

# A Gift from Your IRA



## A Beneficial Way to Make a Difference

A qualified charitable distribution (QCD) from an individual retirement account (IRA) is a well-established and popular way to give. If you are age 70½ or older, this option allows you to make a charitable gift and satisfy your annual required minimum distribution (if one is due). Your gift does not qualify for a charitable income tax deduction, but no tax is due on the distribution. Beginning in 2023, you can also use a QCD to create a lifetime income stream for yourself and/or your spouse.

### IRA Basics

To understand the advantages of using your IRA to make a gift, it helps to remember the basics of how traditional IRAs work:

1. An IRA is a tax-deferred retirement account, meaning contributions within stated limits are tax deductible, and appreciation and earnings are not taxed until they are withdrawn.
2. IRA distributions are taxed as ordinary income (at a marginal Federal tax rate as high as 37% in 2023).
3. When IRA owners reach age 73, they must take mandatory annual distributions or pay a penalty on any amount that should have been withdrawn but was not.

### Uncomplicated Giving

If you want to support our work using your IRA assets, you could take your required distribution, pay the tax, donate the proceeds, and hope that the charitable deduction would be enough to offset the income tax due on the distribution. The QCD is a much simpler, more straightforward option that allows you to make a gift to us directly from your IRA, meet your distribution requirement, and pay no tax on the distributed amount.

### The Traditional QCD

It is easy to make a traditional qualified charitable distribution from your IRA:

- You direct a transfer from your IRA to a qualified charity like us of any amount up to \$100,000 (the annual aggregate limit in 2023).
- The QCD gift amount will not be included in your income for federal tax purposes.

- The gift will count toward your required minimum distribution (RMD) if one is due (generally, beginning at age 73).
- You will make an immediate impact on our work.

If you're an IRA owner over age 70½, always consider this source of charitable funds before giving cash or writing a check. You can make a traditional QCD every year if you wish.

## An Example

Pat, age 75, is required to take a taxable IRA distribution of \$15,000 this year. Pat wants to support our work and decides to make a qualified charitable distribution, transferring \$15,000 directly from the IRA to us. The transfer counts toward Pat's RMD, satisfying the distribution requirement, but no tax is due on the distribution. The full amount of the transfer supports our mission—nothing is lost to taxes!

## Benefits with Limitations

You may not:

- Take an income tax charitable deduction for the transfer
- Direct the transfer to a donor-advised fund or a Sec. 509(a)(3) supporting organization
- Transfer funds from a 401(k), 403(b), 457 plan, etc. Only distributions from a traditional or Roth IRA qualify (and there is little incentive to use a Roth IRA since Roth distributions are tax free)

In addition, keep in mind that contributions to an IRA after age 70½ reduce the amount eligible for a qualified charitable distribution.

## The New QCD Option

Beginning in 2023, SECURE 2.0 legislation created a new QCD option.

- You direct a one-time transfer from your IRA of any amount up to \$50,000 (in 2023) to create a new charitable gift annuity (CGA) or charitable remainder trust (CRT).
- Spouses may contribute up to \$50,000 each (\$100,000 total in 2023) from their own IRAs into a joint-life CGA or a single CRT.
- The QCD gift amount will not be included in your income for federal tax purposes.

- The gift will count toward your required minimum distribution (RMD) if one is due (generally, beginning at age 73).
- You will make an impact on our work while creating an income stream for yourself and/or your spouse.

If you're an IRA owner over age 70½ who is interested in securing an additional source of income in retirement, consider this new one-time QCD option.

## An Example

This year, Sam (age 75) makes a one-time, tax-free QCD of \$50,000 to fund a charitable gift annuity with us—an easy way to make a powerful impact on our work. Sam will receive an annual payment of \$3,300 for life, and these payments are taxable. If Sam had decided to personally receive the \$50,000 distribution this year instead of using it for a QCD, the full amount would have been currently taxable.\*

\* The example is for illustrative purposes only. The payment amount is based on an AFR of 4.6%.

## Limitations on the New QCD

You may not:

- Take an income tax charitable deduction for the transfer.
- Transfer funds to an existing CGA or CRT.
- Transfer funds to create a CGA or CRT that does not meet specified requirements.
- Direct income payments to anyone other than yourself and/or your spouse—not even your children.

In addition, keep in mind that all payments from the CGA or CRT funded by the QCD are subject to tax at ordinary income tax rates. No part of the payments will be considered tax free or taxed as capital gains.

## The Next Steps

Consult your financial and tax advisors to see whether a gift from your IRA if making a gift from your IRA sounds appealing, take the next step!

- Consult your financial and tax advisors to see whether a gift from your IRA is right for you.

- Contact your IRA custodian to request a qualified charitable distribution—either the traditional option or the new option.
- Let us know that we should expect a distribution from your IRA. Because a qualified charitable distribution requires substantiation just like any other gift, we want to make certain that we send you an acknowledgment when we receive your funds.

If you would like to make the gift this year, plan to do so by early December. While this is an easy gift to make, it does require a bit of time to put in place.

To learn more, feel free to contact us. We are happy to address any questions or concerns, or to discuss how this simple but attractive charitable giving option can help you realize your philanthropic and planning goals.

