

## **IRA ROLLOVERS: AN EASY, TAX-FREE WAY TO GIVE**

### *What to Know About Giving and Your IRA*

Over the past several years, more and more donors have become aware of the opportunity to use their IRAs to make gifts to Women's Fund of Rhode Island.

Qualified charitable distributions, often called IRA charitable rollovers, are now a permanent part of the tax code. If you are an IRA owner, it's important to know how your IRA might be part of your giving strategy. We answer some important questions you may have.

### **Q: What happens when I receive distributions from my IRA?**

You must pay income tax on the money you receive from your IRA. And, generally speaking, if you take funds out of your traditional IRA before age 59½, you pay a penalty for taking funds out early. Finally, once you reach age 70½, you must take the taxable required minimum distributions from your IRA- even if you do not need or want the money at that time.

### **Q: What are required minimum distributions (RMDs), and why do they matter?**

RMDs are distributions that must be taken from your IRA (or other qualified plans), generally beginning at age 70½. The distributions are taxable, and you are subject to a tax penalty if you fail to take a required distribution. Since you have been allowed to grow the IRA account on a tax-deferred basis, RMDs are a way to make certain that taxes begin to be paid on income that has never been taxed.

### **Q: Is there a way to avoid taxes on a distribution from my IRA?**

Distributions from your traditional IRA are subject to income tax. There is good news, however! Once you reach age 70½- the age when RMDs begin- you can make qualified charitable distributions from your IRA to Women's Fund of Rhode Island that count toward your RMD *and avoid tax on these distributions.*

### **Q: What are the benefits of making a gift to Women's Fund of Rhode Island through a charitable distribution?**

There are three distinct benefits to these gifts:

- You pay no income tax on the distribution (subject to a \$100,000 limit)
- Your gift can satisfy your RMD for the year
- You can make this gift year after year- a unique and tax-wise way to meet your philanthropic goals

### **Q: Is the process complicated?**

*No, it's quite simple.* However, the distribution must be a direct transfer from the IRA to Women's Fund of Rhode Island. Contact us for helpful transfer information, then instruct your IRA custodian to make the transfer. The gift can be made at any time during the year; however, to make sure there is time to properly complete your gift and satisfy the RMD rules, it's best NOT to wait until the end of the year. Try to complete your transfer by early or mid December.

**Q: Can I make a qualified charitable distribution from another qualified retirement plan?**

Defined contribution plans- 401(k) plans, 403(b) plans, employee stock ownership plans, and profit-sharing plans- are also subject to RMD requirements, but they are not eligible for the qualified charitable distribution option. You can, however, transfer those assets into an IRA account and make the distribution from there.

**Q: Who should consider using this qualified charitable distribution strategy?**

Any Women's Fund of Rhode Island supporter who meets the requirements for making a qualified charitable distribution from their IRA should take a close look at this strategy as a first option for making a gift. Why? No matter what your tax filing status, net worth, or long term planning strategy, a distribution from your IRA is subject to income tax. You can avoid this tax- and satisfy the required minimum distribution rules- by making a direct transfer to Women's Fund of Rhode Island. It's a tax-wise way to make an impact.

**Q: How can I find out more?**

It would be our pleasure to help you explore your IRA qualified charitable distributions and other gift planning strategies. Please contact Kelly Nevins at 401-262-5657 or [knevins@wfri.org](mailto:knevins@wfri.org) for more information.



**About Women's Fund of Rhode Island**

Women's Fund of Rhode Island invests in women and girls through research, advocacy, grantmaking, and strategic partnerships designed to achieve gender equity through systemic change. For more information about our work and/or to find valuable tools to help you plan your legacy, visit our website at [www.wfri.org](http://www.wfri.org).