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Portfolio Perspectives
Why Charitable Giving Belongs in Balanced Portfolios

By Dynamic's Asset Management Team

Charitable giving shouldn't live outside the financial plan. Discover how to align philanthropy, tax strategy and portfolio balance for greater impact.

For many investors, charitable giving begins as a deeply personal decision. It's driven by family history, community ties, faith, education or the desire to leave something meaningful behind. But too often, philanthropy lives outside the core financial plan. Instead, it's handled at year-end, funded with leftover cash and disconnected from the broader portfolio strategy.

That separation is a missed opportunity.

When charitable giving is intentionally integrated into a balanced wealth plan, it can become one of the most powerful tools — not only for creating impact, but also for managing taxes, diversifying concentrated positions and shaping long-term legacy goals.
Today, the conversation is no longer about *whether* you should give. It's about *how* you give and whether you're doing so in the most efficient way possible.

The Hidden Cost of Giving Only Cash

Many investors still default to writing checks or using a credit card when making donations. It's familiar. It's easy. And it feels straightforward. But for those who have spent years building wealth in the market, this habit often creates unnecessary tax friction.

Most seasoned investors hold long-term appreciated assets, such as stocks, ETFs, mutual funds and other securities that have grown significantly over time. When those assets are donated directly to a qualified charity after being held for more than a year, the outcome changes dramatically. The donor can often avoid long-term capital gains taxes entirely while still receiving a charitable deduction based on the asset's full market value. Meanwhile, the charity receives the complete benefit of the gift. But that benefit is frequently missed.

According to Fidelity Charitable, while 80% of charitable donors have appreciated assets, only 20% contributed this type of asset to a charity.

Most commonly, donors sell their investment, pay the capital gains tax and then donate the remaining cash. In that scenario, taxes quietly reduce both the donor's planning flexibility and the charity's ultimate benefit. The difference between these two paths can be substantial, especially for highly appreciated, long-held positions.

Turning Philanthropy into a Strategy, Not a Transaction

Modern charitable planning has evolved beyond one-time gifts. Today, many families are embracing donor-advised funds as a central hub for long-term philanthropy.
Conceptually, a donor-advised fund operates much like other planning accounts clients already understand. When donors make an irrevocable contribution to a public charity that sponsors a donor-advised fund program, they are eligible for an immediate tax deduction, regardless of the asset. Donors can advise on an investment strategy for the charitable funds — and those charitable dollars grow tax free.

What makes this structure so compelling is the separation it creates between the *tax decision* and the *giving decision*. An investor can fund a donor-advised account during a high-income year, a liquidity event, or a business sale, capturing the full deduction when it's most valuable, while pacing actual charitable grants over many years.

For investors, this introduces clarity and control. After contributing to their donor-advised fund, they have a ready reserve of funds dedicated to charitable giving. For advisors, it unlocks a strategic planning lever for their clients that can coordinate tax efficiency, portfolio construction and philanthropic intent within a single framework.

The Advisor's Expanding Role in Charitable Strategy

As charitable planning becomes more sophisticated, the advisor's role has evolved. No longer is philanthropy simply a referral to a third party or a seasonal tax discussion. Instead, it becomes part of the core advisory relationship.

Advisors are instrumental in client education. According to Fidelity Charitable, 50% of donors have had a specific charitable planning conversation with an advisor. And half of those donors said the discussion helped them make decisions about what or how much to contribute to charity.

These conversations move the relationship beyond returns and risk metrics into purpose and legacy. When investors understand that generosity can be optimized, without reducing their financial security, the dynamic around giving shifts. It becomes intentional, repeatable and strategic.

Why Charitable Planning Belongs Inside the Portfolio

From a portfolio perspective, thoughtful giving can serve several important functions. It can help reduce concentration risk by allowing investors to donate in-kind rather than sell large positions. It can improve tax efficiency over time by minimizing capital gains exposure.

Rather than viewing philanthropy as something that happens outside the plan, more families are choosing to embed it directly into their long-term financial architecture.

A Meaningful Definition of a 'Balanced' Portfolio

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A truly balanced portfolio doesn't only account for growth, income and risk. It can also reflect the investor's values, their desired impact and the story they want their wealth to tell.

Charitable giving, when structured thoughtfully, allows clients to express those values with clarity and efficiency. It transforms generosity from a year-end obligation into a lasting part of their financial strategy.

Because in the end, wealth isn't just about what is accumulated. It's also about what is shared.

Invest with intention.

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