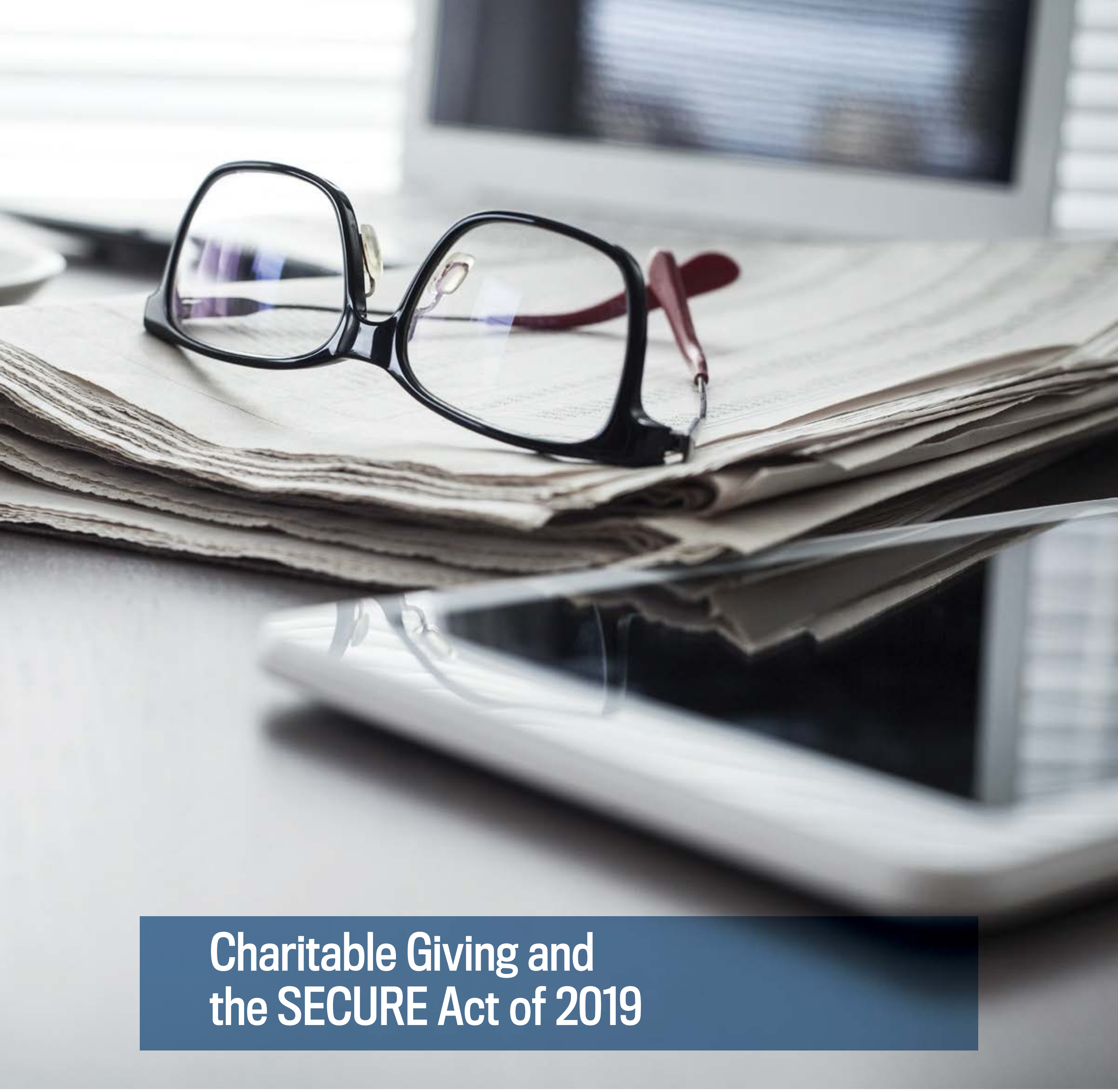

Charitable Giving and the SECURE Act of 2019

Where Local Good Grows

Hendricks County Community Foundation

The SECURE Act—which stands for "Setting Every Community Up for Retirement Enhancement"—puts in place numerous provisions intended to strengthen retirement security across the country. The SECURE Act will significantly impact retirement plan accumulations and distributions for the immediate future. As a consequence, many donors will find it helpful to meet with advisors to review plans and to determine how, when, and if changes to current plans should be made.

There are two especially important provisions that will affect the way donors think about retirement planning in the immediate future. First, the required minimum distribution age is extended to 72. Second, the "stretch" provision, once available for an IRA beneficiary's lifetime, has been reduced to ten years.

How have the minimum distribution rules changed?

Required minimum distributions (RMDs) from qualified accounts must begin at age 72 instead of age 70½.

How do changes in RMD rules affect qualified charitable distributions from IRAs?

The rules regarding QCDs have not changed. An IRA owner age 70½ or older can still give by making a qualified charitable distribution from an IRA. The QCD counts toward the IRA owner's required minimum distribution if one is due.

What about contributions to traditional IRAs after age 70½?

The SECURE Act also changed rules regarding contributions to traditional IRAs after age 70½. Prior to the new Act, contributions were not allowed after age 70½. Now, there is no age restriction on making IRA contributions if you have compensation.

Do contributions to an IRA after age 70½ impact qualified charitable distribution opportunities?

Yes. The SECURE Act includes a provision stating that IRA contributions made after age 70½ cannot simply be turned around and used as QCDs. IRA account owners must now reduce their QCDs by any deductible contributions made to their IRAs after age 70½ (to the extent they have not already been used to reduce their QCD).

Why am I hearing about "stretch" provisions?

"Stretch" provisions allowed non-spouse beneficiaries of IRAs (and other qualified accounts) to take required minimum distributions over the beneficiary's lifetime. This rule let beneficiaries significantly stretch the period over which funds would ultimately be received and taxed. The SECURE Act limits the stretch period to 10 years for most non-spouse beneficiaries; however, there are no specific requirements for how those funds must be distributed during the 10-year period.

Reminder One: The value of giving from an IRA

For those who are eligible (age 70½ or above), a qualified charitable distribution from an IRA can be a tax-wise giving strategy, even when no RMD is required. The QCD amount (annual aggregate limit of $100,000 per donor) is not counted as income, which means no tax is due.

Reminder Two: The possible role for CRTs

Because of the change in "stretch" provisions, some donors may find value in naming a charitable remainder trust the beneficiary of retirement account funds. A CRT can provide increased flexibility in distributing assets to children, grandchildren, or other non-spouse beneficiaries. Donors should consult their advisors to explore personal planning needs—including donors who may have implemented this strategy prior to the new law.

Reminder Three: The benefit of charitable beneficiaries

Because retirement assets are taxed when they are received by beneficiaries, it can be wise for donors to leave other assets to heirs and name a charitable organization as a beneficiary of retirement assets. Heirs who inherit appreciated stock, for example, benefit from a step-up in the basis of the stock when the stock is sold. Income tax will ultimately be due only on the amount the stock has appreciated from the date of inheritance. By contrast, the full amount of retirement assets left to heirs is subject to income tax when received.

Reminder Four:
The importance of planning and giving

Whenever tax laws change, personal planning reviews are in order. But tax law changes do not change the important good that is done through charitable giving. Donors can find many ways to make a difference through planned charitable gifts.

Reminder Five:
The rules for Qualified Charitable Distributions

- The donor must be age 70½ or over.
- The distribution must be a direct transfer from an IRA to the charitable organization.
- Although there is no tax deduction, the amount is excluded from income for federal income tax purposes—no tax is due.
- Transfers up to $100,000 (annual aggregate limit) are eligible for this favorable tax treatment, subject to an offset if contributions are made to the IRA after age 70½.

OUR MISSION:

The Hendricks County Community Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.

OUR VISION:

Hendricks County is a vibrant, giving community.

Where Local Good Grows

Hendricks County Community Foundation

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