

PLANNING MATTERS

A RESOURCE FROM THE WASHINGTON COUNTY COMMUNITY FOUNDATION

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Help Your Clients Make the Gift of a Lifetime, During Their Lifetimes

Giving Retirement Assets to Charity, Tax-Free



On December 18, 2015, legislation that permanently extends the Charitable IRA was passed, allowing American seniors to make the gift of a lifetime -- **by giving their individual retirement accounts (IRAs) to charity, tax-free.**

Qualified IRA holders can transfer up to \$100,000 annually without incurring income taxes today or estate and income taxes in the future. If married, each spouse can transfer up to \$100,000 from his or her IRA annually.

The WCCF is pleased to help members of our community give in this way.

Americans age 70½ or older can make tax-free IRA contributions to field of interest, unrestricted, or designated agency funds at the Community Foundation. Note: Gifts to donor advised funds do not qualify for preferential tax treatment.

Your clients may be interested in this charitable opportunity if they:

- **Have excess retirement savings.**
- **Are subject to a 50 percent of income charitable deduction limitation.**
- **Take the standard deduction on their tax return.**
- **Accept minimum distributions from an IRA and have alternative sources of income.**
- **Are planning to leave a charitable legacy through an estate plan.**
- **Have designated a favorite charity as beneficiary of retirement assets.**
- **Care about the community and want to know their gifts will make a difference.**

Example: Mr. Smith, age 75, has accumulated approximately \$750,000 in his IRA accounts. He has other sources of wealth and plans to leave his estate to his heirs and charity. Under the law, Mr. Smith can create a fund at the WCCF to address the causes he cares about most by

transferring IRA funds tax-free. Mr. Smith can transfer up to \$100,000 annually, and additionally, if Mr. Smith is married, his wife can also make a similar gift from her IRA accounts.

Individuals who may benefit most from this law include two-thirds of Americans who do not itemize income tax deductions. The tax law gives eligible donors the equivalent of a tax deduction for charitable gifts that they transfer from their IRAs. The IRS estimates that almost 65 percent of all individual taxpayers claim the standard income tax deduction and do not get any tax benefit from their charitable gifts.

26 U.S. CODE § 408 INDIVIDUAL RETIREMENT ACCOUNTS

(8) Distributions for charitable purposes

(A) In general

So much of the aggregate amount of qualified charitable distributions with respect to a taxpayer made during any taxable year which does not exceed \$100,000 shall not be includible in gross income of such taxpayer for such taxable year.

(B) Qualified charitable distribution For purposes of this paragraph, the term "qualified charitable distribution" means any distribution from an individual retirement plan (other than a plan described in subsection (k) or (p))—

(i) which is made directly by the trustee to an organization described in section 170(b)(1)(A) (other than any organization described in section 509(a)(3) or any fund or account described in section 4966(d)(2)), and

(ii) which is made on or after the date that the individual for whose benefit the plan is maintained has attained age 70½.

A distribution shall be treated as a qualified charitable distribution only to the extent that the distribution would be includible in gross income without regard to subparagraph (A).

Though the legislation has extended charitable possibilities for IRAs, it remains prudent for wealth advisors to analyze each client's unique situation to determine the best assets to give. If a client wishes to liquidate appreciated stock, mutual funds, or real estate, capital gains may be avoided by contributing these assets to the WCCF. Appreciated assets are usually preferable over IRAs for passing on to heirs.

Charitable IRA transfers are just one way the WCCF can work with you to help your clients achieve their personal, financial, and charitable goals. We are a trusted, community-based vehicle your clients can use to address the issues they care about most, while gaining maximum tax benefit under state and federal law.

Contact the office at 724-222-6330 to learn more.

-Text adapted from information provided by the Council on Foundations.

-This information may not be relied upon for the purposes of avoiding any penalties that may be imposed under the Internal Revenue Code.



"I'd much rather give the money to a local charitable cause than back to the government as taxed income."

-William Gullborg, Owner, Gullborg Insurance

In 2015, William and his wife Grace used a Charitable IRA transfer to create the William H. & Grace E. Gullborg Fund to support Trinity United Methodist Church in McMurray.

"IRAs can play a significant role in estate planning. When determining what



assets to give to whom, it is important to consider that heirs will only receive a small fraction of the value of an IRA, while a charity would be able to receive 100 percent of that gift. This can make IRAs ideal giving vehicles for clients with heirs *and* charitable intent."

-Susan Mondik Key, Partner, Peacock Keller



"As both a professional advisor and a member of the WCCF Board of Trustees, I am very pleased that the Charitable IRA transfer has become a permanent gifting option. Anything that can help donors accomplish their charitable objectives in a more strategic way will yield long-term benefits for our entire community. I can think of many individuals who might be interested in using their annual IRA distributions as tax-free charitable contributions."

-Sandy Guthrie, Certified Public Accountant, Guthrie, Belczyk & Assoc.

Washington

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