

Help Your Clients Make the Gift of a Lifetime

Giving Retirement Assets to Charity, Tax Free

Giving Now

Qualified American seniors can transfer a portion of their individual retirement accounts (IRAs) to charity, free from federal tax. These 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.

Americans age 72½ or older can make tax-free IRA contributions to certain public charities such as Field of Interest, Unrestricted or Designated funds at Williamsburg Community Foundation. Gifts to Donor Advised Funds, Supporting Organizations and private foundations *do not qualify* for preferential tax treatment. This allows someone who uses the standard deduction the ability to make a charitable contribution as a **qualified charitable distributions (QCD)** and not have that distribution count as ordinary income.

Giving Later

Listing a non-profit as beneficiary of an IRA can be beneficial to your estate plan because of the 10-year rule. As a result of the SECURE Act of 2020, designated beneficiaries (other than an eligible designated beneficiary such as a surviving spouse) must withdraw the entire account by the 10th calendar year following the year of the IRA owner's death. This can sometimes be a substantial income tax hit to the beneficiary since these withdrawals are classified as ordinary income. However, by naming the WCF as your IRA beneficiary and leaving other assets to your heirs you can create a more favorable tax consequence. IRA assets donated to WCF can be used to establish any type of fund.

You may be interested in this charitable opportunity if you:

- 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 \$2,000,000 in his IRA accounts. He has other sources of wealth and plans to leave a sizable estate to his heirs and charity. Mr. Smith can create a fund at the community foundation 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.

Questions? Contact us:

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