

FIRST
NAZARENE
CHURCH

4 WAYS TO
GIVE
FROM YOUR
**Individual Retirement
Account (IRA)**



INTRODUCTION

One of the most common retirement planning tools is the Individual Retirement Account (IRA). Approximately 80% of Americans own one. Qualified retirement plans, such as the IRA have been popular because they are funded by pre-tax dollars, enabling employees the opportunity to build their nest egg and defer ordinary income tax until they begin to receive distributions.

This strategy can become challenging for retirees who are required to receive income from the IRA whether they need it or not and may elevate them to a higher tax bracket. Since many retirees take the standard deduction vs. itemizing, it can be difficult for them to solve tax challenges and have enough cash to fund their lifestyles.

The good news is that the IRS has provided four ways that a person can give from their IRA to alleviate taxes for themselves and ultimately for their heirs.

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1. The Qualified Charitable Distribution (QCD)

If you are 70.5 years old, a Qualified Charitable Distribution is a great way to reduce taxable income from your IRA as well as make an impact for God's Kingdom.

Sometimes called the IRA Rollover, you are allowed to give up to \$105,000 per year from your IRA. This donation will count toward the mandatory Required Minimum Distribution you are required to take at age 73.

You do not receive a tax deduction for this gift; however, you are able to eliminate the ordinary income tax that you would normally be required to pay on distributions.

For more information about how to make a gift from your QCD, contact your IRA administrator.

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2. The Assignment of the Required Minimum Distribution (RMD)

In December, 2022, SECURE Act 2.0 was signed into law, raising the age limit for Required Minimum Distributions to age 73. The RMD is the mandatory minimum distribution that each IRA owner is required to receive each year. Failure to do so is subject to a 25% penalty.

One way you can give is to have the RMD directly assigned to First Nazarene Church. Since the money

bypasses your income and is distributed directly to your church, income taxes are eliminated. Although the income tax is eliminated, you will not receive a tax deduction for this gift.

You can make the assignment through your annual election form or by contacting your IRA administrator.

3. The Creation of a Charitable Gift Annuity (CGA)

SECURE ACT 2.0 also enabled IRA owners the one-time opportunity to create a \$50,000 Charitable Gift Annuity from their QCD at age 70.5.

A Charitable Gift Annuity is an individual contract between you and the Church or charity. The annuity pays an annual stream of income to you based on the rate determined annually by the Association of Charitable Gift Annuities (ACGA).

Part of the income is taxable, and part is tax free. The contract guarantees income for up to two lives (you and a surviving spouse, for example), and upon death the remainder is remitted to your church.

You and your spouse may combine your \$50,000 allowances into one \$100,000 CGA, provided you each independently own an IRA. The first step is to contact Pastor Phil Kizsee [pkizsee@firstnaz.cc or 708-349-0454] to create a CGA contract. Once that is created, then contact your IRA administrator for assistance in funding the annuity.

4. The Beneficiary Assignment Upon Death

The final way to give from your IRA is to designate First Nazarene Church as the beneficiary of your fund. You can opt to divide the beneficiaries by a percentage or amount if you choose. Upon death, the remainder of the IRA would be granted to the designees.

The tax liability of IRAs will pass to heirs at ordinary income tax rates. One way to maximize your estate planning for heirs is to do your testamentary giving from your IRA to your church who are not liable for the taxes. This will allow other assets with less or no tax exposure to be divided among your heirs. Most IRA beneficiary designations can be changed online. If not, contact your IRA administrator for assistance.

Contact your financial planner or First Nazarene's ministry partner

[tim.deatruck@mortarstonecharitable.org] to see if any of these options are a good fit for you.