

Tax-Advantaged Retirement Account Giving

Wheaton College Gift Planning Services

What You Should Know About Tax-Deferred Retirement Accounts

- No tax when funds are contributed or on growth of invested money.
- Tax deferral allows for greater growth.
- Withdrawals before age 59 ½ can have penalties.
- Withdrawals (required at age 73) are subject to tax at the individual's income tax rate.
- The “embedded” taxes make these accounts an ideal “pocket” from which to give charitably, as charitable giving essentially wipes away taxation.

How Do I Make a Charitable Gift Using My Retirement Account Assets?

1. Beneficiary Designation

Simple approach: name Wheaton College on the beneficiary designation form, indicating the percentage or dollar amount you desire to give.

Pay Attention to **Contingent** Beneficiary Designations!

If a married person names a spouse as primary beneficiary, with a charity as contingent beneficiary, the surviving spouse will inherit the assets at the account owner's death. The surviving spouse must **re-designate** the charity as primary beneficiary, otherwise the charity will *not* receive anything at the second spouse's death. The funds will follow the surviving spouse's estate plan (Will/Trust) or the state laws.

Note: It is possible to include a provision in your estate plan documents to redirect retirement assets to charity in the event your surviving spouse does not or is unable to fill out a new beneficiary designation form at your death. Sample language is available.

2. Will or Trust

You can include a provision in your estate (Will or Trust) through which all or part of your retirement account assets are to be distributed to charity, which may reduce taxes. While this is an option, it may not be the most tax-efficient choice.

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3. Estate Giving Tool to Reduce IRA Taxation to Beneficiaries: Testamentary CRUT

A testamentary charitable remainder unitrust (CRUT) funded with tax-deferred retirement assets can benefit both your family and Wheaton at your death. It is often called the “*give it twice trust*” because it allows you to:

- Provide a steady stream of income, rather than a lump sum distribution, to loved ones after your death for up to 20 years.
- Make a significant gift to Wheaton College (and possibly other charities) at the end of the trust term.

4. Lifetime IRA Giving to Charity Reduces Taxes: Qualified Charitable Distribution

With a Qualified Charitable Distribution (QCD), you may:

- Contribute up to \$108,000 to charity directly from your IRA, tax-free.
- Fulfill all or part of your annual required minimum distribution (RMD).
- Reduce your taxable income by the QCD gift amount.
- Lower tax rates for higher-income families, reduce the taxable portion of social security income, lower state income taxes, and lower Medicare premiums.

Note: You must be age 70 ½ or older to make a QCD.

Since 2023, IRA owners can use QCDs to fund a gift annuity, creating a lifetime income flow and a gift to charity. Some specifics:

- Creates a lifetime income flow and a gift to charity.
- Lifetime maximum of \$54,000. Must be funded in a single calendar year, but may be funded through one or more gift annuities, not to exceed the maximum.
- Each spouse can each give up to \$54,000 from their own IRA.
- Only the IRA owner or owner’s spouse may be an annuitant.
- Payments cannot be deferred.
- Gift annuity payments are taxable at the annuitant’s income tax rate.

This opportunity is subject to certain limitations, so please contact us for more information.

The information herein is not intended as legal, tax, or financial advice. Please consult with your attorney, financial or tax advisor for advice specific to your circumstances.