

**Crescendo**  
PPGCSANDIEGO  
2022 PRACTICAL PLANNED GIVING CONFERENCE

## Maximizing IRA Gifts

Presented by Jamie Holzer White, JD, LLM & Matthew Karch, JD

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**IRAs**  
Understanding and Making the Most of an IRA

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### Traditional IRA Contributions

Pre-tax contributions

Most amounts deductible

Tax-free growth

Earned Income \$6,000

IRA

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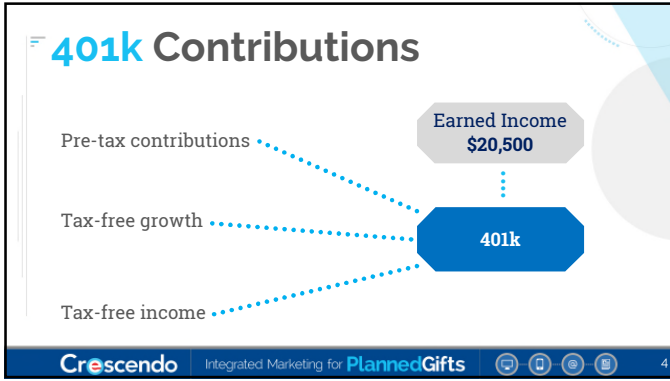
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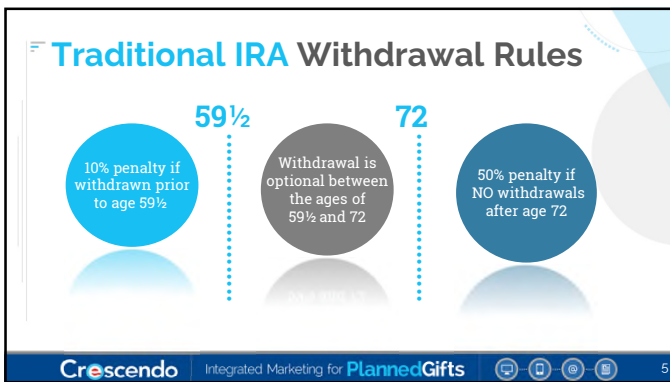
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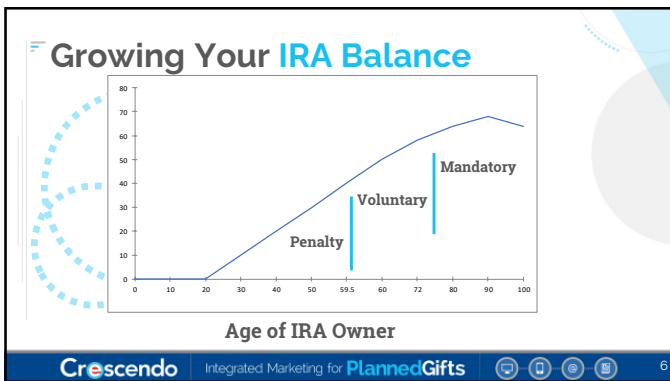
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### What Does IRA Income Look Like?

Age	Approximate Payout
72	3.7%
75	4.1%
80	5.0%
90	8.2%
95	11.2%



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### IRA Owner Distributions

End of Year Balance

Uniform Table

Take by December 31

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$Balance * Uniform Table \% = Amount$

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### IRA Benefits

- Simple, Uniform Distribution Table
- Tax Deferred Growth
- Any Designated Beneficiary Permitted
- Change Beneficiary At Any Time
- Both Charity and Family Can Benefit



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## Charitable Giving Options

- Required Minimum Distributions Start at Age 72
- All Distributions are Taxable
- Can Donate Distribution to Charity
  - Must Pay Income Tax
  - Charitable Deduction
- Qualified Charitable Distribution (QCD) Available at Age 70½
  - No Income Tax Inclusion
  - No Charitable Deduction

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## IRA Charitable Rollover

- Direct Transfer
- Age 70 ½
- Not Taxable
- No Tax Deduction

\* GiftLaw Pro Ch. 4.6.8

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## How to Give From an IRA

- Contact IRA Custodian
- Sign Application to Give \$ Amount or % to Charity
- IRA Custodian Makes Transfer
- If Specific Purpose, Contact Charity
- Many states exclude QCDs from state taxable income

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### IRA Charitable Rollover

By December 31 of Rollover Year

Contact IRA Custodian

Direct to Charity

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### QCD & Donor Check Writing

**IRA Owner Checkbook Privilege Issues**

**Gift Date and Year is Tied to Distribution Date from the IRA Account Custodian**

- Date of Distribution Will be Reported on Form 1099-R
- Not The Date on Check Written by IRA Owner
- Not Postmark Date of Check Written by IRA Owner
- End of Year Checks May be a Danger Zone

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### Qualified Charitable Distribution

Donor Advised Fund

~~IRA~~

Donor Benefit Gift

Supporting Organization

CRUT, CRAT, CGA, PIF

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## QCD Rules and Limitations

- QCD Permitted to Fulfill a Legally-Binding Pledge
- No "Quid Pro Quo" Allowed With a QCD
- Entire QCD Amount Must Qualify for a Charitable Deduction



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## IRA Donor Profiles

Convenience Donors



Generous Donors



Non-itemizer Donors



Social Security Donors



Major Donors



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## Convenience Donor

- IRA May be Largest Asset
- Avoid Income Tax Complications
- Gives \$2,000 Each Year
- Simple, Easy, Convenient Gift



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## Generous Donor

- Cash Gifts up to Maximum AGI Limit
- Lead Gift for Special Project
- Wants to Give More
- Large IRA
- IRA Gift \$100,000 – Not in Income



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## Non-Itemizer Donor

- Gives each year to Charity
- Taking IRA Withdrawal
- Standard Deduction
- No Added Charitable Deduction
- **Better** to Give From IRA



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## Social Security Donor

- RMD Increases Income
- RMD Pushes Social Security Taxable at 85%
- Direct IRA QCD
  - No Income Increase with QCD
- Social Security Taxable at 50%



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## Major Donor

- Trustee or Major Donor
- Substantial Assets Plus IRA
- Desire to Make Large Gift
- Avoids Tax Complexity
- Direct IRA to Charity



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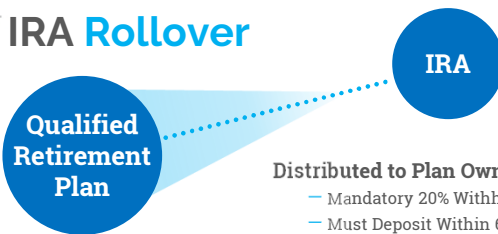
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## IRA Rollover



**Qualified Retirement Plan** → **IRA**

**Distributed to Plan Owner**

- Mandatory 20% Withholding
- Must Deposit Within 60 Days

**Direct to Custodian**

- Avoids 20% Withholding Tax

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## Income in Respect of a Decedent

- Ordinary Income Asset
- No Step Up In Basis
- Distributions Taxed As Ordinary Income
- Satisfying Pecuniary Bequest with IRD = Income Taxes
- If Subject to Estate Tax, Creates An Income Tax Deduction



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### Designated Beneficiary Options

- Spouse
- Family
- Friends
- Trust
- Charity
- Consider Contingent Beneficiaries

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### SECURE Act Changes

- Part-time Employees May Now Contribute
- Additional Annuity Payout Options
- Expanded Disclosures Required
- IRA Contributions After Age 70½
- Reduction to QCDs if Deducting Contributions
- RMD Age Increased to Age 72
- Stretch IRA eliminated for Non-Spouse Heirs
- Charitable IRA Rollovers Unchanged - Age 70½

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### Spousal Rollover

- Sole Beneficiary
- Survivor becomes the owner
- Income mandatory at age 72
- Must designate new beneficiaries

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## IRA to Spouse

```

    graph LR
      IRA[IRA] -.-> Rollover[Spousal Rollover]
      Rollover -.-> Beneficiaries[Beneficiaries]
  
```

- Distributions at Age 72
- Marital Deduction
- Income to Spouse is Taxed

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## Unitrust for Spouse

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    graph LR
      IRA[IRA] -.-> CRUT[CRUT]
      CRUT -.-> Spouse[Spouse Receives Income]
      CRUT -.-> Charity[Charity]
  
```

- Marital Deduction
- Tax-Free Distribution to Unitrust
- Income to Spouse is Taxed

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## Ten Year Rule

**Must Distribute Entire Inherited IRA In Ten Years**

**Exceptions for:**

- Spouse
- Minor Beneficiary
- Disability
- Chronic Illness
- Within Ten Years of IRA Owner's Age

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### Ten-Year Term vs. Unitrust

**Term Payout**

10 Years

- Higher Taxes
- No Protection of Principal
- Creative Spender

5%  
**Unitrust**

20 Years or Life

**Charity**

- Regular Payouts
- Tax-Free Growth
- Lower Income Taxes
- Protection for Creative Spenders

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### Creative Spender

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### Trust as Designated Beneficiary

- Valid Trust Under State Law
- Irrevocable At Death
- Identifiable Beneficiaries
- Documentation to Plan Administrator
- Distribution based on trust provisions
- CRT may pay for term of 20 years or life
- Accumulation trust -- IRA payout within ten years

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## Accumulation Trust

- May Have Payments based on RMD
- SECURE Act Problem – No RMD
- Grow IRA for 10 Years
- Very Unhappy Heirs for 10 Years
- Full Distribution in Tenth Year
  - Probable 37% to 50% Income Tax
  - Boats, Cars & Vacations

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## Conduit Trust Problems

- May Have Provision – Payments based on RMD
- SECURE Act Problem – No RMD
- Grow IRA for 10 Years
- Very Unhappy Heirs for 10 Years
- Full Distribution in Tenth Year
  - Probable 37% to 50% Tax
  - Boats, Cars & Vacations

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## Testamentary Unitrust

- Full IRA Invested in CRUT
- Protection for Children
- Regular Payouts
- Tax-Free Growth
- No Income Tax on Amount to Charity

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## CRUT Taxation

### How Will Payouts Be Taxed?

- **Likely All Ordinary Income**
  - Four-Tier Accounting Applies
  - Minimize Ordinary Income in Investments
- **Funded from Traditional IRA**
  - No Basis
  - No Tax-Free
  - No Capital Gain

\* GiftLaw Pro Ch. 3.10.2

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## Testamentary CGA

- Full IRA Invested in CGA Reserve Account
- Protection for Children
- Fixed Dollar Amount Payouts
- Tax-Free Growth
- No Income Tax on Amount to Charity

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## Gift Annuity Rates

AGE	PAYOUT RATE
40	3.4%
50	3.8%
60	4.5%
70	5.3%
80	7.0%

\* GiftLaw Pro Ch. 3.3.1 July 1, 2022 Rates

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**Gift Annuity Taxation**  
 How Will Payouts Be Taxed?

- All Ordinary Income
- Funded from Traditional IRA
  - No Basis
  - No Tax-Free
  - No Capital Gain

\* GiftLaw Pro Ch. 3.3.9

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Questions?



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Thank You!



Presented by Jamie Holzer White, JD, LLM & Matthew Karch, JD

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# PRACTICAL PLANNED GIVING CONFERENCE SPEAKER EVALUATION

Date: \_\_\_\_\_ Speaker: \_\_\_\_\_

Name (optional): \_\_\_\_\_

Please rate the following:

	Excellent	Good	Neutral	Fair	Poor
<b>I. OVERALL</b>	5	4	3	2	1
Were your major objectives for this session met? Was the content of the session vital, timely, substantive?					
Comments: _____					
_____					

<b>II. RELEVANCE</b>	5	4	3	2	1
Was the subject matter directly related to the requirements of your job?					
Comments: _____					
_____					

<b>III. VALUE</b>	5	4	3	2	1
Do you believe the benefits of this session were worth the time, effort and cost?					
Comments: _____					
_____					

<b>IV. SPEAKER</b>	5	4	3	2	1
How was their presentation style? Did the session move along at the right pace? Did they have appropriate knowledge on the topic?					
Comments: _____					
_____					

<b>V. MATERIALS</b>	5	4	3	2	1
Were the materials clear and organized and appropriately helpful for the session?					
Comments: _____					
_____					

**Vi. What did you like the most about the session?**

\_\_\_\_\_

\_\_\_\_\_

**VI. Any suggestions to improve future sessions?**

\_\_\_\_\_

\_\_\_\_\_

**XII. How many years of gift planning experience do you have?** \_\_\_\_\_