

# Chambliss Estate Planning Newsletter – July 2023

## Section 1.01 A Win-Win Situation: How Charitable Gift Annuities Provide Benefits for Both Donor and Recipient

By: [Alexis Crutchfield](#)

Are you looking for a way to decrease your income tax obligation after retirement while supporting your alma mater or a favorite charity? A charitable gift annuity may be the right answer for you.

The American Council on Gift Annuities defines a charitable gift annuity as a contract in which the donor gives cash, marketable securities, or other assets, and in return, the charity agrees to pay the donor a fixed amount each year for the donor's lifetime. Charitable gift annuities have been around for years, but as of December 2022, any eligible retiree can now fund these annuities from their individual retirement account (IRA).

Congress recently passed the Secure Act 2.0 that now allows retirees age 70½ and older to make a one-time donation of up to \$50,000 to fund one or more gift annuities to any eligible charity or college of their choice while also receiving a fixed income until death. Any remaining assets in the annuity after the retiree's death go directly to the charity. According to the American Council on Gift Annuities, the maximum suggested annuity rates range from 5.4% to 9.7%. For instance, the rate for someone 80 years old when starting the annuity is 7.6%, while the rate for someone 85 years old is 8.7%.

At age 73, retirees must withdraw a certain amount of money each year from their IRA, also known as required minimum distributions (RMD). However, any qualified charitable donation, now including charitable gift annuities, can count toward those RMDs. Typically, an RMD is subject to income tax, but the annuity contribution will be tax-free for the year the donation was made. Those who may not need all of their RMD for living expenses can start a charitable gift annuity, receive an attractive lifetime rate, support their chosen organization, and lighten their tax burden for that year.

Charities and universities are embracing the new IRA change with open arms. With an estimated \$12.5 trillion being held in IRAs, the Secure Act 2.0 has opened the door for more opportunities to donate to charities.

### **Are there any limitations to funding gift annuities from IRAs?**

A donor can only make a one-time donation of up to \$50,000. The donation can be made into one annuity or fund several smaller annuities, but the aggregate cannot exceed \$50,000. The annuity can only be paid to the donor and spouse, and payments must start within a year of funding the annuity. A spouse can also make a one-time donation of up to \$50,000 from their respective IRA, which does not have to be in the same year as the donor.

There are several strategies available for people to take when planning for retirement and more importantly, when planning for any tax liability. Charitable gift annuities can be a part of that strategy for certain individuals, where both the donor and recipient benefit — a win-win situation.

If you have questions regarding the Secure Act 2.0 or how to fund a charitable gift annuity, contact a member of our estate planning team for more information.

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## Estate Planning Resources

### Do You Need a Trust? Estate Planning Q&A

According to the 2023 Wills and Estate Planning Survey by Caring.com, only 34 percent of Americans have an estate plan...

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### **Loans and Grants for Wheelchair Vans and Vehicle Adaptations**

Maintaining independence is fundamental for people living with disabilities. Having mobility options allows people with certain disabilities to go to doctor's appointments, grocery shop, visit friends, and keep a sense of autonomy...

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### **Responsibilities of a Special Needs Trust Trustee**

For individuals with disabilities, an inheritance or settlement can jeopardize their government benefits, such as Medicaid and Supplemental Security Income (SSI). A special needs trust (SNT) can help the individual remain eligible for these benefits while ensuring they have additional financial support...

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### Should I Explore Qualified Longevity Annuity Contracts?

In late 2022, the federal government passed legislation known as the SECURE 2.0 Act. Provisions in this bill have made it easier for people to fund certain annuities that can delay taxes on their retirement funds until the age of 85...

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## Also Check Out

### [Sensory Night at the Creative Discovery Museum](#)

**Where:** Creative Discovery Museum | **When:** First Thursday of every month

The event offers children with sensory sensitivity and their families exclusive time in the museum with a low-sensory environment that otherwise might not be possible during regular operational hours. During this time, overhead

announcements, food smells, and other sensory inputs will be limited as much as possible. This low-sensory evening takes place the first Thursday of each month. Registration is required.

**[The Hartford Nationals Hosted by Move United](#)**

**Where: Hoover and Birmingham, Alabama | When: July 8-14, 2023**

The Hartford Nationals is the largest and longest-standing national sport championship event for athletes with a physical, visual, and/or intellectual disability. The 2023 event marks the 66th year of competition. Athletes must qualify to compete through one of more than two dozen local or regional [Move United](#) Sanctioned Competitions, a national governing body or high school athletic association sanctioned event, or other event approved by Move United. For more information, please visit [moveunitedsport.org/events/nationals/](https://moveunitedsport.org/events/nationals/).