



Legacy IRA - new gift option “Does it make sense for your donors?”

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Historical background



- **Legacy IRA** bill to allow direct rollover from an IRA to fund a CRT or CGA) was introduced in 2009
 - Original bill had \$400,000 annual limit for individuals 59½ then 65 and older
 - Four-year trail period
 - 5% minimum payout
 - No pooled income funds
- **QCDs** a “charitable IRA rollover” of outright gifts to charity have been around since 2006 but made permanent in 2015 (Section 408(b)(8))
- **Tax Cuts and Jobs Act of 2017** nearly doubled the standard deduction, but non-itemizers have IRAs too

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Secure Act 2.0 Legacy IRA (2022)

- Changes to required minimum distribution (RMD) starting ages
 - RMDs will be required at age **73** for people born between 1951-1959 (was age 70 ½)
 - Must be taken by April 1 of the year following the year you turn age 73
 - RMD will be required at age **75** for people born 1960 and later
- Required minimum distributions are NOT optional
- Penalty reduced from 50% to 25%
 - Reduce the shortfall within two years and penalty reduces to 10%
- NOTE -**
- Starting age for Qualified Charitable Distribution still 70½
- Indexed \$100,000 QCD limit to inflation
- Defined the Legacy IRA to fund a CGA or CRT rules

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Qualified Charitable Distribution basics


- A qualified charitable distribution (QCD) allows individuals who are **70½** years old or older to donate up to **\$100,000** total to one or more charities directly from a **taxable IRA** instead of taking their required minimum distributions
- No charitable deduction
- No taxable income
- No donor advised fund
 - Field of interest funds allowed
- Direct to charity
- Fulfill RMD requirements

HAVE YOU ROLLED OVER?

Make Our Community Healthier With Your IRA Rollover


If you are at least 70 ½ years old, you can transfer up to \$100,000 directly to the Grennett Medical Center Foundation. Accelerate access to high-quality healthcare in our community from a traditional or Roth IRA without paying income tax on the withdrawal - and help you meet your required minimum distribution.

GRENNETT MEDICAL CENTER FOUNDATION IS A 501(C)(3) ORGANIZATION. QCD BY THE DIRECT METHOD.




Grennett Medical Center Foundation
gmgiving.plannygift.org 678-312-8500

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Legacy IRA/QCD mechanics

- Many people don't need their RMDs as they live comfortably off other sources of income and defer taking RMDs until necessary
 - Social security, pensions, individual investments, self employment income
- A gift to charity via a Qualified Charitable Distribution (QCD) is **only way** to avoid additional taxable income as assets are removed from future RMD calculations



ARE YOU 70.5 OR OLDER?

If so, you can make a **tax-free gift** directly from your IRA account. This kind of donation not only helps the Gwinnett Medical Center Foundation meet our goals in real-time but may also help you reduce your future tax burden, allowing you to give and save at the same time:

- IRA gifts are generally tax-free, regardless of whether or not you itemize on your tax return.
- Because of recent legislation, donors 73 and older, as well as donors who have taken a Required Minimum Distribution (RMD) in the past, are subject to RMDs. IRA gifts can satisfy this amount!

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Legacy IRA/QCD mechanics under Secure 2.0

After age 70½ Legacy IRA- QCD/CGA/CRT/CRAT possible	One-time only gift/QCD	Limit \$50,000 No deduction No additions No assignment
Beneficiary must be donor and/or spouse	Payments must be 5.00% or higher	All payments taxed as ordinary income- fully taxable
Payments must begin within 1 year of gift date	Most donors will choose CGA for simplicity and ease of management	Legacy IRA-QCD will be managed outside of IRA = asset reduction


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Gift Annuity Basics


Charity CGA	Legacy IRA/QCD
<ul style="list-style-type: none"> ■ Fixed lifetime payments backed by charity assets ■ CGA may be reinsured ■ One-life or two-life agreements ■ Payments depend on age(s) ■ Immediate or deferred payments ■ Immediate income tax charitable deduction ■ Partial tax-free payments ■ Partial avoidance of gain on appreciated asset gifts 	<ul style="list-style-type: none"> ■ Fixed lifetime payments ■ One or two-life agreements ■ Payments depend on age(s) ■ Immediate payments only ■ No income tax deduction ■ Payments fully taxable ■ Cash only no appreciated assets and no mix of assets ■ No additions ■ No assignment of income to others ■ Conversation starter

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Gift annuity payment rates



Single Life			Two Life	
Age of Donor	Payment Rate		Age of Donors	Payment Rate
60	4.90%		60/60	4.40%
61	5.00%	❖	65/65	4.70%
65	5.40%		66/71	5.00%
70	5.90%		70/70	5.20%
75	6.60%		75/75	5.80%
80	7.60%		80/80	6.50%




ACGA rates effective January 1, 2023

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Interesting options

- IRA owner (70½) with younger spouse could do a **single life** Legacy IRA-CGA for a spouse aged 61 which would pay 5.0% for life (LE 29.8) (2012 IRA table)
- IRA owner (70½) with younger spouse could do a **two-life** Legacy IRA-CGA with a spouse age 66 which would pay 5.0% for life (LE 31.4) (2012 IRA table)
- IRA beneficiary is distant relative and decreasing support is not an issue



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Nancy Noland – Pros & Cons

CGA –PROS & Cons	Legacy CGA Pros & Cons
<ul style="list-style-type: none">■ Itemize her taxes■ Charitable deduction is important if wanting to reduce current taxes■ Has appreciated assets or other cash to fund CGA■ Has the ability to make larger than \$50,000 QCD or cash/stock gift■ Has created other deductions to offset the impact of the taxable IRA taxable cash withdrawal	<ul style="list-style-type: none">■ Donor does not itemize■ No spouse or children IRA beneficiary■ IRA has excess assets■ Reduction in assets may result in lower future RMDs■ Explaining the benefits of a Legacy IRA-CGA leads to other gift discussions■ Income fixed and guaranteed■ Spreads tax on payments over life expectancy

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Nancy Nolan \$50,000 CGA

Charitable Gift Annuity

Prepared For Nancy Nolan (75)

1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of \$23,228 may save \$5,575.

2. Annuity of \$3,300.00 for one life. Tax-free amount \$2,158.20. Estimated one life payout of \$51,480. Effective payout rate 9%.

3. Quarterly payments for one life. Property passes to charity with no probate fees. There are also no estate taxes.

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Nancy Noland \$50,000 Legacy IRA-CGA

IRA to Gift Annuity


Prepared For Nancy Nolan (75)

1. IRA for gift annuity. Tax-free IRA rollover. Ordinary income payouts from gift annuity.

2. Annuity of \$3,300.00 for one life. Tax-free amount \$0.00. Estimated one life payout of \$51,480.

3. Quarterly payments for one life. Property passes to charity with no probate fees. There are also no estate taxes.


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Gift Annuity Basics

Charity CGA	Legacy IRA/QCD
<ul style="list-style-type: none"> ■ Nancy Noland, age 75, single life ■ Cash = \$50,000 ■ Payment rate 6.60% ■ Deduction \$23,228.09 ■ Annual payment \$3,300.00 ■ Quarterly payments \$825.00 ■ Tax-free payment \$2,158.20 ■ Ordinary income \$1,141.80 ■ Effective payout 8.96% <ul style="list-style-type: none"> ■ Combination of reduced taxes and tax-free payment over life expectancy of 2035 ■ Net after taxes \$3,025.96 (24%) ■ Cost of gift if paying taxes \$12,000 	<ul style="list-style-type: none"> ■ Nancy Noland, age 75, single life ■ QCD = \$50,000 (cash) ■ Payment rate 6.60% ■ Deduction \$0.00 ■ Annual payment \$3,300.00 <ul style="list-style-type: none"> ■ All taxed as ordinary income ■ Quarterly payment \$825.00 ■ Tax-free payment \$0.00 ■ Effective payout 6.60% ■ Net after taxes \$2,508

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Farm out your gift annuity



NATIONAL GIFT
Annuity Foundation

<https://nationalgiftannuity.org/>

- ❖ Our secure structure allows charities to outsource gift annuities. Donors can receive a lifetime income and grant 100% of the remaining assets back to their favorite causes.
- ❖ The National Gift Annuity Foundation offers immediate, deferred and flexible gift annuity structures, allowing you to meet your lifetime income payment needs.
- ❖ By pooling these life income gifts, we can create investment, compliance, administration and risk management efficiencies to maximize the final grants to your favorite charities.
- ❖ NGAFF is part of the Dechomai Foundation, which was founded in 2003 and works with many of the country's largest charities for illiquid asset receipt, management, and disposition.

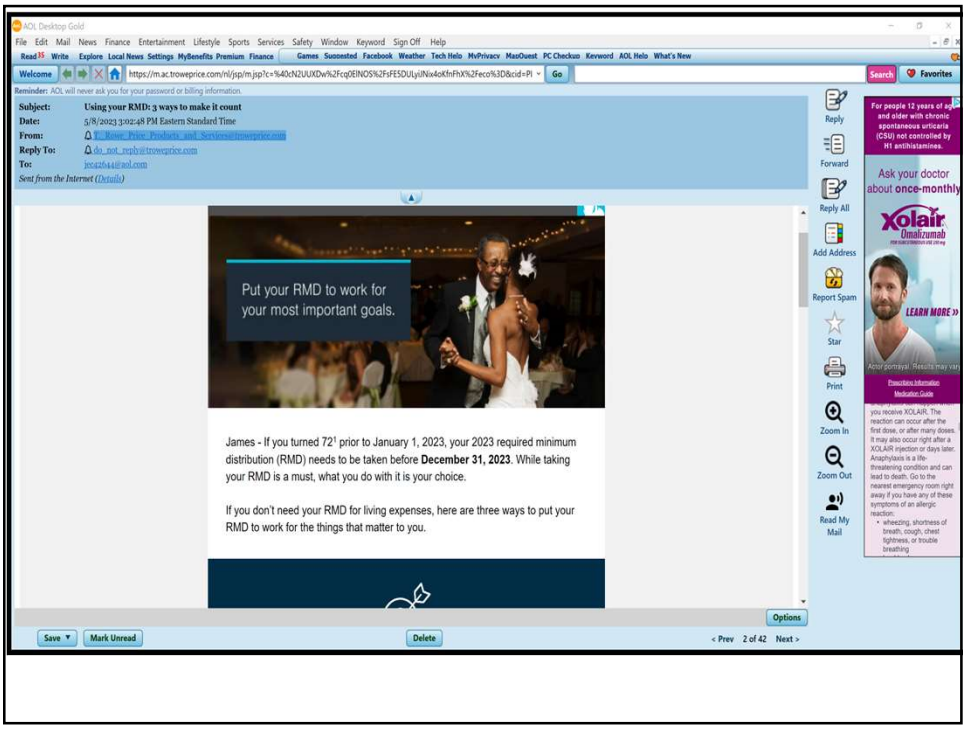
NOTE: Maryland requires approval of CGA agreements, new forms must be submitted with new IRA-QCD-CGA wording on assignment of income.

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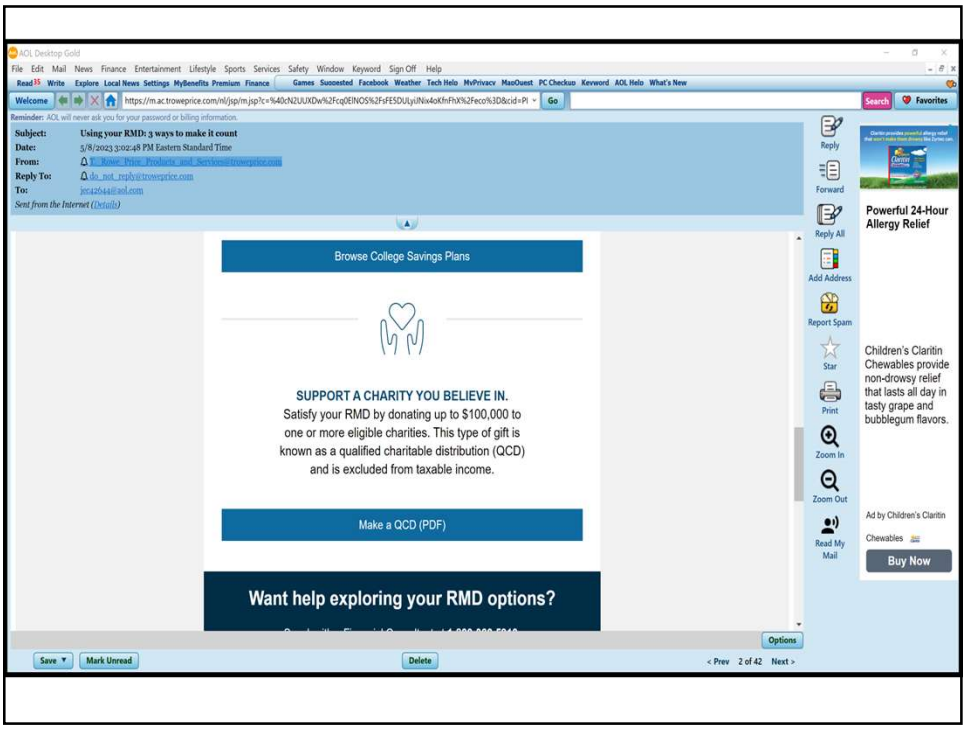
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