

PHILANTHROPY PROBRIEF

A Resource for Professional Advisors



COMMUNITY
FOUNDATION
OF BROWARD

For Good. For Ever.

DOES THIS CLIENT LOOK FAMILIAR TO YOU?

Your client is over 70.5 years of age and thus in the Required Minimum Distribution (RMD) period for IRA withdrawals. However, your client doesn't need part or all of the RMD due to sufficient income from other sources. You and your client realize that the added income will actually create additional negative income-tax effects. You also know your client wants to make a difference in the community and makes philanthropic contributions to support the issues and causes about which they care.

How might you best advise your client to animate their philanthropic interests and divert the RMD from recognizing it as taxable income? The answer may be Qualified Charitable Distributions from an IRA. The strategy has been in place for several years. However, it has gained greater attention since the passing of the Tax Cuts and Jobs Act (TCJA) as a way to support philanthropic interests that results in income tax benefits. The Community Foundation of Broward stands ready to be the philanthropic partner to you and your client in order to successfully implement this wealth management strategy.

WHY IS IT A SOUND STRATEGY TO CONSIDER?

- Individuals aged 70.5 and older can distribute up to \$100,000 per tax year DIRECTLY from the account custodian (the client can't take possession of the distribution) to the charities of their choice. Combined, spouses can make qualified distributions of up to \$200,000 provided each owns at least one IRA and each can distribute up to \$100,000.
- The distributions are included in the individual's Required Minimum Distribution (RMD) and can be made up to December 31 of the respective tax year.
- The distributions are not added to the Adjusted Gross Income (AGI) of the IRA owner and, as such, the IRA owner cannot take an income tax deduction for the distribution. However, it is generally a greater benefit to not recognize income than take a deduction.
- Other benefits of keeping RMD out of AGI may be keeping income below the amount subject to the Medicare Part D and high income surcharge, and reducing the percentage of social security benefits subject to taxation.
- TCJA increases the standard deduction as well as deduction limitations for cash contributions from 50 to 60 percent of AGI. For that reason, it is important to note that the tax-free transfer of qualified plan assets benefit the individuals. They can take the standard deduction and the charitable distribution is not included in AGI and taxed. In other words, they'll still get the benefit of a qualified charitable deduction strategy even if they take the standard deduction.

IS THE COMMUNITY FOUNDATION OF BROWARD A QUALIFIED CHARITY FOR THESE DISTRIBUTIONS?

YES, charitable distributions can be added to existing appropriate charitable funds or used to establish the following Fund types at the Community Foundation of Broward:

Unrestricted Fund:

This is a personalized/named endowed Fund that provides resources for long-term solutions to best address ever-changing community needs – including future needs that often cannot be anticipated. An unrestricted Fund is a cornerstone of civic leadership enabling donors to demonstrate unparalleled commitment our community's future. It's also a permanent charitable legacy that will change lives in our community for generations to come.

Field of Interest Fund:

This is a personalized/named endowed Fund created to support the specific causes the donor cares most about. This type of fund enables donors to identify and support a broad charitable purpose or issue, such as education, the arts, the environment, animal welfare, and more. The Foundation will then identify organizations capable of making the greatest impact in the donor's areas of interest.

Designated Fund:

This is a personalized/named endowed Fund that enables a donor to support his/her favorite charitable causes forever. The Foundation issues grants to the designated nonprofits and monitors how the funds are used to ensure that it always fulfills the donor's charitable intentions. Should a designated nonprofit cease to exist, the Foundation will redirect grants to another organization meeting the donor's charitable goals so his/her generosity continues to make an impact.

Please note, per IRS law, charitable distributions cannot be applied to a donor advised fund. Qualified charitable distributions may be made to Community Foundation Funds during the plan participant's lifetime and/or, as a testamentary charitable giving strategy.

By recommending this strategy to your client, you play an influential role in helping the client realize their philanthropic intent, help make an impact in the community and solve their personal wealth management concerns. It is a triple win for all.

WE'RE YOUR PARTNER!

The Community Foundation of Broward supports the charitable giving goals of your clients through customized and visionary thinking, innovative solutions, entrepreneurial spirit and results-driven action on behalf of, and in partnership with, our Fundholders. Your understanding and ability to articulate our commitment to you, your clients and our community are key to our joint successes.

Please contact David Ratcliffe, philanthropic services executive, at 954.761.9503, Ext. 121, or dratcliffe@cfbroward.org for more discussion or to set up a meeting.



- ◆ 450 charitable funds
- ◆ \$180 million in assets
- ◆ 34 years of experience
- ◆ \$100 million in community grants
- ◆ Ranked in top 100 community foundations