deductions in 2021, and they take the \$25,900 standard deduction in 2022. With this option, the couple has \$7,900 of additional tax deductions over the two years. In addition, if these contributions were made to a donor-advised fund account, the couple could recommend grants to charity in both of the years.

Hypothetical example of a married couple with no children

Tax Year	Option 1 Take the standard deduction		Option 2 Tax-smart planning: bunch giving	
	2021	2022	2021	2022
Charitable Deduction	\$10,000	\$10,000	\$20,000	\$0
Other Deductions	\$13,000	\$13,000	\$13,000	\$13,000
Total	\$23,000	\$23,000	\$33,000	\$13,000
Standard or Itemized Deductions	Standard Deduction	Standard Deduction	Itemized Deduction	Standard Deduction
Deduction Amount	\$25,100	\$25,900	\$33,000	\$25,900
Total Two-Year Deduction	\$51,000		\$58,900	
			That's \$7,900 of additional tax deductions!	

* Source: Schwab Charitable: *Maximizing Tax Benefits by Concentrating or "Bunching" Charitable Contributions*.

* The standard deduction amounts for different filing statuses may vary annually.

* A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Consult your tax advisor for more information.

Donor Advised Fund Basics



- Grant recipients can be 501 (c)(3) charitable organizations, churches, schools, hospitals, governmental entities
- Donors may appoint successor grant advisors for future generations
- Cash donations: Up to 60% of AGI
- Appreciated Securities and Long Term Asset Donations: Up to 30% of AGI
- Can contribute cash, publicly traded securities, mutual funds, privately held stocks and cryptocurrency
- Grants can be made anonymously
- Like a private foundation without requirement to hold annual meetings, minimum distribution requirements

Charitable Lead Trust (CLT) with Grantor as Remainderman



1. Definition:
 1. A Charitable Lead Trust (CLT) is an estate planning tool in which a grantor establishes a trust that provides income to a charitable organization for a specific period. At the end of the trust term, the remaining assets are distributed to the grantor as the remainderman.
2. Structure:
 1. The grantor creates the CLT and transfers assets into the trust.
 2. The trust pays income to a charitable organization for a predetermined period.
 3. After the trust term expires, the remaining assets are distributed to the grantor or the grantor's designated beneficiaries.
3. Grantor as Remainderman:
 1. In this arrangement, the grantor designates themselves as the remainderman.
 2. After the trust term ends, the grantor receives the remaining trust assets, providing a potential source of income or wealth transfer.

Charitable Lead Trust (CLT) with Grantor as Remainderman



4. Benefits for Grantors:
 1. Income Stream to Charity:
 1. Grantors can support charitable causes during their lifetime by providing regular income to the charitable organization.
 2. Control over Remainder Assets:
 1. By designating themselves as the remainderman, grantors retain control over the disposition of the remaining trust assets.
 3. Income Tax Deductions:
 1. Grantors may be eligible for income tax deductions based on the present value of the charitable interest.
5. Benefits for Charities:
 1. Guaranteed Income:
 1. Charitable organizations receive regular income payments from the CLT during the trust term, supporting their ongoing initiatives and programs.
 2. Long-Term Partnership:
 1. CLTs provide an opportunity for charities to develop a lasting relationship with the grantor and potentially receive additional support in the future.

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Charitable Lead Trust (CLT) - Illustration



Assumptions:

- Donation amount: \$500,000
- Trust term: 10 years
- Annual payout rate to charity: 5% of the initial trust value (\$25,000 per year)
- Growth rate: 7%
- Federal income tax rate for the grantor: 35%

1. Income Tax Savings:

1. The income tax savings are calculated based on the grantor's tax rate and the upfront tax deduction.
2. Using the given assumptions, the income tax savings are: \$372,050 (Upfront tax deduction) x 35% (Tax rate) = \$130,217.50

2. Receipt of Remainder:

1. At the end of the 10-year trust term, the grantor would receive the remainder amount, which in this case is \$133,750.

3. Total Savings:

1. The total savings for the grantor is the sum of the income tax savings and the amount received at the end of the trust term: \$130,217.50 (Income tax savings) + \$133,750 (Remainder amount) = \$263,967.50

Therefore, the total savings for the grantor's \$500,000 contribution would be approximately \$263,967.50.

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