

The couple's advisor suggests they make their charitable gifts directly from their IRAs before taking any other distributions. The amount of these gifts will not be reported as taxable income and, therefore, will result in tax savings.

These savings would not be possible if they withdrew the funds, made charitable gifts and were not able to deduct them on their tax return.

The amount given in this way can count toward any required minimum distribution and is completely free of income tax. It is simply reported as a QCD on their income tax return.

Example 3: Carol, age 85, knows assets in her IRA could eventually be subject to both income and estate taxes. These taxes could greatly reduce the amount she can leave to her loved ones.

Instead, she makes QCDs of \$108,000 directly from an IRA this year. She also makes her favorite charity the final beneficiary of any amounts remaining in her IRA and other retirement accounts.

Learn More

We can provide more information about the charitable aspects of your plans.



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Making Retirement Accounts

Less Taxing

There are many ways to arrange charitable gifts from your various retirement accounts, such as traditional individual retirement accounts (IRAs) and other plans.

For instance, if you are over the age of 59½, you may take a penalty-free withdrawal and then make a contribution of sufficient size to allow you to itemize your other deductions.

Recent changes to our nation's tax laws left the charitable income tax deduction mostly intact. In some cases, however, taxpayers continue to encounter limits on the amount of charitable gifts they can deduct.

For example, retirees may find the increase in the standard deduction may prevent them from enjoying tax savings that result from itemizing their charitable gifts.

In recent years, those who are 70½ and older have been allowed to make charitable gifts directly from their IRAs, known as qualified charitable distributions (QCDs), without having to pay taxes that would otherwise be due.

This provision allows you to make QCDs up to a total of \$108,000 this

year to qualified charities using funds that might otherwise be taxed when withdrawn. A couple with separate IRAs can each make gifts up to this amount. If you continue to make contributions to your IRA after age 70½, special rules apply to your QCDs. Check with your advisor for more information.

Making charitable gifts directly from your IRA can help you overcome various limitations on tax benefits.*

*As a result of recent legislation, QCDs have been expanded to include certain life income gifts through a one-time election.

Heavily Taxed Assets

Most funds held in IRAs are subject to income tax when withdrawn during lifetime or by survivors. In some cases, retirement fund assets can also be subject to state and/or federal estate tax if left to loved ones other than a spouse.

The combination of one or more of these taxes can consume a large portion of the amounts remaining in an IRA. In addition, IRA distributions can cause more of your Social Security benefits to be taxed.

The Benefits

Making gifts directly from IRAs can be a wise choice. Let's see how:

Example 1: Frank, age 74, lives comfortably on his pension, savings and Social Security. When he withdraws funds from his IRA as part of his required minimum distribution, he is taxed on those funds. His withdrawal also causes more of his Social Security income to be taxed.

By making his charitable gifts directly from his IRA, Frank does not have to report that amount as income; he pays no taxes on those funds and won't owe additional tax on his Social Security benefits.

Example 2: Jane and Jim, both 73, are semi-retired and enjoy income from a number of sources, including amounts they must withdraw from their IRAs. These withdrawals are reported as taxable income, causing additional taxes to be due even if they make charitable gifts using these funds. This is because they do not normally itemize their tax deductions.