

HOW TO MAKE A TAX-FREE CHARITABLE DISTRIBUTION FROM YOUR INDIVIDUAL RETIREMENT ACCOUNT



How Retirement Plan Accounts Are Taxed

Retirement plans, including individual retirement accounts (IRAs), are often subject to multiple levels of taxation if they remain in your taxable estate.

Factoring in the income tax on distributions during your lifetime, potential estate taxes, and generation-skipping transfer taxes, the total tax bill for your heirs could exceed 60 percent.

When retirement plan assets are given to charity there is no income or estate tax due and there is an unlimited charitable deduction.

It *clearly* makes a great deal of “tax sense” to give retirement plan assets to charity and other assets to heirs.

Consider making a tax-free qualified charitable distribution or a charitable beneficiary designation of your retirement plan or IRA to Bryn Mawr.

More Than You Thought Possible

IRA Charitable Rollover

As you plan your required minimum distributions for this year, if you do not need the money the government requires you to take and you would like to make a gift to Bryn Mawr, consider making a tax-free qualified charitable distribution using the IRA Charitable Rollover.

What You Need to Know

- You must be 70½ or older to make a qualified charitable distribution from your individual retirement account (IRA).
- You may distribute any amount up to \$100,000 in a calendar year to charity without paying taxes on the withdrawal.
- The gift counts toward your annual required minimum distribution.
- The gift must be in the form of an outright gift.
- The qualified charitable distribution must be made directly from a traditional IRA account by your IRA administrator to Bryn Mawr College.

Example

Mary '67 wants to make a gift for her 50th Reunion to Bryn Mawr College. She has \$530,000 in her IRA. Her required minimum distribution is \$19,343.07 and she wants her gift to the College to be \$15,000. She authorizes the administrator of her IRA to transfer \$15,000 as a tax-free qualified charitable distribution to Bryn Mawr College and the remaining portion of her required minimum distribution, \$4,343.07, to herself. The \$15,000 distributed to Bryn Mawr College will not be subject to federal income tax and will count toward her annual minimum required distribution. Mary is delighted that her gift to the Bryn Mawr Fund will fund a Merion Scholarship for a talented Bryn Mawr student.

How can we be of assistance?

Our area of expertise is charitable gift planning, and while we do not provide tax and legal advice, we are here to help you consider a gift through your qualified retirement plans, and how it can be best coordinated with your philanthropic and financial goals in mind.

Please call to discuss how making a gift through your retirement plan might work for you and for Bryn Mawr:

Office of Gift Planning
610-526-6597
giftplanning@brynmawr.edu

Benefits

While you do not receive a charitable tax deduction for this gift, the qualified charitable distribution is not subject to income taxes. This may be appealing if:

- You have already reached your maximum amount you can deduct for charitable contributions (as limited by your adjusted gross income). The charitable distribution allows you to maximize your charitable contribution while minimizing your adjusted gross income.
- You do not itemize your taxes. Since the qualified charitable deduction counts towards your required minimum distribution and is not subject to tax, your benefit is broadly equivalent to an income-tax deduction.
- You currently reside in a state that does not allow itemized charitable deductions.

FAQs

- **I don't have an IRA. Can I make a gift directly from my employer-sponsored retirement plan?** Only distributions from an individual IRA are eligible. If you have an employer-sponsored retirement plan (e.g. 401 (k) or 403 (b), SEP, etc.) consult your financial advisor about transferring assets into an IRA to be able to make a tax-free qualified charitable distribution to a charity.
- **Why would I want to take advantage of this opportunity if I can't deduct my gift?** The IRA Charitable Rollover allows individuals to avoid paying income taxes that were deferred when the funds were deposited. The result, you cannot take a charitable deduction. However, you will not be required to include the qualified charitable distribution in your gross income, thereby potentially avoiding any effect the distribution might have on your tax bracket and/or any limitations imposed on itemized deductions.
- **I'd like to use a charitable distribution from my IRA to create a gift annuity. Is this possible?** No, the donor must not receive any benefits. It is not allowed for transfers to a charitable gift annuity, charitable remainder trust, lead trust, donor advised fund, supporting organization, family foundation, etc.

Can I still make a bequest to Bryn Mawr with an IRA beneficiary designation?

Absolutely! Regardless of whether you choose to make an IRA charitable rollover gift, you can still designate Bryn Mawr College as a beneficiary to receive IRA and retirement plan assets after your lifetime. The IRA charitable rollover is simply another option for donors who would like to see their philanthropy at work now. Beneficiary designation forms are available from your retirement plan administrator.