



**THE CHICAGO
COMMUNITY TRUST**

EQUITY • OPPORTUNITY • PROSPERITY

Retirement Planning

*Mid-Iowa Planned Giving Council Fall Conference
October 10, 2023*

For our discussion today

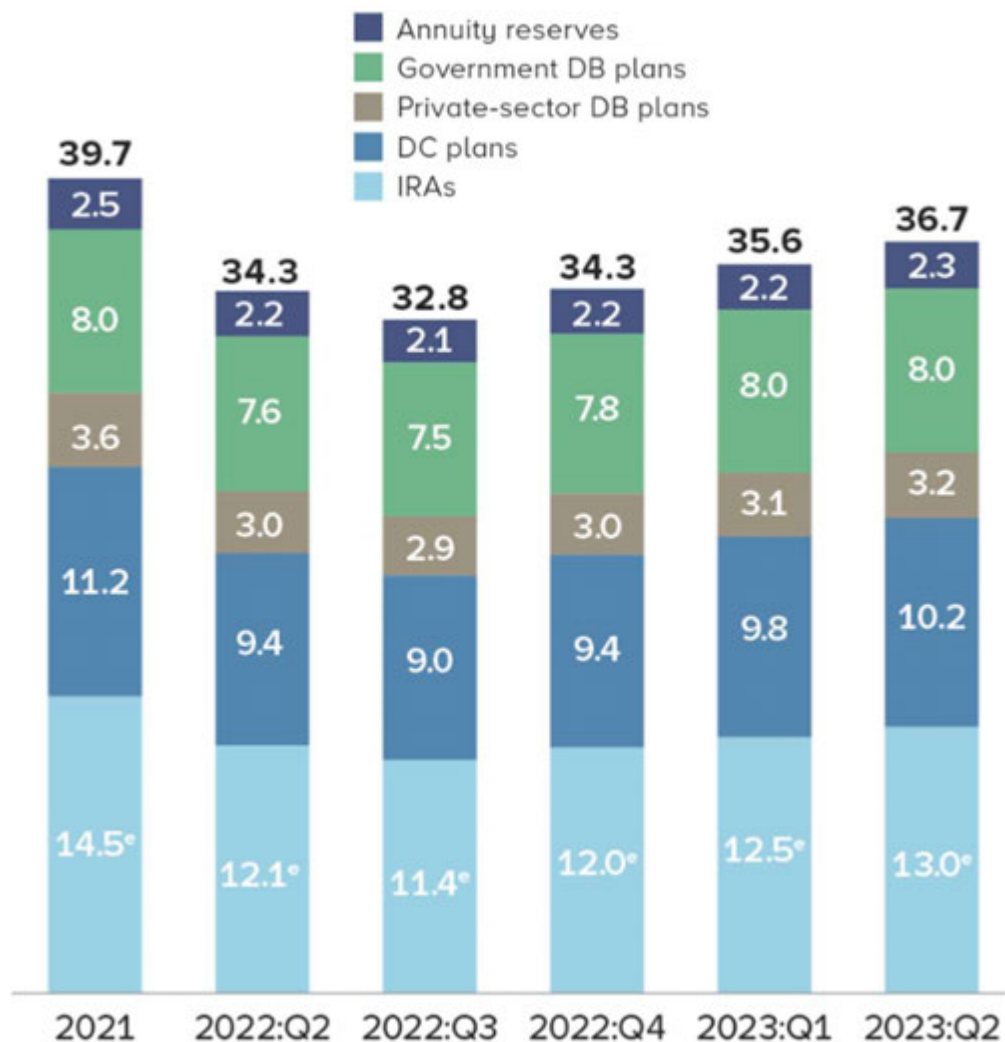
- I. Retirement Assets Generally
- II. Solutions Using Retirement Assets during Lifetime
- III. Solutions Using Retirement Assets at Death
- IV. Questions and Answers



General Information

\$36.7 trillion in retirement assets as of June 30, 2023

- \$13 trillion – about 35% – in IRAs
- \$7.2 trillion in 401Ks



Source: Investment Company Institute

General Information

- In 2019, for those saving for retirement, the median account value was \$65,000, and expected to grow to \$255,200
- In 2019, about 2/3 of working-age families participated in retirement plans
 - Less than 40% of families in the bottom half of income distribution
 - More than 80% of upper-middle-income families (50-90 percentile)
 - More than 90% of the top decile of income

Source: Federal Reserve Board, Survey of Consumer Finances, September 2020

Vanguard Institutional 2022 Report

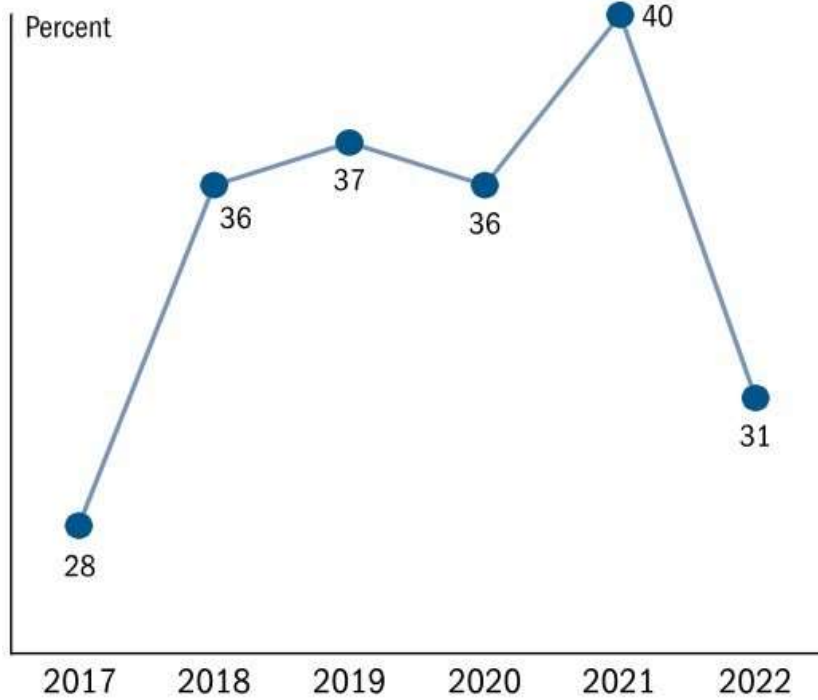
Age	Average	Median
<25	\$5,236	\$1,948
25-34	\$30,017	\$11,357
35-44	\$76,354	\$28,318
45-54	\$142,069	\$48,301
55-64	\$207,874	\$71,168
65+	\$232,710	\$70,620



**Solutions Using
Retirement Assets
during Lifetime**

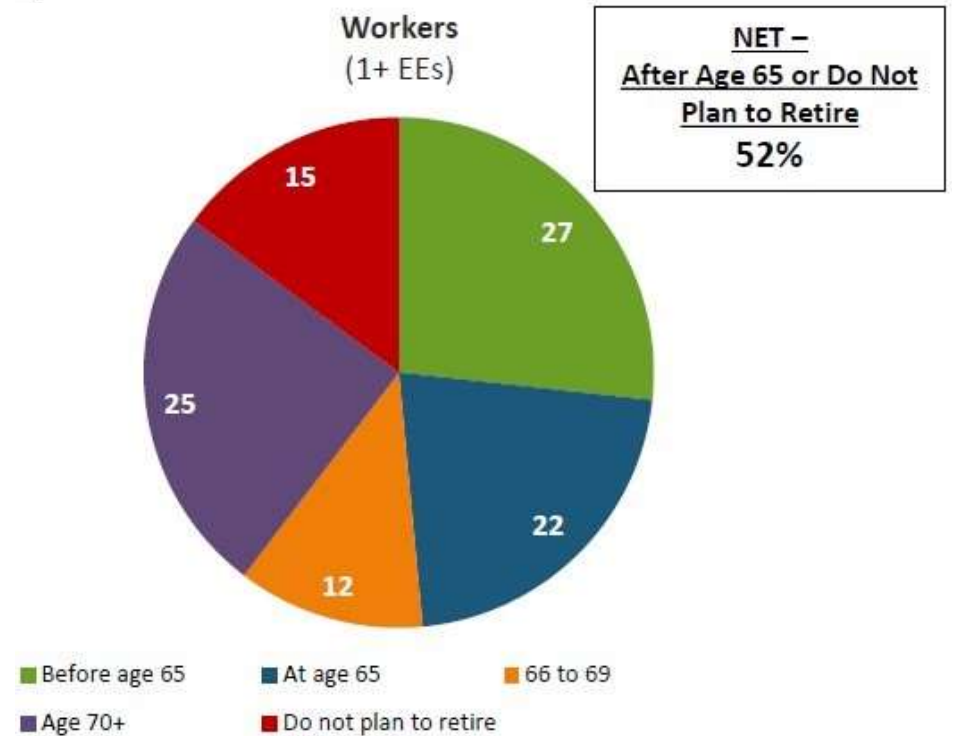
Status of Retirement Savings & Timing

Figure 33. View retirement savings plan as on track (by year)



Source: Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2022

Expected Retirement Age (%)



Source: Transamerica Retirement Survey, 2022

Solution #1: Grantor Charitable Lead Annuity Trust

- CLT is a gift made now that benefits charity now
- The § 7520 rate matters
 - Lower § 7520 rate ↑ charitable income tax deduction
- Think beyond the donor's initial tax goals
 - Additional assets available for retirement needs
 - Charitable assets already set aside for that purpose
 - See the impact of gifts during lifetime
 - DAF as beneficiary? Multi-year pledge? Create an endowment?
- Involve others on team – investment manager and accountant
- CLTs still make sense for certain donors

Charitable Lead Annuity Trust – Grantor, 10 Years,



Charitable Lead Annuity Trust – Grantor, 10 Years, at Different § 7520 Rates

	Sept 2021	Oct 2022	Sept 2023
§ 7520 Rate	1%	4%	5%
Income Tax Deduction	\$71,035	\$60,832	\$57,913
Amount to Charity	\$75,000	\$75,000	\$75,000
Balance Returned to Donor	\$145,504	\$145,504	\$145,504

Solution #2: Deferred Charitable Gift Annuity

- They're a contract
- Regulated by the state of issuer and annuitant
- Charities typically issue at American Council on Gift Annuity rates
- 3 flavors: current, deferred, testamentary
- Part gift and part sale
- Can be gift tax considerations and a gift tax return might need to be filed
- Donor or estate is eligible for a charitable deduction
- Retaining the right to revoke will cause inclusion if donor predeceases



ACGA Charitable Gift Annuity Maximum Rates as of July 1, 2020

Single Life	
Age	Rate
65	5.4%
70	5.9%
75	6.6%
80	7.6%
85	8.7%

Two Lives	
Ages	Rate
70 and 71-72	5.3%
75 and 78-79	6.0%
80 and 82	6.7%
80 and 84	6.9%
80 and 88-89	7.2%

American Council on Gift Annuities

Charitable Gift Annuity – Deferred, Single Life, Cash

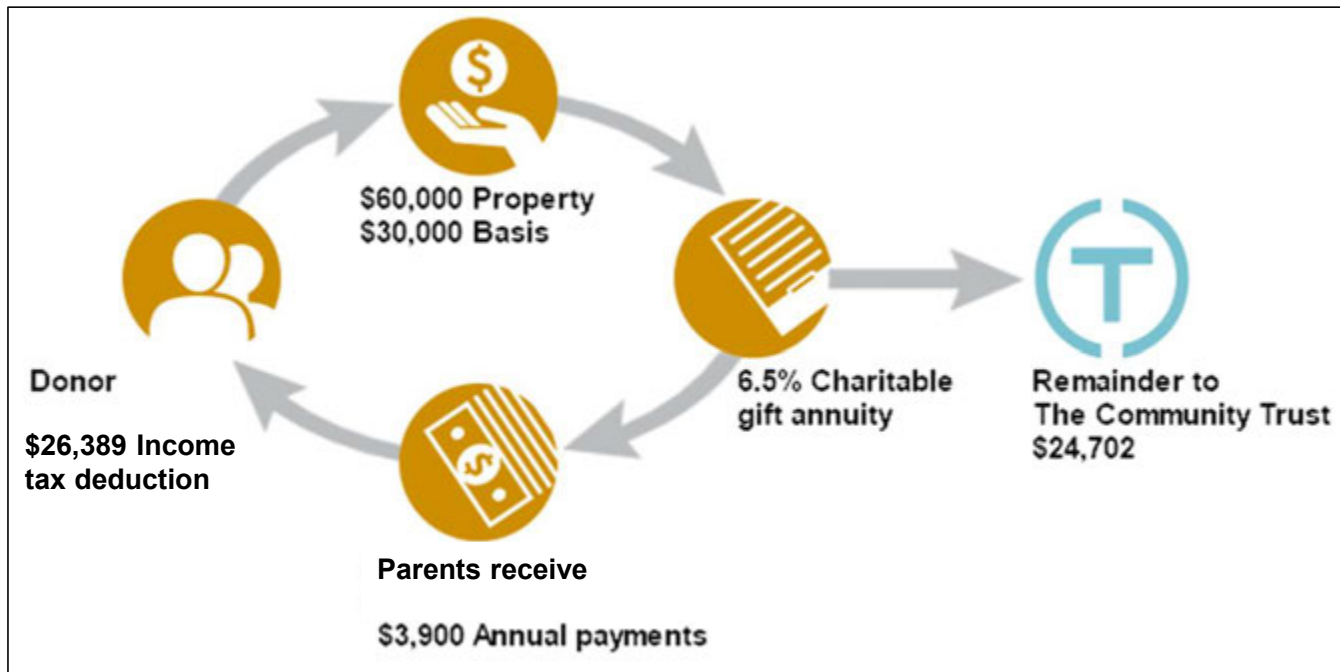


SOLVING ISSUES FOR FAMILIES: SUPPORTING PARENTS

- 2019 AARP survey of adults aged 40-64
1/3 had given \$\$ to parents in past year
 - 54% gave \$1,000 or more
 - 20% gave \$5,000 or more
- Money used for parent's groceries, housing, and medical expenses
- Payment is being made on a regular basis
- 47% are worried about making future payments
- Findings consistent with a similar 2012 survey by Pew Research Center

	Total (n=1,508)
Gender	
Male	49%
Female	51%
Race	
White/Caucasian	77%
Black or African American	11%
Asian or Pacific Islander	7%
American Indian or Alaska Native	3%
Other	4%
Hispanic, Spanish, or Latino descent	
Yes	15%
Education	
Some college or less	43%
Two-year college degree	16%
Bachelor's degree or higher	39%
Mean age	52 years
Income	
Less than \$50,000	28%
\$50,000-\$99,000	39%
\$100,000 or more	24%

SOLUTION #4: GIFT ANNUITY FOR PARENTS, STOCK



Be aware:

- Donor must recognize the capital gain; offset by charitable deduction
- Gift tax issue – donor might wish to retain a right to revoke
- Medicaid eligibility – possible to use a special needs trust
- Taxation of social security benefits – consult with tax advisor

Solution #5: Gift Annuity – Two Lives, QCD





**Solutions Using
Retirement Assets
at Death**

Solution #6: Beneficiary Designation

- Donor completes designation form provided by the plan administrator
- Charitable estate tax deduction
- Charity pays no income tax
- Best to provide charity with a copy of the completed form and the account number(s)



Solution #6: Beneficiary Designation

Collection Issues

- Not notifying the charity the person has died and the charity is a b
- Open account at custodian (i.e. an inherited IRA account)
- Patriot & Know Your Customer Acts
- Withhold income tax – Form W-4R

Solutions

- <https://charitablegiftplanners.org/ira-distribution-resource-center>
- Contact your state's attorney general
- Litigation?

Beneficiary Designations

RIFT (Release IRA Funds Timely) Project

LEAD BY JOHNI HAYS, JD

The RIFT project is a database of collected materials to assist charitable organizations to effectively file and timely receive IRA beneficiary distributions. Click on the institution you are looking for to access sample letters, filing information, forms and key contacts.

Disclaimer: Neither the National Association of Charitable Gift Planners or the RIFT Project is responsible for errors in this information. The information is gathered from multiple sources and may change without notification. Should you see data that is incorrect or have knowledge of changes to the information posted, please share that information in the comment section.

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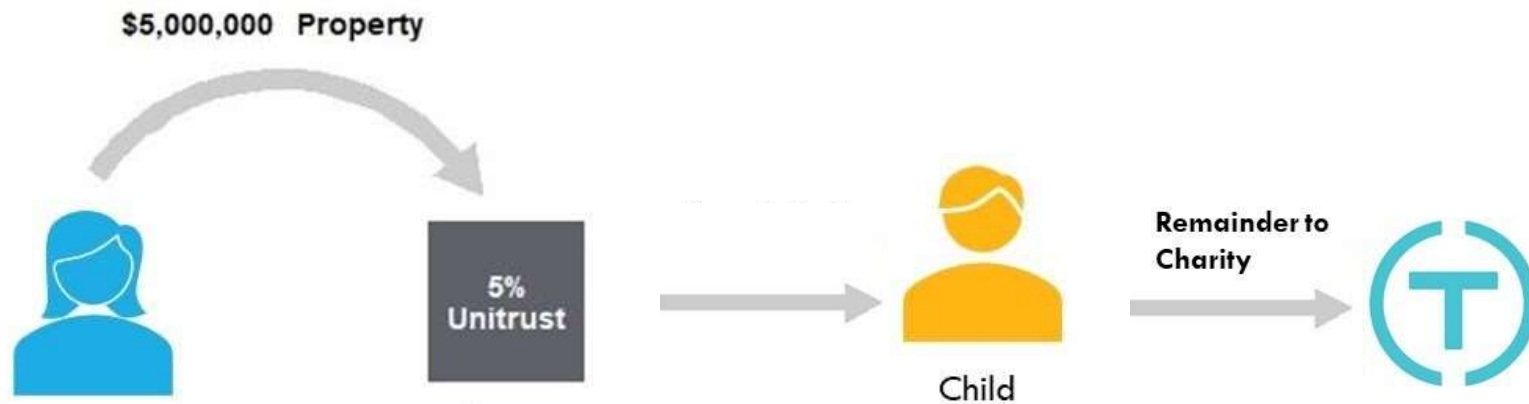
Equitable

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Solution #7: Charitable Remainder Trust

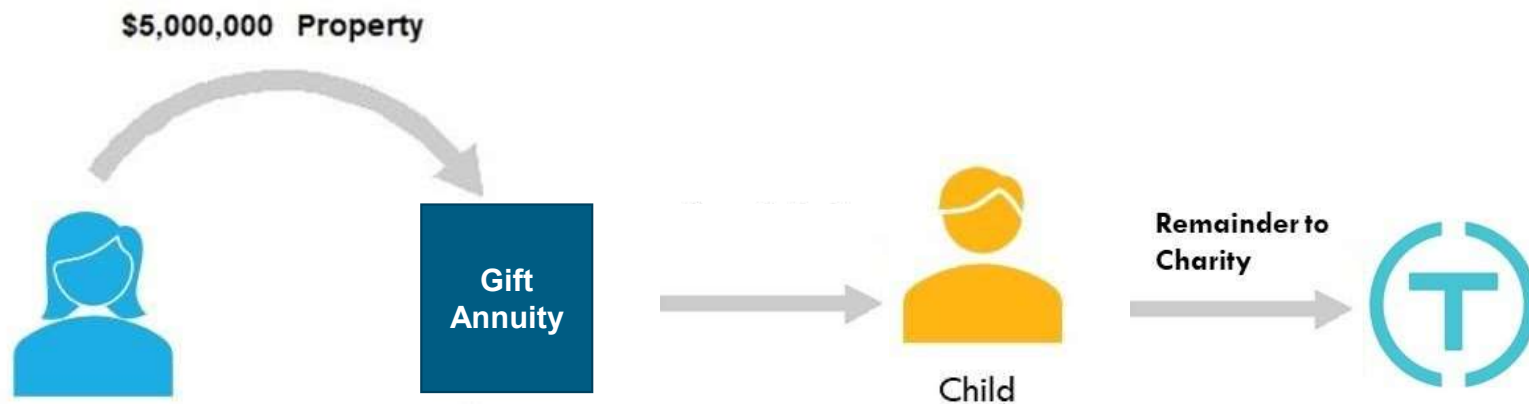
- Charitable remainder trusts, unlike charitable lead trusts, are tax exempt
- Benefit of charitable tax deduction and deferral of tax on capital gain and retirement account distributions
- The many options for charitable remainder trusts allow for customization to align with donor goals and balance sheet
 - Charitable remainder annuity trusts (“CRATs”)
 - Simple, but not very flexible
 - Charitable remainder unitrusts (“CRUTs”)
 - Flexible, but can be complicated
 - Standard, Net Income, Net Income With Make-up, FLIP

Charitable Remainder Trust – Testamentary Unitrust



	Charitable Estate Tax Deduction	Trust Distributions to Child	Remainder to Charity	Total Family
Outright to Family	\$0	N/A	\$0	\$33,969,500
TCRUT for Life	\$1,213,500	\$12,013,421	\$7,132,382	\$42,666,821
TCRUT Shorter 20 Years or Life	\$1,854,490	\$5,444,882	\$5,966,467	\$36,354,678

Solution #8: Testamentary Gift Annuity



- May be more appropriate where donor does not have a taxable estate
 - Check federal law - in 2022, the exemption is \$12.06 million per individual or \$24.12 million per couple
 - Check state law - 12 states have an estate tax
- Achieve similar goals as a CRUT at less cost - no trust drafted, no EIN, no annual trust return, etc.

TESTAMENTARY CGAs: KEEP IN MIND

- The only relevant authority is a private letter ruling – PLR 200230018
- If using an IRA beneficiary designation form, must state to X charity “for establishing a gift annuity”
 - Larry Katzenstein has drafted sample language available on the Web
 - May wish to have the IRA administrator’s counsel review proposed language
- It may be easier to create the testamentary CGA in the donor’s will or trust rather than using the beneficiary designation form
- Ask the client to execute a CGA with the charity that is conditional on the assets actually being received by the charity. State law will determine whether the donor should sign it.
- A deferred gift annuity may be preferable because:
 - it may take time to collect the balance of the retirement assets
 - the charity may not be able to issue the annuity because the annuitant is too young
- Most charities will characterize the annuity payments as ordinary income

QUESTIONS?



THANK YOU

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