

# Giving. Gifting. Saving. Shifting.

By Evelyn Preston



**“Charity begins at home,” is the line I’ve used to wiggle out of those endless appeals for money. Seniors are sought for their higher saving rates and generous spirits.**

Like most people, I do honor charities of my choice—special causes that educate like MADD; sponsor marches, walks and runs for cures/research; sustain community and institutions—plus gifting money to my kids. As we age, we may enjoy more resources to donate as well as discover new ways for “doing right by doing good” for ourselves and others.

## Q: What is a charitable IRA rollover?

After 70 ½ (the Required Minimum Distribution age to start drawing down IRAs), IRA owners may designate \$5,000-\$100,000 a year to a charity of their choice. This allowable rollover has no tax consequences and is one way to give pre-tax dollars to a favorite charity—as a one-time gift or yearly donations.

## Q: What is a charitable gift?

This effective retirement planning tool offers a way to transfer tax-free dollars to your heirs and reduce your taxable estate. Currently, the amount is \$14,000 per year to each family member plus there are ways to combine several years up to a life-time designated amount of \$5 million. Specific IRS codes allow other tax savings strategies: (Research carefully or consult a tax expert.)

- “Kiddie Tax” rates used to partially lower taxes on dollars given to children—currently much less effective than in years past
- 529 pre-tax saving plans for higher education
- Education dollars directly transferred to colleges/universities
- Specific provisions regarding loans and credits

## Q: What is a charitable remainder trust?

Often called a Wealth Replacement Trust, a WRT works well for extremely high net worth individuals. Used in retirement for philanthropy and retirement income, it’s a way to transfer assets to avoid income and estate taxes. However, the trust is irrevocable, the laws are complicated, the effective amounts are high but if this might apply in your situation, seek professional advice.

## Q: What is a charitable annuity?

This dual purpose financial planning tool worked very well for my 85 year old brother. Instead of willing a large amount of money to a specific charity after he died, he bought an annuity for that same dollar amount that paid him 9.5% a year income (partially tax free), during his lifetime. The principal is retained by the charity upon his death—a true win-win for all!

Many entities that seek donors (from AARP to religious organizations), offer this strategy. However, seek out the less well-known/less advertised groups, like universities,

which often give a higher rate of return—all are based on age. Research and compare available annuities philanthropically related to your area of interest (human rights, conservation, etc.) and that also pay well.

## Q: Can I deduct charitable giving from my income tax?

Yes, but... there are rules and regs in the tax code that provide a write-off for donations to recognized charities from old cars and used clothing to monetary gifts. Many people “tithe” or give a percentage of their earnings to churches, food banks, etc. We can’t escape appeals like KQED pledge drives nor not be affected by the pressing needs of so many worthy causes. Choose wisely. Proof is required. Keep receipts, check copies and signed paperwork—precise reporting required. Don’t fudge or pad charitable amounts that might raise a red flag with the IRS. Never worth the possible hassle or penalty!

Caveat: This general information offers only some basics on charitable giving. Find more via financial sites like InvestorWords, #webfinance and company guides (Vanguard, Charles Schwab, et al.) Tax-planning is personal. Changing tax laws require expert advice from advisors, trust attorneys or tax professionals.

---

*Evelyn (Evie) Preston is a finance columnist for ActiveOver50 and has worked as a financial advisor for over 25 years. Reach her at 650.494.7443. Her book “Memoirs of the Money Lady” is available at [eviepreston.com](http://eviepreston.com).*