How to donate to Charity directly from your IRA

It is difficult to overstate the importance of individual retirement accounts -IRAs- in the United States. IRAs were designed to encourage people to save for retirement, and they have succeeded in that goal. In 2021, the total value of IRAs held by Americans was an estimated 11.8 trillion dollars. For countless Americans, IRAs are a cornerstone of their tax, financial and retirement planning-and a significant part of their personal wealth.

But thanks to changes in the federal tax code over the last few years, IRAs have become more than retirement vehicles. They have become **charitable superheroes**.

In 2017, Congress passed the Tax Cuts and Jobs Act, which made qualified charitable distributions a permanent part of the tax code. With a qualified charitable distribution, you make a gift directly from your IRA to the charities of your choice. These distributions – up to $100,000 per year, **count toward meeting your required minimum distribution without increasing your taxable income.** And you can **make the world a better place in the process.** It's a win-win scenario.

But the charitable uses of IRAs don't end there. If you decided to include a gift of charity as part of your estate plan, IRAs are one of the best assets you can use for that purpose. Why? Because, unlike other assets, IRAs are taxable at ordinary income tax rates- as high as 37% - when you bequeath them to an individual heir. But the tax rate drops to 0% when IRAs are left to charity.

Here's an example. Let's say you have an IRA and a certificate of deposit, both with $100,000. You want to give one to charity and the other to an heir who is not your spouse. What are the tax implications?

IRA to Heirs:

Heir:	$100,000
Income Tax*	- $35,000
After Taxes =	$65,000

*Assumes 35% tax bracket and no estate tax.

IRA to Charity:

Charity:	$100,000
Income Tax	- $0
After Taxes =	$100,000

By comparison, a $100,000 CD has a much lower tax rate for your heirs – as low as 0%. So bequeathing the CD to your heirs maximizes their inheritance by reducing their tax burden, while leaving your IRA to a charitable organization, such as St. Edmunds Building Fund, maximizes the impact you have on your community.

Remember to consult with your tax planner or financial advisor before making any decisions regarding your IRA account.