

Smart Planning with an **IRA Rollover**



Congress has made permanent the rules for Qualified Charitable Distributions from individual retirement accounts (IRAs) in order to help charities further their good work. If you are over 70½ year of age, the Federal government permits you to donate money directly from your traditional IRA to a qualifying charitable organization without claiming any increased income or paying additional tax. These tax-free rollover gifts can be for any amount up to \$100,000 in any calendar year.

THE GOAL

You want to avoid paying more income tax now that you are required to take a distribution from your traditional IRA.

THE STRATEGY

Make a simple, easy gift to your parish, school, or Catholic organization by donating your RMD to a charity.

THE BENEFITS

Rather than pay income tax on the money you're required to withdraw from your traditional IRA, you can donate to a charity tax-free or establish a new endowment fund with a gift of up to \$100,000 directly from your IRA. There is no cost to setting up an endowment with The Foundation.

WHY WOULD I WANT TO DONATE MY REQUIRED DISTRIBUTION RATHER THAN KEEP IT?

Generally, this provision benefits donors who itemize their deductions and whose charitable contributions are reduced by the IRS percentage of income limitation. With a direct rollover you can fulfill your required minimum distribution, avoid paying income tax on it, **and** provide a significant gift to support the charitable cause that's important to you.

An IRA Charitable Rollover Gift can be made if the donor meets the following IRS guidelines:

- the donor must be 70½ years old or older
- the IRA transfer must go directly from your IRA to a qualified charitable organization
- each individual in a married couple can donate up to \$100,000 from individual IRA accounts
- Note: the gift would not be eligible for a charitable income tax deduction



Frequently Asked Questions



WHAT IS A REQUIRED MINIMUM DISTRIBUTION

If you have a traditional Individual Retirement Account (IRA), the government requires you to start taking annual withdrawals when you turn 70½ years old. This withdrawal is called a Required Minimum Distribution, or RMD. These withdrawals do not apply to Roth IRAs.

WHY DO I HAVE TO TAKE A DISTRIBUTION AND HOW MUCH DO I HAVE TO TAKE?

When you put money into a traditional IRA, it is generally on a pre-tax basis – meaning you haven't yet paid taxes on your income. Eventually, the government expects you to pay taxes on your income, so they require you to start taking distributions from your IRA at age 70½. These distributions are counted as income, and therefore taxes are owed. Check with your tax advisor to help you determine the proper amount to withdraw.

WHAT IS A QUALIFIED CHARITABLE DISTRIBUTION?

A Qualified Charitable Distribution is a non-taxable withdrawal from your retirement account that is paid directly from the IRA to a qualified charity. You are not required to claim the distribution as income or pay income tax on it. Contributions can also be made to an established endowment fund, or a new endowment fund can be started to provide financial support to a charity for years to come. Qualified Charitable Distributions to a Donor Advised Fund, however, are not allowed.

CAN A QUALIFIED CHARITABLE DISTRIBUTION SATISFY MY REQUIRED MINIMUM DISTRIBUTION FROM AN IRA?

According to the IRS, "Your qualified charitable distributions can satisfy all or part of the amount of your required minimum distribution from your IRA." For example, if your required minimum distribution is \$10,000, and you make a \$5,000 Qualified Charitable Distribution in the current year, you will still be required to withdraw another \$5,000 to satisfy your Required Minimum Distribution. The remaining \$5,000 would be considered taxable income.

CAN I STILL RECEIVE A FEDERAL CHARITABLE DEDUCTION FOR MY CONTRIBUTION TO A CHARITY UNDER THIS PROVISION?

No. Under this provision, the benefit of rolling over your distribution directly to a charity is that you do not have to claim it as income or pay income taxes on it.

IS A DONOR LIMITED TO ONE QUALIFIED CHARITABLE DISTRIBUTION PER YEAR?

Donors aged 70 ½ or older are limited to a maximum of \$100,000 in Qualified Charitable Distributions in any calendar year. A spouse can also roll over up to \$100,000 from an IRA. However, there is no requirement that the entire amount be made in one transfer or that the entire amount go to a single qualified charitable organization. Donors can request multiple direct transfers from their IRA to qualified charities in any one calendar year, but only \$100,000 can be excluded from income.

CAN I CREATE A LEGACY GIFT TO MY PARISH OR SCHOOL USING MY IRA?

To benefit a charity, you may want to establish an endowment fund in your family name with a gift of up to \$100,000 directly from your IRA. Your gift would continue to give back to the parish or school in perpetuity.

Consult with your tax adviser or your IRA administrator to learn more, or contact [The Catholic Foundation](http://www.catholicgift.org).