

For most people, any retirement funds left to heirs will be subject to income tax when received. You may wish to designate that charitable gifts be made from remaining retirement funds and leave other assets to loved ones. This will ensure no income tax will ever be due on any residual retirement fund balances.

Q. Can I leave assets in my retirement plan to charity as a contingency after I provide for other heirs?

A. Yes. Charitable gifts can be made only after first providing for your heirs or in the event your spouse or other heirs do not survive you.

Q. Is it possible to make a charitable gift of remaining retirement funds while first providing an income for loved ones?

A. Yes. You can arrange for one or more people to receive an income for life or another period of time. At the end of the term you choose, the funds remaining will be devoted to charitable purposes you designate. This option can result in significant tax savings while helping to ensure future financial security for heirs.

Q. How do I make a charitable gift from what remains in my retirement plan?

A. Ask the administrator of your plan for a change of beneficiary form. You can then designate one or more charitable interests as beneficiaries to receive all or a portion of your retirement plan assets under conditions you stipulate.

Conclusion

We are pleased to provide you and your advisors with more information about ways to include charitable gifts as part of your retirement planning.



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QUESTIONS & ANSWERS

About Retirement Plan Giving



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Doing More With Your Retirement Plans

To provide funds for retirement needs, many people use savings vehicles, such as individual retirement accounts (IRAs), 401(k)s and similar plans. Such tools have proven to be a very popular way to help secure their financial future and that of loved ones. These funds can also serve another important purpose—as a source for charitable gifts.

Read on for answers to commonly asked questions concerning gifts of retirement plan assets.

Your Questions Answered

Q. What are the benefits of giving retirement plan assets?

A. If the funds in your tax-favored retirement plan exceed your current or future needs, giving from them may be a good option.

Giving these assets to charity can be a wonderful way to show your support while minimizing taxes that may otherwise be due.

Q. How can I make charitable gifts from a retirement plan?

A. Those 70½ or older can make tax-free charitable gifts called qualified charitable distributions (QCDs) directly from an IRA. You may give any amount up to \$111,000 in QCDs this year.

If you are age 59½ or older, you can make immediate gifts using funds from your IRA or similar retirement plan that may result in little or no tax on the amounts given.

Those who itemize deductions can report the amount withdrawn from their account and then take an offsetting charitable deduction. Check with your tax advisors for the specifics of your situation.

Q. I am over 59½, how much can I withdraw from retirement plans and give to charity?

A. For those who will continue to itemize, gifts of cash are generally deductible up to 60% of adjusted gross income (AGI), though there are some new adjustments that may impact your overall tax savings. Check with your advisors for more information.

Withdrawals from retirement plans increase your AGI and, along with it, the maximum amount of charitable gifts you can deduct.

Q. Should I use my required withdrawals to make my charitable gifts?

A. In the past, IRA owners were required to make withdrawals, called required minimum distributions (RMDs), starting at age 70½. The age was increased to 73 in 2023. Those who may not need the income should consider using all or a portion of their RMD to make charitable gifts through a qualified charitable distribution. Giving this way may eliminate taxes that would otherwise be due on the amount directly distributed to a qualified charity.

In the case of an IRA, your QCDs up to \$111,000 per year can count toward your required withdrawal and are not reportable for tax purposes.*

Q. Can I save taxes by leaving retirement assets to charity?

A. Yes. Funds that are remaining in retirement accounts after your lifetime are considered part of your estate and could possibly be subject to state and/or federal estate taxes.

*The benefits of a QCD are adjusted for those who also make deductible IRA contributions.