

4 WAYS TO GIVE FROM YOUR Individual Retirement Account (IRA)

- Approximately 80% of Americans own an IRA
- IRA's are popular because they are funded by pre-tax dollars
- Employees can build their nest egg and defer ordinary income tax
- But this strategy becomes challenging for retirees when required to receive income from their IRA whether they need it or not.
- To solve tax challenges and have enough income to fund their income, the IRS has provided four ways that a person can give from their IRA to alleviate taxes for themselves, and ultimately for their heirs.

Contact your Financial Planner or
Scott Johnson, CrossCity Representative,
if any of these options are a good fit for you, or for more information.
sjohnson@mycrosscity.com

1. The Qualified Charitable Distribution (QCD)

If you are 70.5 years old, you can reduce taxable income from your IRA and make an impact for God's Kingdom. You are allowed to give up to \$100,000 per year from your IRA. This donation counts toward the mandatory required minimum distribution you are required take at age 73. You do not receive a tax deduction for this gift, but are able to eliminate the ordinary income tax that you would normally be required to pay on distributions.

2. The Assignment of the Required Minimum Distributions (RMD)

In December of 2022, Secure Act 2.0 was signed into law, raising the age limit for Required Minimum Distributions to age 73. Failure to do so is subject to a 25% penalty. One way you can give is to have the RMD directly assigned to your Church or Charity. Since the money bypasses your income and is distributed directly into your Church or Charity, income taxes are eliminated. Although the income taxes are eliminated, you will not receive a tax deduction for this gift.

3. The Creation of Charitable Gift Annuity (CGA)

Secure Act 2.0 also enabled IRA owners the one-time opportunity to create a \$50,000 Charitable Gift Annuity from their QCD at age 70.5. This is an individual contract between you and the Church or Charity. The annuity pays an annual stream of income to you based on the rate determined annually by the Association of Charitable Gift Annuities (ACGA). Part of the income of taxable, and part is tax free. The contract guarantees income for up to two lives (you and a surviving spouse, for example). and upon death, the remainder is remitted to the Church or Charity. You and your spouse may combine your \$50,000 allowances into one \$100,000 CGA, provided you each independently own an IRA. The first step is to contact your church to create a CGA contract.

4. The Beneficiary Assignment upon Death

You can give from your IRA by designating the Church or Charity as a beneficiary of your fund. You can opt to divide the beneficiaries by a percentage or amount if you choose. Upon death, the remainder of the IRA would be granted to the designees. The tax liability of IRA's will pass to heirs at ordinary income tax rates. One way to maximize your estate planning for heirs is to do your testamentary giving from your IRA to your Church or Charity who are not liable for the taxes. This will allow other assets with less or no tax exposure to be divided among your heirs. Most IRA Beneficiary designations can be changed online.