FINANCIAL FRIDAYS nymeo Federal Credit Union

Donating Retirement Assets to Charity

If you plan on donating retirement assets to charity, there are a few facts to consider:

Donating during your lifetime:
To donate retirement plan assets during your lifetime you would need to take a distribution from the retirement account, include the distribution in your income for that year, account for any taxes associated with the distribution, and then contribute cash to the charity—with one exception. People who are age 70 ½ or older can contribute up to $100,000 from their IRA directly to a charity and avoid paying income taxes on the distribution. This is known as a qualified charitable distribution.

Read more qualified charitable distributions here.

As part of an estate plan:
By contrast, there can be significant tax advantages to donating retirement assets to charity as part of an estate plan. When done properly, charitable donations of retirement assets can minimize the amount of income taxes imposed on both your individual heirs and your estate.

Tax implications of donating retirement assets:
Retirement plan benefits are only payable to the employee or account holder who earned them, with a few exceptions for spouses or survivors. Except for a qualified charitable distribution as described above, distributions from non-Roth retirement plans are taxable as ordinary income to the person who receives them.

This is true whether the recipient is the original account holder or a beneficiary of the account holder. Unlike other inheritances that can pass to heirs free of income tax, distributions from inherited retirement plans are taxable as ordinary income to the person who receives them.

Donating an IRA to charity upon death
When you name a charity as a beneficiary to receive your IRA or other retirement assets upon your death, rather than donating retirement assets during your lifetime, the benefits multiply:

- Neither you and your heirs nor your estate will pay income taxes on the distribution of the assets.
- Your estate will need to include the value of the assets as part of the gross estate but will receive a tax deduction for the charitable contribution, which can be used to offset the estate taxes.
- Because charities do not pay income tax, the full amount of your retirement account will directly benefit the charity of your choice.
- It’s possible to divide your retirement assets between charities and heirs according to any percentages you choose.
- You have the opportunity to support a cause you care about as part of your legacy.

Interested in getting expert advice?

Kylie, as a Nymeo member, remember that you have access to two seasoned financial advisors - Anna Behnam and Irene Tata.

Schedule a Complimentary Consultation

Anna A. Behnam
Financial Advisor

Irene Tata
Financial Advisor

How much does a financial advisor cost?

Your initial meeting with Anna or Irene is complimentary! Depending on your specific need, as well as the complexity of your situation, you may choose to pay for additional options. Schedule a time to speak with them at your convenience.

Investment products are not federally or NCUA-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

The initial consultation provides an overview of financial planning concepts. You will not receive written analysis and/or recommendations.

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