Retirement Planning

With Savvy Giving, Everyone Wins

Where Local Good Grows

Hendricks County Community Foundation

Save Taxes and Generate Income

Virtually everyone has to be proactive to ensure a secure retirement—not just saving, but devising dependable income strategies. Many people overlook the important role charitable gifts can play in solving retirement challenges. Whether you are retired, approaching retirement, or planning to continue working for years, there are charitable planning options that can:

- Increase retirement income,
- Reduce taxes, and
- Provide a unique opportunity to do good for others.

It's a scenario where everybody wins! Let's look at the ways you can convert accumulated assets into a comfortable retirement income stream by utilizing charitable gift strategies. The secret to success is timing and selecting appropriate options based on personal planning preferences and needs.

Can Too Much Money Be a Problem?

Nobody ever complains about having too much money. But if you receive a significant amount of money in a single year—say, from selling a vacation home or business, or taking a large required minimum distribution from your 401(k)—you can end up with high income taxes. Fortunately, that money can also create opportunities that can benefit you, your loved ones, and your favorite charities.

Five Scenarios to Consider

#1—Leverage a large sum into a lifelong income

Kay is 78. When her husband died earlier in the year, she sold their vacation home. Since the value of the property had increased dramatically over the years, she has a $400,000 gain. She also owns a balanced investment portfolio that she has managed for many years. Her children are grown and financially established. Kay's number one concern is outliving her financial resources. She wants to ensure that her retirement income is fixed and predictable. At the same time, she and her husband have been invested in our mission and she would like to personally give back.

Kay learns that our charitable gift annuity program is a good fit for her for many reasons, and she donates $300,000. Because she itemizes, Kay receives an immediate income tax charitable deduction that will offset her capital gain this year. Her gift annuity will pay her 7.6% of her gift every year. At her request, her gift is established in memory of her husband.*

#2—Convert a taxable bonus to tax-deferred wealth

John, a 55-year-old executive, receives a $100,000 bonus. John doesn't need extra income right now, but would like to find a way to set more money aside for retirement on a tax-favored basis. Of course, he would also like to lower his income tax bill if possible.

Meanwhile, John is thinking about participating in our capital campaign. When we meet with him to talk about his goals, he is intrigued by the idea of using a deferred gift annuity to save on his income taxes and provide future retirement income.

NOTE: Beginning in 2026, only donation amounts that surpass 0.5% of your adjusted gross income will qualify for a charitable deduction.

* All examples are for illustrative purposes only. Examples are based on an AFR of 5.0%. Rates are subject to change.

John contributes his $100,000 bonus to us to set up a gift annuity, but defers the start of the annuity payments for 10 years, until he is 65. Because of the deferral, he will receive a higher annual payout of approximately $8,500 per year—a nice supplement to his retirement income. With a deferred gift annuity, John qualifies for an income tax charitable deduction today, but puts off receiving the annuity payments until after retirement.

#3—Convert appreciated stock to lifetime income

Calvin and Gail are both 65 and recently retired. They met with their financial advisor to discuss their income plans and investments, and noted that they were concerned about a volatile tech stock they purchased years ago for $10,000 that is now worth $50,000. Calvin and Gail agreed that they would rather not own this type of high-risk asset in retirement, but neither did they want to sell and pay the 15% capital gains tax.

They were pleased when they learned that a charitable gift annuity could balance their investment portfolio, convert their appreciated stock into an income stream, and provide a significant tax deduction. They purchase a gift annuity for two lives and enjoy the immediate advantage of minimizing the capital gains tax on the stock—the part that is considered a charitable gift is not taxable, and the taxable part of the gain is spread out over their life expectancies.

Because they itemize, Calvin and Gail also enjoy an income tax deduction on the value of the gift portion of the gift annuity. In this case, the charitable tax deduction for their gift of $50,000 in stock is $16,326. The long-term advantage is that Calvin and Gail will have an annual annuity payout of $2,500 a year for as long as they live.

#4—Transform a vacation home into income and deductions

Lucas and Catalina enjoyed their vacation home for many years, but since their children are grown and living elsewhere, it has now become more of a chore than a joy. They are tired of the maintenance and taxes, and they want to travel more. When they learn about a charitable remainder unitrust (CRUT)—a tool that would allow them to convert their vacation home into an income stream—they decide to act.

Lucas and Catalina can use the CRUT to eliminate capital gains tax liability, qualify for a substantial income tax charitable deduction, and receive a generous income stream from the proceeds when the charity sells the property. They also like the idea that they can donate the property and avoid the inconvenience of contracting with a realtor or scheduling showings.

Their vacation home has no mortgage and is valued at $400,000. They establish a CRUT and fund it with the house. The trustee then sells the house and converts the proceeds into income-generating assets. The trust makes annual payments to Lucas and Catalina for life, with each payment equal to 5% of the value of all trust assets.

#5—Soften the tax bite of RMDs and create an income stream

Jill recently learned that the required minimum distribution (RMD) rules will cause her to take substantial, taxable distributions from her 401(k), whether she needs the money or not. This means she must pay ordinary income taxes on funds that have grown tax-free. If she fails to take a required minimum distribution, she will face a hefty 25% penalty (reduced to 10% if she corrects the error quickly).

Fortunately, RMDs present a unique opportunity for Jill to accomplish two of her goals—make a significant charitable gift and create a lifetime income stream. She uses her RMD to purchase a charitable gift annuity. She is entitled to an income tax charitable deduction in the year she establishes the gift annuity, which will help offset the RMD income tax liability while providing a competitive, fixed income stream for her lifetime.

If she wishes, she can purchase a gift annuity every year using her RMDs to "ladder" gift annuities. She will build layer upon layer of income while saving taxes. It's her choice whether or not to make a contribution each year, so in the year her granddaughter gets married, for example, she may decide to skip the charitable gift annuity and use her RMD to help pay the wedding expenses.

Find the Gift That Works for You

Each family and every situation is different. Let's talk about ways to tailor a charitable gift annuity to fit your overall retirement, estate planning, and philanthropic goals. It would be our privilege to work with you to shape a gift that offers both an important income stream and enduring support for the mission you care about.

SAMPLE ONE-LIFE CHARITABLE GIFT ANNUITY RATES

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

Effective January 2024, reconfirmed May 2025. Rates are subject to change.
Please call our office for current rates or the rate for your exact age.

OUR VISION:
Hendricks County is a place where everyone has the opportunity to have a fulfilling life and the tools they need to build a stronger future together.

OUR MISSION:
To be a trusted community partner in understanding needs, aligning resources, and empowering people to address today's priorities and create lasting impact together.

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Hendricks County Community Foundation

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