have to report them as income, so not only does he pay no tax on those funds, he stays in a lower tax bracket and pays a lower Medicare premium.

2: Barbara, age 81, knows that assets in her IRA could eventually be subject to both income and estate taxes. She is concerned that family members will have to pay income tax on these funds, reducing their inheritance.

Barbara decides to make maximum charitable gifts from her IRA each year and leave other, less heavily taxed assets to her family.

3: Betty and John, both age 73, receive income from several sources. They take annual RMDs from their IRAs, even though they do not currently need the additional funds. These withdrawals must be included in their taxable income, putting them in a higher tax bracket.

Betty and John decide to make charitable gifts directly from their IRAs so the gift amounts are not reported as taxable income. Because the couple does not itemize, they would not have benefitted from a charitable deduction. Their IRA gifts do not count toward limits on deductions and qualify as part of their RMD.

ACT NOW FOR THE GREATEST BENEFIT

To enjoy the full benefit of giving through your IRA for the current year, gifts must be completed **before December 31**. Check with your advisors about the best ways to take advantage of this giving opportunity, and please contact us with any questions about making gifts to **Guide Dogs for the Blind**.

Harnessing the power of partnership—connecting people and guide dogs, at no cost to our clients.

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You may also visit **guidedogs.com/planned-giving** for wire transfer instructions and more information.

The purpose of this publication is to provide general gift, estate, and financial planning information. It is not intended as legal, accounting, or other professional advice. For assistance in planning charitable gifts with tax and other financial implications, the services of appropriate advisors should be obtained. Consult an attorney for advice if your plans require revision of a will or other legal document. Tax deductions vary based on applicable federal discount rates, which can change on a monthly basis. Some opportunities may not be available in all states.

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THE CHARITABLE IRA

Guide Dogs for the Blind

TAX-ADVANTAGED GIVING THROUGH YOUR IRA

For more than 100 years, our nation's tax laws have encouraged charitable giving. For instance, charitable gifts may be deducted from income that would otherwise be taxable under federal law and the tax laws of many states. And, those who give appreciated property to charitable organizations pay no capital gains tax.

There are tax benefits to making charitable gifts from your Individual Retirement Account (IRA) as well. If you are age **70½ and older**, you may make gifts directly from an IRA to organizations you care about, like **Guide Dogs for the Blind**. These distributions will not be included in your taxable income and they count towards all or part of your annual Required Minimum Distribution (RMD).

WHY IS THIS SO SIGNIFICANT?

Most funds withdrawn from IRAs are considered ordinary income, and thus increase your total taxable income. This may push you into a higher tax bracket or result in a higher Medicare Part B premium.

Directing funds from IRAs to qualified charities instead may be to your financial benefit.

Individuals age 70½ and above may choose to make charitable gifts up to **$100,000 total per year** directly from an IRA (**$200,000 for a couple** with separate IRAs).

Because IRA funds transferred directly to qualified charities do not count as income, the donor does not need to claim an income tax charitable deduction for the gift. This is an advantage because:

- Taxpayers who claim the standard deduction rather than itemizing cannot use, and do not benefit from, a charitable deduction.
- Some taxpayers are subject to limits on the amount of charitable gifts they can deduct. These limitations do not apply to direct IRA transfers.

TAXATION OF INHERITED RETIREMENT FUNDS

When you leave your IRA to heirs and they withdraw the funds, these assets will most of the time be taxed as ordinary income. Retirement assets may also be subject to state and/or federal estate tax if left to someone other than a spouse. (Note that some states have much lower estate tax exemptions than the federal amount.)

These taxes can consume a large portion of the funds remaining in your IRA. Making gifts from these funds to tax-exempt charitable organizations, and leaving other assets to your heirs, may be a wise choice.

EXAMPLES

1: James, age 72, lives comfortably on his pension, savings, and Social Security. When he takes his required IRA distributions, the additional income moves him to a higher tax bracket and increases the Medicare Part B premium withholding from his Social Security checks.

When James makes charitable gifts directly from his IRA, he does not