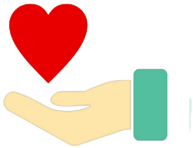
Income and/or Tax Benefits For You Through Gifting

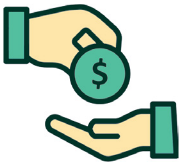
Opening Your Heart and Giving to our Community Today and in the Future

Your gift makes a tremendous impact on our community and helps us achieve the goals we set. It could be the difference between completing a project or allowing it to wither undone.

Plus, giving helps you feel better,
which has never been more important than it is today.



The National Institutes of Health found that when people give to charities, it activates regions of the brain associated with pleasure, social connection, and trust, creating a "warm glow" effect. [1]



A study by Harvard Business School professor Michael Norton found that giving money to someone else lifted participants' happiness more than spending it on themselves. [2]

Scientists also believe that altruistic behavior releases endorphins in the brain, producing a positive feeling known as the "helper's high."[3]

The Benefits of Gifting

For You. For Them. For Generations to Come.

There are various ways to make a charitable donation. Any size donation will be impactful and will help make our community a better place. Below are some donation strategies to consider and please keep in mind that we have a financial advisor available to discuss any of these options with you.

A Cash Gift

The simplest way to give is through a cash gift. When donating cash, you receive a tax deduction equal to the amount of cash you donated, less the value of any goods or services you received in return, subject to the annual standard deduction.

Using Your IRA Required Minimum Distribution (RMD).

This is a strategy known as a **Qualified Charitable Distribution (QCD).**

The Tax Cuts and Jobs Act of 2017 raised the standard deduction to $12,400 for single filers and $24,800 for married couples filing jointly for tax year 2020. Due to the higher standard deductions, fewer taxpayers are itemizing deductions when filing their returns. This has resulted in some taxpayers not realizing a tax benefit from their charitable donations.

RMDs from a regular IRA are required at age 72. This RMD counts as income and increases your tax bill. If your total charitable gift does not exceed your standard deduction - meaning you are not getting any tax benefits from your donations, you might want to consider a **Qualified Charitable Distribution.**

A Qualified Charitable Distribution is paid directly from your IRA to us. While income tax is normally due on each IRA distribution, you do not need to pay taxes on the amount transferred to our organization. By reducing your taxable income, you may also reduce your tax bill, the amount of Social Security taxes you pay, your Medicare premium, and it may also help you avoid the 3.80% Medicare surtax on investment income.

Our financial advisor can work with you on setting up an IRA Qualified Charitable Distribution by helping you to:

- Meet the strict QCD requirements
- Satisfy your required minimum distributions
- Set up a direct transfer to our organization
- Estimate your tax benefits
- Avoid the SECURE Act trap

Selling Highly Appreciated Assets

Charitable Remainder Trust (CRT)

When properly established, a trust known as a Charitable Remainder Trust can allow you to sell highly appreciated assets like stocks and real estate and:

- Pay no capital gains tax
- Convert the asset into lifetime income
- Reduce current income taxes through a charitable gift deduction

Once you pass away or after a set term, whatever is left in the trust is then contributed to our organization in your name.

Charitable Lead Trust (CLT)

This type of trust is often thought of as the inverse to a Charitable Remainder Trust.

With the CLT, you do not pay capital gains tax upon the sale of the asset, and you receive a tax deduction.

It is considered an inverse because rather than you receiving income, the income instead comes to us. When the term of the CLT ends, rather than the asset coming to our organization, it reverts back to your estate.

Please keep in mind that there are advantages and disadvantages to these structures and our financial advisor can explain the two and help you decide which may be best for you and your family.

Combining Your IRA with a Charitable Remainder Trust

There may be situations where your children would get more money with steadier monthly income if you named a Charitable Remainder Trust as the beneficiary of your IRA as opposed to naming your children directly.

And your estate might get a tax deduction too!

While the SECURE Act provided many beneficial aspects for retirees, it took away a major benefit for non-spousal beneficiaries – the ability for your children to stretch the IRA over their lifetime.

Now, your children or grandchildren must pay income tax on the entire IRA they inherited from you no later than 10 years after they received it. For large IRAs, depending on the maximum federal and state income tax in force at the time, that could be 40% to 50%+ of your IRA disappearing to taxes after the 10th year.

Where would you prefer your IRA go; to the government or to our organization?

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By naming the CRT as the beneficiary of your IRA and naming your loved ones as the income beneficiaries of your CRT, your family and this organization may receive a number of benefits.

- Since the CRT is a charitable trust, there will be no income taxes when the IRA is distributed to the CRT. This means more assets generating income for your family.
- Depending on the age of the children or grandchildren, this additional income could mean getting more money out of your IRA than if they paid the taxes after the 10th year.
- Once your heirs pass away, whatever is left in the trust is then contributed to our organization in your name.

These strategies plus others can be discussed with our financial advisor.

For more information please call Fenoy Butler at 850-208-3839 or email them at fenoy@riversidewa.com.

Disclosure:

Sources:

1 - https://www.pnas.org/content/103/42/15623

2 - https://news.harvard.edu/gazette/story/2008/04/money-spent-on-others-can-buy-happiness/

3 - https://greatergood.berkeley.edu/article/item/the_helpers_high