

# Wealth Wisdom: Smart Moves for Powersports Dealers – Part 4

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Ask ten ‘wealth managers’ to define wealth management, and you’ll likely receive ten different answers, mostly centered around investing. However, in this article series, we aim to present an alternative, comprehensive definition on wealth management that encompasses a full spectrum of strategies which we call Advanced Planning. While proper investment consulting is crucial for generating portfolio returns, what if we include tax minimization, thoughtful estate planning, and wealth protective strategies as well, to propel your wealth forward? We classify these strategies into four pillars: **Wealth Enhancement, Wealth Protection, Wealth Transfer and Charitable Giving**. Join us for a four-part article series where we delve into strategies for wealth planning in each of these crucial areas.

## Wealth Management

### INVESTMENT CONSULTING

Asset allocation  
Portfolio management  
Performance analysis



### ADVANCED PLANNING

**Wealth Enhancement:**  
minimizing tax and optimizing debt.

**Wealth Transfer:**  
exit planning and proper transfer of wealth to those you care about.

**Wealth Protection:**  
strategies to help protect against entities and individuals that unjustly want to get at your money.

**Charitable Giving:**  
for those that would like to give back, insights on how to maximize the impact of the money you give.



### RELATIONSHIP MANAGEMENT

Regular communication and scheduled review calls.

Team of professionals, including legal, tax, insurance, and financial advisors, actively quarterbacked for meaningful progress.

## CHARITABLE GIFTING STRATEGIES FOR DEALERSHIP OWNERS

As a successful dealership owner, you're likely aware that your business can generate significant wealth, but it can also create substantial tax liabilities. One of the most effective ways to reduce your tax burden while contributing to causes you care about is through charitable giving. Leveraging charitable gifting strategies can not only benefit your community but also help you save on taxes and preserve wealth for future generations.

## DONATE APPRECIATED ASSETS

Many dealership owners hold appreciated assets such as stock or real estate. By donating these assets directly to a qualified charity, you can avoid paying capital gains tax on the appreciated portion of the asset's value, while also receiving a charitable deduction for the full fair market value of the donation. This can be particularly useful if you've held stock in your company or invested in assets that have significantly appreciated over the years.

Example: If you own a stock that has appreciated from \$100,000 to \$500,000, donating that stock can save you from paying capital gains tax on the \$400,000 gain. Additionally, you may be able to claim a charitable deduction based on the full \$500,000 market value, creating a substantial tax-saving opportunity.

## CHARITABLE REMAINDER TRUST (CRT)

A Charitable Remainder Trust allows you to transfer assets into a trust that pays you (or other beneficiaries) income for a specified period, with the remaining assets going to a charitable organization of your choice upon the trust's termination. By transferring assets into a CRT, you receive an immediate charitable deduction based on the present value of the ending value of the trust, while also potentially avoiding capital gains tax on the sale of the assets. This is a particularly useful strategy for dealership owners planning an exit from their business or liquidating a large, highly appreciated asset. You can diversify your investments, receive a stream of income, and receive a tax deduction while also supporting charitable causes.

## DONOR-ADVISED FUNDS (DAFs)

A Donor-Advised Fund allows you to contribute cash or assets to a charitable account, take an immediate tax deduction, and recommend grants to charities over time. DAFs offer flexibility, as you don't need to decide immediately which charities to support. This can be especially helpful if you're looking for a tax deduction in a high-income year such as the year of a dealership sale but want more time to plan your charitable giving.

For dealership owners, contributing appreciated stock, real estate, business sale proceeds or even ownership interests in the dealership to a DAF can be an efficient way to fund future charitable endeavors while reaping immediate tax benefits.

## QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs)

If you are over 70½ years old, you can make a Qualified Charitable Distribution (QCD) from your IRA directly to a charity, which counts toward your required minimum distribution (RMD) for the year. The benefit of using a QCD is that the distribution doesn't count as taxable income, which can help you avoid higher income tax brackets and potentially reduce your Medicare premiums.

Dealership owners with large retirement accounts can use QCDs as a way to support their favorite charities while minimizing their taxable income, particularly in years when required minimum distributions push them into higher tax brackets

## GIFTING SHARES OF YOUR DEALERSHIP

For owners considering selling their dealership, gifting shares of the business to a charity before the sale can be a tax-efficient move. By donating shares, you avoid paying capital gains taxes on the appreciation of the business, and the charity can sell the shares without incurring tax liabilities. This allows both you and the charity to maximize the impact of the gift.

## BEST PRACTICES FOR CHARITABLE GIFTING

- **Work with Advisors:** Whether you are donating assets, creating a trust, or establishing a foundation, work closely with your financial advisor, tax professional and attorney to ensure the strategy aligns with your financial goals and complies with regulations.
- **Involve Your Family:** For many dealership owners, charitable giving is not just a financial decision but also a family value. Involve your family in the planning process to instill a philanthropic mindset and create a charitable legacy that extends beyond your lifetime.
- **Plan Ahead:** Charitable giving is most effective when it's part of a long-term financial and estate plan. Early planning can maximize the tax advantages and help you make a more meaningful impact on the causes you care about.

## CONCLUSION

For dealership owners, charitable giving offers a powerful way to reduce taxes, diversify wealth, and leave a lasting legacy. By implementing one or more of these strategies, you can enhance your financial plan while making a positive impact on the world around you. Be sure to work with your financial and legal advisors to tailor these strategies to your unique situation, ensuring that your philanthropic efforts are both tax-efficient and aligned with your long-term goals.

To better understand if there are gaps or opportunities to improve your charitable giving, our team offers a complimentary service, the **Second Opinion Service**, a 360-degree review of your dealership and personal financial situation, which includes a review of your wealth transfer and estate planning strategies.

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