



CHARITABLE IRA GIVING PROVISION - FACT SHEET

Significant Changes to IRAs and Retirement Accounts in 2020

Effective January 1, 2020, the SECURE Act made several important changes to Individual Retirement Accounts (IRAs) and other pre-tax retirement accounts. The most significant changes to individuals are:

- A non-spouse designated beneficiary of your IRA who is 10 years or more younger than you can no longer withdraw IRA funds over their life expectancy. Rather, those beneficiaries, often children or grandchildren, will now have 10 years to withdraw the funds from the inherited IRA.
- Requirement Minimum Distributions (RMDs) for all pre-tax retirement accounts (traditional IRA, 401(k), 403(b), etc.) now start as of age 72, not age 70 ½.
- If you are still working past age 70 ½, you may now contribute up to \$7,000 to a traditional IRA if you have qualifying wages.

Direct tax-free charitable giving from IRAs for those age 70 ½ and older is still available - see below. Additionally, if the 10-year distribution requirement for non-spouse inherited IRAs will cause unintended consequences in your plans, we strongly recommend contacting your estate and/or tax advisor to update your strategies. With these and other changes to retirement accounts, you may want to consider charitable options for these highly taxed assets.

Tax-Free Charitable Giving from Your IRA

Tax-free gifts to charity from Individual Retirement Accounts (IRAs) is a tremendous opportunity for supporters of the Fellowship Community (legal name Rudolf Steiner Fellowship Foundation) to reap several tax benefits while helping the Fellowship to accomplish its mission of providing human-centered eldercare in a loving, intergenerational community setting. This comprehensive fact sheet summarizes the opportunities in the tax-free giving provision as options for giving to the Fellowship from your IRA or other retirement accounts.

Direct Gifts to the Rudolf Steiner Fellowship Foundation from Your IRA

If you are age 70 ½ or older, you are eligible to make tax-free distributions directly from your IRA to the Fellowship Community. The following are the basic rules for this type of gift:

- You must have reached your 70 ½ birthday before making the gift.
- The gift must come directly from your IRA account to the Fellowship Community - your IRA plan administrator will provide forms to request IRA charitable gifts, also referred to as the IRA charitable rollover.
- You can only give up to \$100,000 in IRA charitable rollover gifts in any calendar year.
- These gifts cannot involve any “donor benefits,” like tickets to a fundraising gala or anything where you might receive some benefit of monetary value.
- These gifts may be directed only towards qualified U.S. public charities like the Fellowship Community, and may not be directed to donor advised funds or supporting organizations.
- These gifts count towards your Required Minimum Distributions (RMDs).

If these guidelines are followed, your gift to the Fellowship Community will not be treated as a taxable IRA withdrawal. Since all of your IRA funds are considered “pre-tax” dollars by the IRS, not taxing IRA charitable rollover gifts is the equivalent of a full income tax deduction on any funds given through this method. Additionally, if you are no longer an itemizer on the Federal income tax return, this is an opportunity to reap tax savings from charitable giving.

Note: you may not take an income tax deduction on your Federal tax return for these gifts because these funds have already been excluded from your taxable income.

Required Minimum Distributions

A prime tax-savings feature of the IRA charitable rollover is that such gifts count towards your Required Minimum Distributions (RMDs). Once you turn age 72, you are required by law to take mandatory taxable withdrawals from your IRAs. If those funds are not needed for your retirement needs, and you would prefer not to pay income taxes on RMDs, you may simply direct some or all of your RMD to the Fellowship Community. RMD rules require all funds withdrawn from IRAs to first be counted towards your RMD requirement – if you are considering avoiding taxable RMDs, you may want to see what your upcoming RMD requirement is and first use the IRA charitable rollover gift before taking other withdrawals.

We strongly encourage you to consult with your own tax advisor about any of these options.

Tax Benefit for Non-Itemizers

An additional tax-savings feature of the IRA charitable rollover is that it benefits those who do not “itemize” deductions on their tax returns. If you are a non-Itemizer, then you generally do not receive any tax benefit from your charitable giving. As mentioned above, since an IRA charitable rollover is the equivalent of a full income tax deduction for the amount given from your IRA to the Fellowship Community, you are in effect being given a significant tax benefit for your charitable giving despite the fact that you don’t itemize deductions on your tax returns.

IRA Charitable Rollover Only Applies to IRAs

While other qualified retirement accounts are very similar to IRAs, the IRA charitable rollover only applies to actual traditional IRA accounts. This means that similar 401(k), 403(b) or other qualified retirement accounts may not be used for this type of gift. If you are interested in making an IRA charitable rollover gift from other qualified retirement accounts, we recommend that you first rollover over those other retirement funds into an IRA account and then proceed with the gift from the IRA.

IRA Giving from Those Younger Than Age 70 ½

If you are older than 59 ½ but not yet 70 ½, and are interested in making a gift to the Fellowship Community from your IRA or other retirement accounts, it is possible to be done with little or no tax cost. Any gift from your IRA to a charity will be treated as a taxable withdrawal. But, you will be entitled an income tax deduction for the same amount of taxable income incurred, generally completely offsetting the income incurred by the deemed IRA withdrawal. Under limited circumstances, though, you may either not be able to take the full offsetting deduction in the year of the gift or you may be subject to reductions in the value of your income tax deductions at certain higher income levels. We strongly encourage you to speak with your accountant to see if you are able to make such gifts with little or no tax cost.

IRA Giving from Those Younger Than Age 59 ½

There is generally a 10% early withdrawal penalty for anyone withdrawing funds from IRAs or other retirement accounts before reaching age 59 ½. Any attempt to make a charitable gift in these circumstances would trigger that penalty and therefore is not recommended.

We strongly encourage you to consult with your own tax advisor about any of these options.

Designating Rudolf Steiner Fellowship Foundation as a Beneficiary of Your IRA

In addition to the benefits we discussed for qualified IRA charitable rollover gifts, many of the Fellowship Community's supporters have decided to list us as a beneficiary of their IRAs or other retirement accounts. All funds in IRAs and qualified retirement accounts are subject to income tax after your passing, except for funds designated to charitable organizations. If you are considering a Legacy Gift to the Fellowship, designating your IRA or other retirement fund is a smart tax saving option.

Roth IRAs

In recent years, there has been much talk about the benefits of Roth IRAs. A Roth IRA is one that is funded with already-taxed funds (as opposed to pre-tax funds in standard IRAs). The benefit of a Roth IRA is that the investment growth of the funds is not subject to income tax when you withdraw it or after your passing. While we appreciate all types of gifts, it is generally not recommended to designate charitable organizations to receive the remaining funds from your Roth IRA. Rather, Roth IRAs are typically designated to family or other loved ones who receive the funds with no further tax liability.

IRA Restrictions

If you are considering leaving part of an IRA to the Fellowship Community, but also want to ensure that a loved one has access to the funds after your passing, we recommend contacting your IRA plan administrator to inquire about IRA Restrictions. These are rules that you can place on your IRA beneficiaries – limiting access to principal while preserving a remainder for an additional chosen beneficiary, including the Fellowship.

Your Legacy with the Fellowship Community

IRAs and other retirement accounts typically represent a substantial portion of individuals' financial investments today and therefore, there is great interest in using these funds for charitable needs. Whether through the IRA charitable rollover or through a beneficiary designation, we hope you will consider using some of your retirement funds to create your own legacy with the Fellowship Community and help sustain our mission for generations to come.

To learn more about our Planned Giving program please contact Carol Avery, Development Manager at carol.avery@fellowshipcommunity.org or 845-356-8494 ext. 1131.

We strongly encourage you to consult with your own tax advisor about any of these options.