

CHARITABLE GIFTING OF REQUIRED MINIMUM DISTRIBUTIONS

The new tax law has created a situation where charitable gifts that were likely tax deductible, no longer will be, due to the increase in the standard deduction. For seniors, the standard deduction for joint filers is now \$27,000. When also considering the lower and lower mortgage interest deduction most seniors have, it's unlikely that tithes and/or other charitable gifts will exceed \$27,000. That's why it's so important for seniors, who are receiving RMDs from IRAs or 401Ks, to know about a unique tax benefit especially designed for them.

Here's an example. Bob and Sue receive a \$10,000 RMD this year and pay taxes on it of \$2,200. They then make a charitable gift of \$10,000 to their church or charity. This gift is fully tax deductible. Bob and Sue's home is nearly paid off, so they have little mortgage interest to also deduct. Consequently, all their deductions, including the \$10,000 gift only add up to \$17,000. However, their standard deductions is now \$27,000. So, Bob and Sue use the standard deduction and not their itemized deductions, increased their taxes by \$2,200. In other words, their \$10,000 gift really cost them \$12,200.

However, if Bob and Sue had done a direct transfer from their IRA to the church or charity, it wouldn't have been treated as income. That would reduce their taxes \$2,200 and the gift would only have cost them \$10,000

We have seniors utilizing this tax break but also leveraging their RMD gift (all or in part) to fund a legacy gift of life insurance for the church or charity. Doing so allows them to ultimately gift a much greater amount over time. For example, a 70 year old female could create a \$250,000 legacy gift to their church for only \$5200 per year.

Other articles on this subject.

<https://www.forbes.com/sites/advisor/2018/02/12/how-to-give-charitable-gifts-and-avoid-paying-tax-in-2018/#3bff41454026>

<https://www.forbes.com/sites/katestalter/2017/05/17/the-abcs-of-using-your-retirement-account-for-charitable-giving/#2b399b239576>