RETIREMENT PLANNING AND CHARITABLE GIVING:

THE IMPACT OF THE SECURE ACT

By Shannon Braun, attorney at Godfrey & Kahn and a member of the Greater Milwaukee Foundation Young Professional Adviser Council.

Recent legislation may impact your tax and charitable planning. The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which took effect Jan. 1, 2020, expands benefits associated with IRA, 401(k) and other qualified retirement plans. Most notably, the law shifts when account owners must begin taking required minimum distributions. However, RMDs are suspended in 2020 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law March 27, 2020.

Previously, individuals were required to take RMDs after reaching age 70½ and were not allowed to make contributions to a retirement plan after that age. Under the SECURE Act, and following the 2020 suspension, the requirement shifts to an account owner reaching age 72, and the prohibition of making contributions after the age of 70½ was removed.

For a donor age 70½ or over, a qualified charitable distribution (QCD) of up to $100,000 per year is still available under the SECURE Act and will not increase the donor's taxable income, provided that the distribution is made directly from the IRA to a qualified charity. Distributions to donor advised funds, private foundations and supporting organizations are not eligible for QCD treatment. Upon turning 72, the donor's QCDs will offset his or her RMDs.

The CARES Act adds another layer of analysis for charitable planning in 2020. The law eliminates the adjusted gross income limitation for individual cash charitable contributions made during 2020 and provides a $300 above-the-line charitable deduction for individual taxpayers who take the standard deduction ($600 for a married couple). These new rules apply only to cash contributions made directly to qualified charities, which, like the QCD rules described above, do not include donor advised funds, private foundations and supporting organizations.

Benefits of a qualified charitable distribution

While Sherry and Norm Malmon had named the Greater Milwaukee Foundation in their estate plan, they had not yet created a fund. With the government requirement to take distributions from her IRA, Sherry became aware that she could make a tax-free gift from her IRA to a designated fund at the Foundation. As Norm explained, "We saw a perfect opportunity to start funding our charitable plan and begin seeing our goals come to fruition within our lifetime."

Sherry and Norm Malmon

Still wondering if a charitable IRA rollover gift makes sense for you? Contact Mary Kay Mark, senior director of gift planning, at mkmark@greatermilwaukeefoundation.org or 414.336.7066 to discuss your specifics.

Reposted with permission from the Greater Milwaukee Foundation.