SENIOR PLANET FROM AARP

Tips for Charitable Giving

By Rodney A. Brooks Monday, November 14, 2022 No Comments Share This:

With the approach of Giving Tuesday (November 29) many people contribute to their favorite charities – and seek professional help to determine how to take advantage of the tax benefits of doing so.

“It’s been a tough market for a lot of these charities,” says Craig Ferrantino, president of Craig James Financial in Melville, New York. “It’s been a little bit of a struggle with COVID. They are starting to catch up to where they were from two years ago. We do encourage clients to definitely do good. There’s a benefit to them in terms of taking their money out and donating some – if they don’t need the money.”

Here are some ways to make your contributions and get the best tax benefits:

The Required Minimum Distributions (RMD) and Qualified Charitable Distributions (QCD)

Because of new tax laws, owners of 401(k)s and IRAs don't have to worry about their required minimum distributions (RMD) until they turn 72. But they ***must*** take the distributions whether they need the money or not. That could push them into a higher tax bracket, since the income is considered taxable income. The stakes are high! The penalties for ***not*** doing so could be a whopping 50 percent of the RMD.

"There are some special provisions and an IRA requirement of distribution that you can give it to a qualified charity, and don't have to pay taxes on the distribution," says Ferrantino. "I like that very much for certain clients that don't need the income either."

The account holder gets the tax benefits of a contribution while also having the RMD ***not*** count as income in that tax year. The name of the beneficiary of the donation ***must***, however, be on the distribution check.

"A Qualified Charitable Distribution could be helpful if you are taking RMDs to reduce your taxable income," says Beau Henderson, founder of RichLife Advisors in Atlanta. "With a QCD you are making a donation to the charities of your choice directly from your IRA," he says.

"This strategy both deducts the amount donated to your charity from your taxable income ***and*** meets the requirements for your required minimum distribution RMD."

Donor Advised Fund

This is a fund created as a 501(c)(3) and you can donate, cash, stocks real estate or other investments. Your contributions can be deducted immediately, and the fund will grow tax free. There's a quick overview of them here.

A Donor Advised Fund gives you "maximum flexibility with giving," says Henderson. "It gives more flexibility in the schedule and timing of donations. You could donate $50,000, take the deduction that tax year, and distribute it over future years on a schedule that works best for you and your charity's preferences."

More tax strategies

"Think about your beneficiary," says Jennifer Belmont Jennings, wealth advisor at Hightower Wealth Advisors in St. Louis.

"Charities can be the recipient of that money and not have a tax consequence, because they're tax exempt," she says. 'You want to think about who's going to be the beneficiary of money because if a charity is going to be the beneficiary of the money, then you might as well maximize the tax benefits on your end now, knowing that the charity isn't going to have the same tax problem as your kids might have if they inherited those retirement assets."

Another easy way to make a charitable donation – at no cost to you! – is to join Amazon's AmazonSmile Program. It's a simple way for you to support your favorite charitable organization – hopefully Senior Planet – every time you shop, at no cost to you. AmazonSmile will donate 0.5% of your eligible purchases to the charitable organization of your choice. For instance, to donate to Senior Planet at no cost to you, simply visit here.