PUBLISHED: OCTOBER 16, 2015
NO COMMENTS

RETIREMENT ASSETS AND CHARITABLE GIVING

<u>What's all this about an IRA charitable rollover?</u>

The "IRA charitable rollover" law expired last year. This federal law had allowed donors over 70½ to make direct distributions of up to $100,000 per year to charity, but expired on December 31, 2014. As of this writing, it is uncertain whether the IRA charitable rollover will be extended either this year or in the future.

Since 2006, many charities promoted retirement plan gifts by focusing on special benefits offered by the now-expired IRA charitable rollover. However, nonprofits, and the donors who fund them, should be made aware that there are several other ways to make gifts from retirement plans under existing law — and these gifts may be very tax savvy.

Two easy ways to direct retirement assets to your favorite charity:

- Gifts at death via beneficiary designations
- Withdrawals by those over 59½ followed by outright deductible gifts that can effectively result in tax-free retirement plan gifts

Keep in mind, too, that the IRA charitable rollover applied only to traditional and Roth IRAs. These two options — gifts at death via beneficiary designations and withdrawals by those over 59½ — will work with virtually all qualified retirement plans, including 401(k)s and 403(b)s.

Naming your favorite charity as beneficiary

Donors considering charitable bequests may not realize that they can make a meaningful gift simply by naming a favorite charity as the beneficiary of an IRA, 401(k), 403(b), or other retirement plan. Giving retirement assets in this way is easy, and does not require drafting or amending a will or trust. A donor simply has to contact her financial institution holding the retirement asset and request a change of beneficiary form.

Note well, however, that if the account holder is married, the spouse should be informed and may have to consent to the gift. The plan assets may also be left to a charitable or marital trust[s]. In these cases professional advisors should be consulted. (Hint: call me!).

Give now!

Donors could also choose to make current gifts using funds withdrawn from their qualified retirement plans. Individuals over 59½ may generally withdraw funds from retirement plans without penalty, make a gift with these funds, and then claim an offsetting charitable deduction. In most cases, a gift made in this manner will be a “wash” for tax purposes.

Let’s take a quick example. Rebecca (age 64) wants to make a very generous donation of $10,000 to her favorite charity. She can withdraw $10,000 from her IRA or 401(k) account, and make that donation. Assuming she itemizes her tax deductions, the $10,000 donation should leave her “even steven” with regard to taxes – the $10,000 in income is offset by the $10,000 charitable deduction, resulting in zero net income income taxes.

A quick sum up

What will happen next with the IRA charitable rollover federal law? At this time, we don’t know.

But we do know that those wanting to donate to their favorite charities can certainly do so using retirement fund assets. Again, there are two easy ways to direct retirement assets to your favorite charity:

- Gifts at death via beneficiary designations
- Withdrawals by those over 59½ followed by outright deductible gifts that can effectively result in tax-free retirement plan gifts.