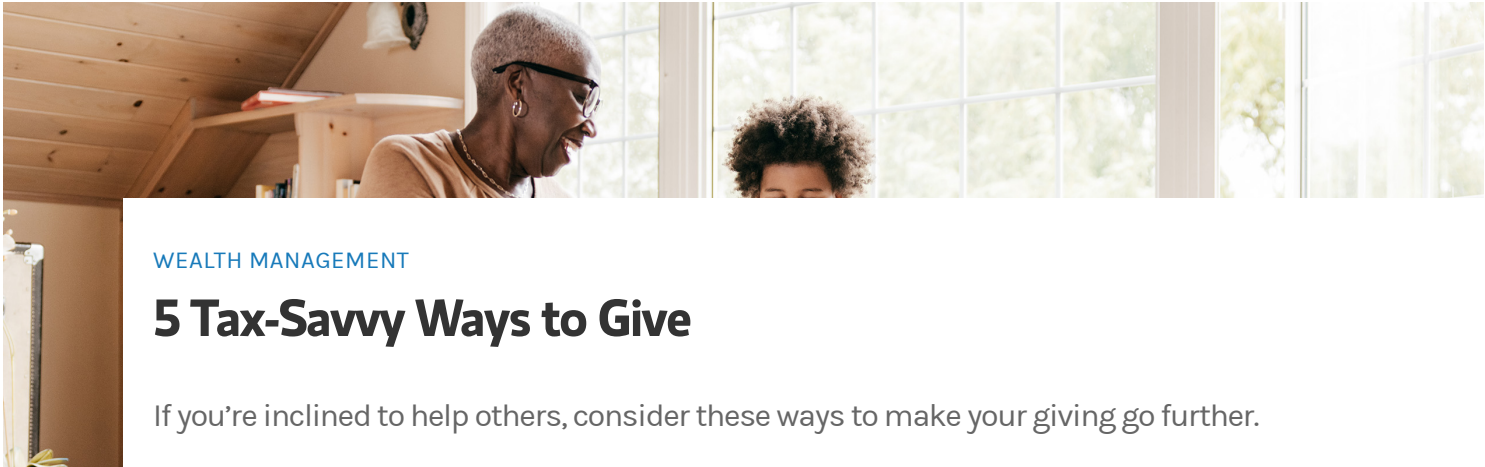




WEALTH MANAGEMENT

5 Tax-Savvy Ways to Give

If you're inclined to help others, consider these ways to make your giving go further.

Key Takeaways

- It is possible to donate to the causes you care about while potentially reducing your federal income tax burden.
- A donor-advised fund (DAF) and a 529 education saving plan are two examples of ways to give.
- Consider making use of the annual federal gift tax exclusion, which is \$19,000 per recipient for individuals in the 2025 and 2026 tax years.

One of the reasons that you work so hard is to give back to others. But you also want to make sure that your support for the causes and people you care about has the biggest possible impact and may also reduce your own taxes.

donations. If you're in this category, you might be able to take advantage of the new rules.

Individuals who itemize their deductions, on the other hand, face new limits on charitable deductions. First, charitable contributions are only deductible to the extent they exceed 0.5% of adjusted gross income (the "AGI floor"). Second, after applying the AGI floor and all other limitations, the total amount of itemized deductions will be reduced by 2/37ths of the lesser of (1) the total itemized deductions, or (2) the amount by which taxable income exceeds the threshold where the 37% tax bracket begins. This 2/37ths reduction effectively limits the tax benefit of itemized deductions (including charitable contributions) to 35% for taxpayers whose income reaches the 37% bracket threshold.

Note that contributions disallowed by the 0.5% AGI floor may be carried forward to future tax years under specific ordering rules, which may affect long-term planning strategies. Even if taxes aren't the primary motivator for your giving strategy, consider these ways to make your giving go further:

1

Give Through a Donor Advised Fund

Especially in a high-income year, a **donor-advised fund** can be an impactful way to structure your charitable giving. A donor-advised fund (DAF) gives you a low-cost way to donate appreciated stock, mutual funds or other assets and claim a federal income tax deduction in the year you make the donation.¹ This strategy can give you some time to craft a thoughtful, long-term giving plan, while getting the full tax benefit right away. Additionally, these assets can remain invested and potentially grow income tax-free until you recommend which charities should receive a cash donation and the fund administrator disburses funds from the DAF.

Interested in helping your children or grandchildren cover the ever-increasing cost of college or private school tuition? Consider giving gifts through a [529 education savings plan](#). Money in such a plan grows income tax-free, and you pay no taxes on withdrawals, if used for qualified education expenses.

Anyone, including grandparents, can contribute up to \$19,000 per year (\$38,000 for married couples electing to split gifts) to any individual's 529 plan without incurring federal gift tax or using the federal lifetime gift tax exemption.

Many states offer state income tax deductions or credits to residents who contribute to their own state's plan, while some states offer tax deductions or credits regardless of which plan you invest in.

Additionally, unique to 529 plans, the federal tax code allows you to front load up to five times the annual gift tax exclusion amount in a single year.² Individuals can give up to \$95,000 per recipient in a single year, while married couples electing to split gifts can give up to \$190,000.

If you have the means, you can even take advantage of six-year gift tax averaging. To do this, you can contribute one year's worth of gifts in December, followed by five years' worth of contributions in January, effectively making six years' worth of contributions in just two months.³

Also note that 529 plan account owners may take federal income tax-free 529 plan distributions not only for qualified higher education expenses, but also for certain primary and secondary education expenses, apprenticeship expenses and student loan repayments.⁴ New rules also allow you to transfer some unused 529 funds to a Roth IRA for the beneficiary, provided certain conditions are met.

Morgan Stanley offers the Morgan Stanley National Advisory 529 Plan, the first 529 plan of its kind, available nationwide, exclusively to Morgan Stanley clients.

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You can gift up to \$19,000 (\$38,000 for married couples electing to split gifts) per recipient to an unlimited number of individuals without incurring a federal gift tax by making use of your

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annual gift tax exclusion amount. Note that you can't carry over unused annual exclusions from one year to the next.⁵

The federal annual gift tax exclusion doesn't count against the federal gift tax exemption of \$15 million for individuals or \$30 million for married couples.⁶

4

Consider Available Tax Benefits When Choosing Which Assets to Donate from Your Investment Portfolio

You can donate securities to qualified charitable organizations or a donor-advised fund, and your tax benefits will depend, in part, on whether these securities have appreciated or depreciated in value relative to their purchase price.

For instance, if securities have appreciated since purchase and have unrealized capital gains, donating the securities themselves would allow individuals to take a deduction in the year they make the donation and avoid paying federal capital gains tax on the appreciation.

In contrast, if you donate securities which have unrealized capital losses, you could potentially miss an opportunity to realize those losses and subsequently offset realized capital gains. Therefore, in the case that you're considering the donation of securities with embedded losses, it may be prudent to sell the securities first to realize the losses, and then donate the proceeds of the sale to a qualified charity for an additional federal income tax deduction.

Note that donating securities that you have owned for more than a year can allow you to take a larger deduction than donating securities that have been held for one year or less.⁷

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You may consider certain charitable planning strategies that benefit from a higher interest rate environment, such as Charitable Remainder Annuity Trusts (CRATs). With a CRAT, you as the grantor would create and fund an irrevocable trust and receive a federal income tax charitable deduction for the year the trust is funded. The CRAT subsequently distributes a stated annual annuity amount – in other words, an annual income stream – to you, your spouse or other non-charitable beneficiaries. The annuity amount is typically a stated percentage of the trust’s value at the time the trust is funded, which must be at least 5%, but no more than 50%. At the end of the term of the trust, the remainder of the assets are distributed to the charity or charities indicated within the trust agreement. When the trust is created, the present value of the charities’ remainder interest must be at least 10% of the value of the trust.

The recent increase in interest rates may make this strategy more effective, in part because higher interest rates mean that trusts with higher annuity payments to the non-charitable beneficiaries can satisfy the 10% remainder test. Speak with your tax advisor to see if this strategy makes sense for you, because such trusts are irrevocable, meaning once they are put in place you cannot reverse them.

Help Deepen the Impact of Your Giving

If you have complex tax planning needs, your Morgan Stanley Financial Advisor can connect you to experienced tax professionals (depending on your needs) at leading U.S.-based providers across the country to assist.

In addition, through Morgan Stanley [Total Tax 365](#), Morgan Stanley Financial Advisors can assist with the implementation of strategies to help you deepen the impact of your giving and potentially reduce the impact of taxes, all year round. Talk to your Morgan Stanley Financial Advisor to learn more.

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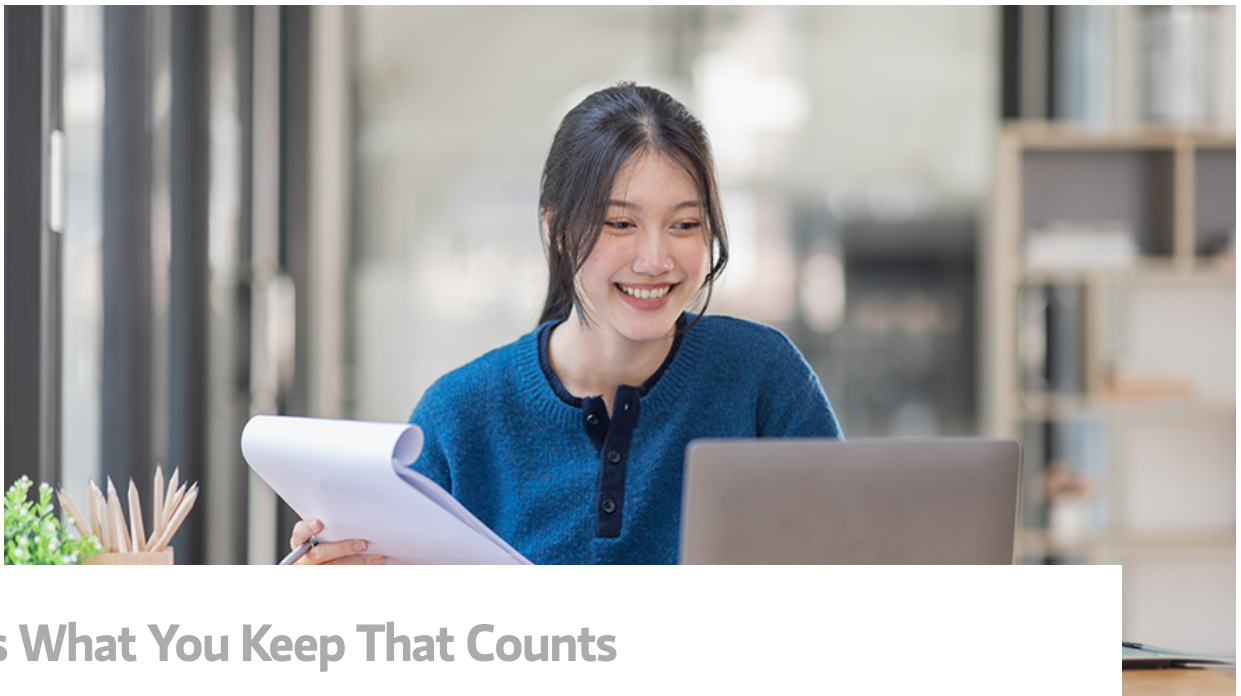
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Your Guide to Tax-Efficient Planning



Footnotes:

¹ The maximum deduction for a cash gift to a DAF is limited to 60 percent of adjusted gross income (AGI); deductions exceeding AGI limits may be carried forward for up to five years. Grants can be made over time to any U.S. organizations that are tax-exempt public charities, U.S. religious houses of worship, U.S.-qualified foreign charitable organizations and at a reduced benefit, to certain domestic and foreign organizations that do not qualify as U.S. public charities.

² An election to treat the gift as being made over a five-year period must be made on a federal gift tax return for the year in which the contribution is made.

³ This assumes there are no other gifts made by the donor to the beneficiary in the year of contribution to the 529 plan or in the four years after the year in which an accelerated gift is made. Any gifts made in the year of contribution to the 529 plan or in the four years after the year in which an accelerated gift is made may result in a taxable gift or use of the donor's federal lifetime gift exemption. If the donor dies within five years of making an accelerated gift, a portion of the gift may be included in the donor's estate.

⁴ Note: using 529 plan distributions to repay qualified student loans may impact

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including the state tax treatment of contributions and distributions, may be different from the federal income tax treatment and may vary based on the

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particular 529 plan in which you participate and your state of residence. If the applicable state tax law does not conform with the federal tax law, 529 plan distributions used to pay certain expenses, such as principal and interest on qualified student loans and/or qualifying apprenticeship costs, may not be considered qualified expenses for state tax purposes and may result in adverse state tax consequences to the account owner or designated beneficiary.

⁵The transfers may help your family as a whole pay fewer taxes if you give income-earning property to family members in lower income tax brackets.

⁶ Any use of your lifetime federal gift exemption will result in a corresponding reduction in your federal estate tax exemption available at your death. A portability election must be made on a deceased spouse's estate tax return in order for the unused portion of the deceased spouse's estate tax exemption to be available to the surviving spouse.

⁷ If a stock is held for one year or less, the federal deduction a taxpayer receives for donating that stock to a qualified charitable institution is limited to the lesser of the fair market value or cost basis of the stock. If the stock is donated after it has been held for more than one year, the taxpayer may receive a deduction equal to the fair market value of the stock.

Disclosures:

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be appropriate for all investors. Morgan Stanley recommends that investors independently evaluate particular investments and strategies. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

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The 529 Plan Description contains more information on investment options, risk factors, fees and expenses, and potential tax consequences, which should be carefully considered before investing. Investors can obtain a 529 Plan Description from their Financial Advisor and should read it carefully before investing.

Investors should consider many factors before deciding which 529 plan is appropriate. Some of these factors include: the plan's investment options and the historical investment performance of these options, the plan's flexibility and features, the reputation and expertise of the plan's investment manager, plan contribution limits and the federal and state tax benefits associated with an investment in the plan. Some states, for example, offer favorable tax treatment and other benefits to their residents only if they invest in the state's own qualified tuition program. Investors should determine their home state's tax treatment of 529 plans when considering whether to choose an in-state or out-of-state plan. Investors should consult with their tax or legal advisor before investing in any 529 plan or contact their state tax division for more information.

Investments in the 529 Plan are not FDIC-insured, nor are they deposits or guaranteed by a bank or any other entity, so an individual may lose money through such investments.

The Morgan Stanley National Advisory 529 Plan Description contains more information on investment options, risk factors, fees and expenses, and potential tax consequences, which should be carefully considered before investing. Investors can obtain a 529 Plan Description from their Financial Advisor and should read it carefully before investing.

The North Carolina State Education Assistance Authority (the "Authority") is an instrumentality of the State of North Carolina sponsoring the Morgan Stanley National Advisory 529 Plan, and the 529 Plan is a component of the Parental Savings Trust Fund established by the General Assembly of North Carolina. Neither

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Description and Participation Agreement or any other account documentation shall be construed to create any obligation of the Authority, the North Carolina State Treasurer, the State of North Carolina, or any agency or instrumentality of the State of North Carolina to guarantee for the benefit of any parent, other interested party, or designated beneficiary the rate of return or other return for any contribution to the Parental Savings Trust Fund and the 529 Plan.

Morgan Stanley Smith Barney LLC (“Morgan Stanley”) is the manager of the 529 Plan and is responsible for its administration, distribution and investment management. Morgan Stanley does not provide tax and/or legal advice to investors in the 529 Plan. Investors should consult their personal tax advisor for tax-related matters and their attorney for legal matters. For more information please see the applicable Morgan Stanley ADV brochure at www.ms.com/adv.

The Morgan Stanley National Advisory 529 Plan is a proprietary offering available exclusively to Morgan Stanley advisory account clients. The Plan is not transferable to other intermediaries.

Investors should carefully read the Program Disclosure statement, which contains more information on investment options, risk factors, fees and expenses, and possible tax consequences before purchasing a 529 plan. You can obtain a copy of the Program Disclosure Statement from the 529 plan sponsor or your Financial Advisor.

The Morgan Stanley Global Impact Funding Trust, Inc. (“MS GIFT, Inc.”) is an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. MS Global Impact Funding Trust (“MS GIFT”) is a donor-advised fund. Morgan Stanley Smith Barney LLC provides investment management services to MS GIFT. Back office administration provided by RenPSG, an unaffiliated charitable gift administrator.

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The Donor Circular and Disclosure Statement describes the risks, fees and expenses associated with establishing and maintaining an MS GIFT account. Read it carefully before contributing.

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