NORWICH UNIVERSITY

Top 10 Ways
to Give Smarter at the End of 2022

- Published on October 21, 2022 by Russell James, J.D., Ph.D., CFP®

1. Take advantage of inflation.

The price of everything seems to be going up! If you own assets that have gone up in value too, this can also increase your capital gains taxes. However, when you donate those appreciated assets instead of cash, you avoid paying those taxes.

2. Make a charitable swap: Give appreciated investments WITHOUT changing your portfolio

Donating appreciated assets creates TWO tax benefits. The tax deduction is the same size as a gift of cash. (The asset must have been owned for a year or more.) PLUS, you avoid paying capital gains tax. With a charitable swap, you donate old shares of stock and immediately buy new shares in the same company. Your portfolio doesn't change. But the capital gain is removed. (There is no waiting period. Why? Because this is gain property not loss property. So, the "wash sale" rule doesn't apply.)

3. Take advantage of higher interest rates

Interest rates have gone up. You can lock in these higher rates for life with a Charitable Gift Annuity. This gift pays you income for life. Donors receive fixed annual payments and a charitable tax deduction while supporting the nonprofit. Higher interest rates make the charitable deductions even larger than before. (For an extra tax benefit, you can fund these by giving appreciated assets instead of cash.)

4. Make IRA gifts @ age 72+

Those age 72+ must take RMDs (Required Minimum Distributions) from their retirement accounts like IRAs or IRA rollovers. These distributions count as taxable income. But giving directly from your IRA or IRA rollover to a nonprofit does not count as income and reduces your RMD. Also, because it never shows up as income it can help keep Medicare Part D payments lower. This direct transfer is called a QCD (Qualified Charitable Distribution). It's a great way to give!

5. Make IRA gifts @ age 70½+

Even though RMDs don't start until 72, direct donations from your IRA or IRA rollover are allowed starting at age 70½. You can give up to $100,000 per year this way, regardless of RMDs. This earned income is never taxed because it goes directly to the nonprofit. This makes it a smart way to give.

6. Move your 401k/403b into an IRA rollover now to prepare for future IRA gifts

To make these direct gifts with a 401(k) or 403(b) or other qualified retirement account, you must first convert the account into an IRA rollover. But conversion requires taking that year's RMD from the 401(k) or 403(b) first. And, you must pay taxes on that distribution.

You can avoid that tax by making the conversion before the year when you turn 72. Then, you'll be set up to make future donations from your IRA rollover whenever you want.

7. IRA beneficiary v. gift in a will

Many people like to include a charitable gift in their will to support a cause that has been important in their lives. One tax smart strategy is to leave part of an IRA, 401(k), or 403(b) account to a nonprofit. (It's quick and easy to change account beneficiaries by contacting the financial institution.)

Why is this smart? Because otherwise heirs must pay income taxes on this money. Heirs (except spouses) must take out all the funds (and pay the taxes) within 10 years of inheriting. But any part left to a nonprofit avoids these taxes. So, if you're leaving anything to a nonprofit, use these accounts first!

8. Take an immediate deduction for donating inheritance rights to homes or farmland

Many people like to include a charitable gift in their will. But you can donate the inheritance rights to farmland or a home using a special deed instead. Doing this creates an immediate income tax deduction. It's deductible because, unlike a will, you can't change your mind once the deed is recorded.

Example: A 55-year-old donor deeds the inheritance rights to $100,000 of farmland in November of 2022. The donor can get an immediate income tax deduction of $43,540. The donor keeps the right to use or rent out the property for the rest of his life.

9. Bunch gifts with a donor advised fund

Because of higher standard deductions, fewer people are itemizing. This means fewer people can use charitable deductions. One way around that is to "bunch" charitable gifts.

Example: A donor puts 5 years' worth of donations into a donor advised fund. The donor takes a tax deduction for the entire amount in that year. Because the deduction is so large, the donor itemizes in that year. In later years, the donor makes normal gifts to charities from the fund. This creates no tax deductions but in those years the donor takes the standard deduction instead of itemizing.

10. Combine a Roth conversion with a donation

A Roth conversion moves money from a standard IRA into a Roth IRA. The benefit: all distributions from the Roth IRA, even future earnings, are tax free. Higher interest rates can mean higher earnings on investments, making this strategy even more attractive. The downside: all money moved into the Roth IRA counts as immediate income.

When a Roth conversion creates an income spike, charitable planning can create a deduction spike to help offset it. This can include strategies like charitable gift annuities, donor advised funds, charitable remainder trusts, retained life estate deeds, or paying a multi-year pledge early.

Remember: These are just a few ideas to discuss with your tax advisor. They may not apply in your situation.

To learn more about how your gifts can make a lasting impact at Norwich University contact:

Megann O'Malley, Director of Planned Giving, at (802) 485-2282 or email at MOMalley@Norwich.edu or your Norwich development team contact. You can also learn more about ways to give by visiting **Norwichgiftplans.org**

NORWICH UNIVERSITY 1819