



Donating IRA assets to Seton LaSalle

Provision offers a tax break for retirees

How it works

The provision allows retirees 70½ and older to donate up to \$100,000 tax-free from their IRA each year. Generally, when you take a distribution from your IRA, it is treated as taxable income. Under this provision, made permanent in the 2015 federal spending and tax package, those assets are excluded from income if the distribution is made directly to charity.

The distribution is not included in your income so you avoid the potential negative consequences that regular IRA withdrawals in retirement can create, including taxes on Social Security benefits. Distributions excluded from income are also equivalent to a 100% deduction. Normally, charitable contribution deductions are limited to a lower percentage (or are eliminated altogether) for taxpayers who do not itemize and take the standard deduction.

Turn your required distributions into charitable donations

IRS rules mandate that the individuals age 70½ and older take RMDs from their IRA each year, regardless of whether the income is needed. These annual withdrawals are subject to ordinary income taxes. By making a charitable contribution from your IRA, you can satisfy your RMD amount without reporting additional income.

This provision may be especially attractive for retirees who don't need all the income from their IRA to meet current living expenses. By donating the money to charity, you can enjoy the satisfaction of knowing that you are contributing to a worthy cause while effectively lowering your tax bill.

Is a charitable contribution from an IRA right for you?

Donating IRA assets can be a financially rewarding strategy for both you and the charity you choose. As always, you should talk with your financial representative or tax advisor before making a decision that alters your tax situation.

Guidelines for donating IRA distributions to a charity

Eligibility	IRA account owner must be 70½ or older at the time of the IRA distribution in order to take advantage of this provision. Rule applies only to Traditional, Rollover, and Roth IRAs; SEPs and SIMPLE IRAs are generally excluded. Distributions of non-deductible IRA contributions also do not qualify.
Annual Limit	Maximum amount of a taxpayer's qualified charitable donation must not exceed \$100,000 per tax year and may include required minimum distributions (RMDs).
Qualifications	Distributions must be made to a qualifying charity; private foundations and donor-advised funds are not eligible. Consult a tax professional for additional information.
Direct contribution	The IRA Trustee or custodian must make the distribution directly to the charity. Distributions made payable to the IRA owner and transferred to the charity will not qualify.

Example: Tax savings from donating required IRA distribution to a qualified charity

- Charitably minded retired couple over the age of 70½ with an income of \$80,000
- Required distributions from IRA totaling \$10,000
- Claiming the standard deduction on tax return
- They make annual charitable gifts of \$10,000 annually

	Donate RMD to charity	Write a check to charity
Income	\$80,000	\$80,000
RMD	\$0	\$10,000
Total income	\$80,000	\$90,000
Standard deduction	\$26,600	\$26,600
Taxable income	\$53,400	\$63,400
Tax bill	\$6,027	\$7,227

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Tax savings of \$1,200

Talk to your financial representative

It's important to consider your tax situation before deciding whether to make a charitable contribution from your IRA. Be sure to work closely with your financial representative to determine whether this tax provision is right for you.

This information is not meant as tax or legal advice. Tax laws are complex and subject to change. Please consult a professional tax advisor to determine how this tax law affects your situation.

For more information on eligible charitable organizations, please reference Publication 78 at www.irs.gov.

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