



DOMINICAN FRIARS FOUNDATION

FACT SHEET – CHARITABLE IRA GIVING PROVISION

Significant Changes to IRAs and Retirement Accounts in 2020

Effective January 1, 2020, the SECURE Act made several important changes to Individual Retirement Accounts (IRAs) and other pre-tax retirement accounts. The most significant changes to individuals are:

- A non-spouse designated beneficiary of your IRA who is 10 years or more younger than you can no longer withdraw IRA funds over their life expectancy. Rather, those beneficiaries, often children or grandchildren, will now have 10 years to withdraw the funds from the inherited IRA.
- Requirement Minimum Distributions (RMDs) for all pre-tax retirement accounts (traditional IRA, 401(k), 403(b), etc...) now start as of age 72, not age 70 ½.
- If you are still working past age 70 ½, you may now contribute up to \$7,000 to a traditional IRA if you have qualifying wages.

Direct tax-free charitable giving from IRAs for those age 70 ½ and older is still available - see below. Additionally, if the 10-year distribution requirement for non-spouse inherited IRAs will cause unintended consequences in your plans, we strongly recommend contacting your estate and/or tax advisor to update your strategies. With these and other changes to retirement accounts, you may want to consider charitable options for these highly taxed assets.

Tax-Free Charitable Giving from Your IRA

Making tax-free gifts to charity from Individual Retirement Accounts (IRAs) is a tremendous opportunity for supporters of the Dominican Friars to reap several tax benefits while helping to rescue this generation and restore faith and reason and Gospel values to our culture. This comprehensive fact sheet summarizes the opportunities in the tax-free giving provision as other options for giving to the Dominican Friars Foundation from your IRA or other retirement accounts.

Direct Gifts to the Dominican Friars Foundation from Your IRA

If you are age 70 ½ or older, you are eligible to make tax-free distributions directly from your IRA to the Dominican Friars Foundation. The following are the basic rules for this type of gift:

- You must have reached your 70 ½ birthday before making the gift.

- The gift must come directly from your IRA account to the Dominican Friars Foundation*- your IRA plan administrator will provide forms to request IRA charitable gifts, also referred to as the IRA charitable rollover. * See instructions on page 5.
- You can give up to a maximum of \$100,000 in IRA charitable rollover gifts in any calendar year.
- These gifts cannot involve any “donor benefits,” like tickets to a fundraising gala or anything where you might receive some benefit of monetary value.
- These gifts may be directed only towards qualified U.S. public charities like the Dominican Friars Foundation, and may not be directed to donor advised funds or supporting organizations.
- These gifts count towards your Required Minimum Distributions (RMDs).

Following these guidelines, your gift to the Dominican Friars Foundation will not be treated as a taxable IRA withdrawal. Since all of your IRA funds are considered “pre-tax” dollars by the IRS, not taxing IRA charitable rollover gifts is *the equivalent of a full income tax deduction on any funds given through this method*. Additionally, if you are no longer an itemizer on the Federal income tax return, this is an opportunity to reap tax savings from charitable giving.

Note: you may not take an income tax deduction on your Federal tax return for these gifts because these funds have already been excluded from your taxable income.

Required Minimum Distributions

A prime tax-savings feature of the IRA charitable rollover is that such gifts count towards your Required Minimum Distributions (RMDs). Once you turn age 72, you are required by law to take mandatory taxable withdrawals from your IRAs. If those funds are not needed for your retirement needs, and you would prefer not to pay income taxes on RMDs, you may simply direct some or all of your RMD to the Dominican Friars Foundation. RMD rules require all funds withdrawn from IRAs to first be counted towards your RMD requirement – if you are considering avoiding taxable RMDs, you may want to see what your upcoming RMD requirement is and first use the IRA charitable rollover gift before taking other withdrawals.

Tax Benefit for Non-Itemizers

An additional tax-savings feature of the IRA charitable rollover is that it benefits those who do not “itemize” deductions on their tax returns. If you are a non-Itemizer, then you generally do not receive any tax benefit from your charitable giving. As mentioned above, since an IRA charitable rollover is the equivalent of a full income tax deduction for the amount given from your IRA to the Dominican Friars Foundation, you are in effect being given a significant tax benefit for your charitable giving despite the fact that you don’t itemize deductions on your tax returns.

IRA Charitable Rollover Only Applies to IRAs

While other qualified retirement accounts are very similar to IRAs, the IRA charitable rollover only applies to actual traditional IRA accounts. This means that similar 401(k), 403(b) or other qualified retirement accounts may not be used for this type of gift. If you are interested in making an IRA charitable rollover gift from other qualified retirement accounts, we recommend that you first rollover those other retirement funds into an IRA account and then proceed with the gift from the IRA.

IRA Giving from Those Younger Than Age 70 ½

If you are older than 59 ½ but not yet 70 ½, and are interested in making a gift to the Dominican Friars Foundation from your IRA or other retirement accounts, it is possible to be done with little or no tax cost. Any gift from your IRA to a charity will be treated as a taxable withdrawal. But, you will be entitled to an income tax deduction for the same amount of taxable income incurred, generally completely offsetting the income incurred by the deemed IRA withdrawal. Under limited circumstances, though, you may either not be able to take the full offsetting deduction in the year of the gift or you may be subject to reductions in your value of your income tax deductions at certain higher income levels. We strongly encourage you to speak with your accountant to see if you are able to make such gifts with little or no tax cost.

IRA Giving from Those Younger Than Age 59 ½

There is generally a 10% early withdrawal penalty for anyone withdrawing funds from IRAs or other retirement accounts before reaching age 59 ½. Any attempt to make a charitable gift in these circumstances would trigger that penalty and therefore is not recommended.

Designating the Dominican Friars Foundation as a Beneficiary of Your IRA

In addition to the benefits we discussed for qualified IRA charitable rollover gifts, many of the Dominican Friars' supporters have decided to name us as a beneficiary of their IRAs or other retirement accounts. All funds in IRAs and qualified retirement accounts are subject to income tax after your passing, except for funds designated to charitable organizations. If you are considering a Legacy Gift to the Dominican Friars, designating your IRA or other retirement fund is a smart tax saving option.

Roth IRAs

In recent years, there has been much talk about the benefits of Roth IRAs. A Roth IRA is one that is funded with already-taxed funds (as opposed to pre-tax funds in standard IRAs). The benefit of a Roth IRA is that the investment growth of the funds is not subject to income tax when you withdraw it or after your passing. While we appreciate all types of gifts, it is generally not recommended to designate charitable organizations to receive the remaining funds from your Roth IRA. Rather, Roth IRAs are typically designated to family or other loved ones who receive the funds with no further tax liability.

IRA Restrictions

If you are considering leaving part of an IRA to the Dominican Friars, but also want to ensure that a loved one has access to the funds after your passing, we recommend contacting your IRA plan administrator to inquire about IRA Restrictions. These are rules that you can place on your IRA beneficiaries – limiting access to principal while preserving a remainder for an additional chosen beneficiary, including the Dominican Friars.

Your Legacy with the Dominican Friars

IRAs and other retirement accounts typically represent a substantial portion of individuals' financial investments today and therefore, there is great interest in using these funds for charitable needs. Whether through the IRA charitable rollover or through a beneficiary designation, we hope you will consider using some of your retirement funds to create your own legacy aligned with the 800-year legacy of the Dominican Friars to continue to preach the truth, in season and out, to build up a civilization of life and love for generations to come.

If you have any questions about the information contained in this document, please call Diana Kilarjian at 646-350-0108 or email at Diana.Kilarjian@DominicanFriars.org.

This information does not constitute legal or financial advice and we strongly encourage you to consult with your tax advisor about these strategies and whether they may be appropriate to your individual circumstances.

MAKE A TAX-FREE GIFT FROM YOUR IRA

Instructions

Thank you for considering a gift to the Dominican Friars both now, and as a legacy gift via a beneficiary designation, of your IRA. Your gift would go a long way towards helping to renew the culture, both now and for future generations.

Following are the instructions to make a direct transfer from your banking institution and below is the information to make a legacy gift to the Friars by setting up a beneficiary designation.

Direct Transfer:

Capital One

ABA or Routing # 021407912

Checking Acct# - 752 849 7572

Dominican Foundation

Beneficiary Designation:

The Dominican Foundation of Dominican Friars Province of St. Joseph, Inc. is a NY State tax-exempt corporation under section 501(c) (3) of the Internal Revenue Code (EIN 26-3273636).

If you have any questions, please call Diana Kilarjian at 646-350-0108 or email at Diana.Kilarjian@DominicanFriars.org.

The SECURE Act Chart of Major Law Changes

Category	Old Law	New Law	Observations
Stretch Distributions	Allowed IRA/Qualified Retirement Plan owners to leave accounts to children or grandchildren, to be taken over the recipient's life expectancy	Non-spouses must take funds by 10 th year following death of plan owner Exceptions: <ul style="list-style-type: none"> • Spouses • Minor child – gets 10 years after age 18 • Disabled/ chronically ill • Beneficiaries not more than 10 years younger 	All Stretch plans must be revisited <ul style="list-style-type: none"> • Attorneys will be reaching out to clients • Financial planners will be cooking up schemes Alternatives: <ul style="list-style-type: none"> • CRTs • Life insurance • Roth conversions • Choose any of the 10 year window to withdraw
Required Minimum Distributions (RMDs)	Starts at age 70 ½ (or April 1 thereafter)	RMDs now from age 72 (effects anyone turning 70 ½ after 12/31/19)	Additional retirement savings – possibly more assets for family and/or charitable beneficiaries
IRA Contributions Age Limits	No additional IRA contributions from age 70 ½+	Maximum age limitations eliminated (effective 12/31/19)	Many 70 ½+ year-olds may start new tax deductible IRA contributions (up to \$7,000 a year) if they have the wages* Even more retirement savings for beneficiaries

*Anyone making additional contributions to their IRAs past age 70 ½ who plans to make a direct IRA rollover gift should consult with their accountant or legal counsel.