

Planning Options for Your Stage in Life

Balancing Retirement Planning with Philanthropy



Incorporating Philanthropy into Retirement Planning

In many ways, retirement planning is a science. Individuals tend toward similar goals—comfort, security, support for loved ones. It's possible to apply tried-and-true principles on the path to attaining these goals, factoring in numerous variables from anticipated lifespan to inflation expectations.

In other ways, though, retirement planning is an art form. Each person has a unique combination of assets, priorities, and dreams for the future. For many people, those priorities and dreams involve wanting to make the world a better place, often through meaningful personal philanthropy.

Whatever your age or stage in life, it's never too late to get started, and it's never too early to think about the role philanthropy might play in your retirement plan. Let us help you explore some common planning options that might prove particularly useful if you're working, moving into retirement, or even well into your golden years.

Stage One Strategies: The Career Years

Retirement goals and strategies can change significantly over the span of a career. Fortunately, there are easy options for making meaningful gifts while retaining the flexibility to adjust to changes.

Beneficiary designations—simple and direct

One of the easiest ways to combine gift planning and retirement planning is to name us the beneficiary of a retirement plan, life insurance policy, bank account, or other financial account. You can designate us as the primary beneficiary, a secondary or contingent beneficiary, or a partial beneficiary.

Gifts in your will or living trust—comfortable and flexible

To control the distribution of your assets after death and provide for loved ones, it is vital to use a will and/or living trust. These estate planning tools are also comfortable, convenient ways to shape your philanthropic legacy. It is easy to add a charitable gift at the time of creation or to change an existing will or living trust.

If you haven't yet created one or both of these documents, now is a good time to consult an attorney and get the process started. If your will or trust is already in place, remember to review it regularly. Your attorney can help

you ensure that your long-term planning goals are still being met. Your attorney can also help you include or increase a charitable gift to support our mission.

Deferred charitable gift annuity—higher rates for future income

The later career years sometimes present the opportunity to make a gift that supports us today while providing you with immediate tax benefits and future income. If you receive unexpected taxable income—for example, a sizable bonus or inheritance—consider the benefits of a deferred charitable gift annuity (CGA).

EXAMPLE: Sara, a corporate executive, receives a \$50,000 bonus. She would like to find an effective way to use the money for future retirement security while paying as little current tax as possible. Sara learns that a deferred annuity could help her meet her current tax and charitable goals while providing a new income stream in retirement.

She uses her \$50,000 bonus to set up a gift annuity with our organization, and she defers the start of annuity payments for ten years. Her annual payout will begin at age 65, and because of the deferral, the payment rate is higher than it would have been for an immediate annuity. The gift portion qualifies for an immediate charitable deduction if she itemizes—a deduction that is also higher than if she had chosen to begin payments right away.*

* All examples are for illustrative purposes. Contact us for current rates and tax information.



Stage Two Strategies: The Transition to Retirement

The transition from work to retirement often comes with specific planning goals. Charitable giving can help achieve these objectives while making a difference for others, as these examples show.

Charitable remainder trust—Turn a large sum into a lifetime income

Marcus is about to make retirement official by selling his business interest in an advertising firm for \$800,000. Marcus is single, and his children are grown and financially established. At age 68, his top concern is the risk of outliving his assets. He recognizes that the business buyout presents a unique opportunity to create a predictable retirement income while fulfilling his desire to support our work.

Marcus learned that with a charitable remainder trust (CRT), he could make a gift and begin receiving income from that gift now or later. With either arrangement, he would qualify for a current income tax deduction. He also learned that he could choose how the trust income was determined—a fixed payment amount each year (the charitable remainder annuity trust) or a payment that fluctuates annually based on the value of the trust assets (the charitable remainder unitrust). In either case, when his payments end, the remaining trust assets would become available to us to further our charitable mission.

Marcus uses \$300,000 to set up a charitable remainder annuity trust that begins making fixed payments immediately. His gift qualifies for an income tax deduction that provides welcome relief for his upcoming tax bill. Marcus is pleased that he can make a major philanthropic impact while providing for his retirement.

Appreciated stock—Turn appreciated stock into an appreciated gift

Bob and Mary (both 70 and recently retired) are concerned about a volatile stock they purchased years ago for \$10,000 that is now worth \$50,000. They would rather not own such a high-risk asset at this point in their lives, but they don't want to sell it and pay the \$6,000 (15%) capital gains tax.

Their advisor suggests donating the stock and establishing a charitable gift annuity. Bob and Mary make a gift to us, and in return, we agree to make payments to both of them for life. This arrangement—part gift and part annuity—provides them with several advantages:

- They minimize their capital gains tax—the gift portion is not taxable, and the tax on the annuity portion is spread out over their life expectancies.
- The gift portion qualifies for an income tax deduction.
- They will have fixed annuity income each year for as long as either of them lives.

The CGA is an attractive way to rebalance an investment portfolio, convert an appreciated asset into an income-producing gift, and qualify for a significant tax deduction. It's even more attractive today, as gift annuity rates increased again in January 2024.

SAMPLE ONE-LIFE CHARITABLE GIFT ANNUITY PAYOUT RATES (January, 2024)

AGE	65	70	75	80	85	90+
RATE	5.7%	6.3%	7.0%	8.1%	9.1%	10.1%

Rates are subject to change. Please contact our office to verify current rates.

Stage Three Strategies: The “Happily Ever After” Years

The goal, of course, is to live happily ever after—to realize that the years of saving and planning were successful, leaving extra flexibility to meet charitable goals. In this stage, there are unique opportunities to make an impact and shape a legacy.

Real estate—Turn ownership headaches into deductions and income

Luis and Sophia have owned and enjoyed a vacation home for decades, but they are tired of the maintenance and taxes and would prefer to spend their money traveling. When they learned about the charitable remainder unitrust (CRUT), they were excited about the idea of converting their vacation home into a welcome income stream while supporting our important mission.

A CRUT pays a fixed percentage of trust assets as revalued annually, meaning the actual dollar amount fluctuates from year to year. Luis and Sophia are comfortable with this idea because they don't plan to rely on the income for living expenses.

Luis and Sophia can use the CRUT to manage potential capital gains tax liability, obtain a substantial income tax charitable deduction, and receive a

generous income stream. They also like the idea of donating the property and avoiding the inconvenience of contracting with a realtor or scheduling showings. Plus, they have the personal satisfaction of knowing their gift will substantially impact our organization when their payments come to an end.

Retirement assets—Make a tax-efficient choice

An easy way to make an immediate gift of retirement assets is with a qualified charitable distribution (QCD). If you are an IRA owner age 70½ or older, you can make a distribution from your IRA directly to us and pay no tax on the distributed amount (up to the annual aggregate limit of \$105,000 in 2024). Plus, the distribution counts toward your required minimum distribution (RMD) if one is due (generally, age 73 or over).

As of 2023, you have another option as well—a one-time, tax-free IRA distribution of up to \$53,000 (in 2024) to fund a new charitable gift annuity or charitable remainder trust. This type of QCD also counts toward your RMD if one is due. Spouses can each direct up to \$53,000 (in 2024) from their own IRAs into a single CGA or a joint-life CRT. CGA or CRT payments can only go to the IRA owner or the owner's spouse.

A Final Word

There are many ways to give, no matter where you are in life. Strategic planning can help you be more effective in your philanthropy. We would be pleased to help you and your advisors explore options for making an important impact in a way that fits your current situation and goals.