

# ***The “Daily Plan-It™”***

*SHUMATE BROKERAGE CORP.*

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## **IRA Charitable Gift Donations Ends Soon**

If you have a client who's interested in using his IRA to make a donation to charity, he'll need to do so by the end of this year. Unless Congress passes an extension, the law expires this December 31st. If any of your clients have been mulling over the possibility, you'll want to talk to them to make sure that they begin the process in a timely manner.

### **Quick overview of the rules**

In order to assist you in assisting your clients, here's a quick overview of the rules:

1. The donor must be age 70 1/2 or older.
2. When the gift occurs, it must come from a Traditional or Roth IRA. Pension plans, 401(k) plans, and other qualified retirement plans are not eligible for this type of treatment. If your client wants to use this strategy, they must rollover those plans into a traditional or a Roth IRA now.
3. Only the IRA Custodian can transfer gift amounts to the charity. The owner of the IRA (your client) cannot make the transfer directly himself. If the owner makes the mistake of distributing money out of the IRA, and subsequently donates it, the owner will be taxed on the distribution. This is a situation your client will want to avoid at all costs.
4. Interestingly, this is not a charitable deduction; but transfers to qualified charities count toward the IRA owner's required minimum distribution amount, and therefore can reduce taxable income.
5. It's important to remember that it must be a qualified charity. Your client's brother-in-law may *feel* like a charity, but he's not qualified under the law.

This is only a brief summation, and doesn't cover every situation. Depending on your client's particular circumstance, there may be additional factors that make an IRA transfer to charity more complex.

## **Possible candidates for the IRA gift**

If your client falls under one of these categories, the IRA charitable gift donation may be a good strategy:

**Clients using standard deductions.** Some retirees give thousands to charity, but receive no tax benefit because they don't itemize. A gift would reduce the amount of minimum distribution out of their IRA.

**Clients seeking estate tax reduction.** An IRA is subject to both income and estate taxes—a double whammy. Donating some of the IRA may reduce the estate tax exposure.

**Clients who can't deduct all contributions.** The maximum amount a person can deduct for charitable gifts is up to 50 percent of AGI (excess can be carried forward for five years). Gifts from IRAs aren't included under the 50 percent limitation, which may make possible extra tax benefits for those who wish to make large 2007 gifts.

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