

Giving Back To ASPIRO Has Significant Rewards

Millions of Americans choose to “give back” to their respective charitable organizations by making donations each year. ASPIRO is a qualifying organization that has been granted tax-exempt nonprofit status by the IRS.

While gifts of cash are probably the most common type of gift, many individuals find that it is beneficial to make charitable gifts in another way.

The Protecting Americans from Tax Hikes Act of 2015 was signed by President Obama on December 18, 2015. One of its provisions makes qualified charitable distributions (QCDs) permanent.

QCD provisions

IRA owners and beneficiaries who are age 70½ or older can take advantage of this opportunity. You may distribute up to \$100,000 per year directly from your Traditional IRA to a 501(c)3 nonprofit organization like ASPIRO with no federal tax consequences. QCDs may satisfy all or part of your Required Minimum Distribution (RMD) or exceed it.

Key considerations

- QCDs are IRA distributions that would otherwise be taxable. QCDs are not included in your Adjusted Gross Income (AGI), so using this strategy can lower your income and may possibly decrease the tax you pay on your Social Security income. This may also have a positive effect on your taxes with regard to deductions, exemptions, and tax credits. Check with your tax advisor to determine how lowering your AGI may benefit you.
- Although you cannot take a charitable deduction for a QCD, reducing your AGI may provide a better tax benefit. If you normally make donations to charities anyway, you may now want to consider making those donations from your IRA.

Example:

Susan is 72 and has a required minimum distribution of \$60,000 that has to be taken out of her IRA by December 31, 2016 to avoid a 50% tax penalty. Since Susan, only needs \$15,000 of her \$60,000 required minimum distribution, she can now donate the other \$45,000 directly from her IRA to the ASPIRO account. By doing this, Susan is only required to pay tax on the \$15,000, not the full \$60,000, giving her significant tax savings. If Susan is in the 35% tax bracket, this tax savings is \$15,750.

If you would like to donate to ASPIRO, stock/mutual fund transfers from your IRA are easily made electronically from your brokerage/investment account to the ASPIRO account. Please contact Nicole Hoffmann at (920) 593-4330 if you would like to know more.

Illustration provided by Ryan Johnson, CFP – Wells Fargo Advisors