

PLANNED GIVING NEWSLETTER #26: NOVEMBER 15, 2022

United Way of Pickens County is providing this newsletter as a service to our faithful supporters, because we have seen the consequences of people not having an estate plan.

This newsletter contains information about the various components of an estate plan. We hope that you will use this information to consider how your estate plan can provide for your family, reduce your tax burden, and support charities that you have supported during your lifetime.

It is not intended to provide legal or financial advice. Please seek the help of a local attorney or financial planner before making an estate plan.

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A POPULAR WAY TO SUPPORT A LOCAL CHARITY: CREATE A DONOR-ADVISED FUND

There are many ways to support a local charity. You can volunteer your time, give items directly to a charity, or donate money. How you choose to give is deeply personal, but those who donate financially may find their contributions go further with a Donor-Advised Fund. David Mitchell, CFP® with Edward Jones in Easley recently discussed the benefits of creating a Donor-Advised Fund:

What is a Donor-Advised Fund, and how does it work? “A Donor-Advised Fund is a charitable-giving tool that you create with a financial services institution by making a



David Mitchell, CFP®

\$10,000 (or more) irrevocable contribution to start the fund. You can contribute appreciated assets and investments (you avoid paying capital gains tax), proceeds from the sale of a business, or cash to start your Donor-Advised Fund. You immediately qualify for a tax-deduction. Your fund is invested and grows tax-free, and you can even make additional donations to your fund over time,” said Mitchell.

What charitable organizations qualify to receive support from your Donor-Advised Fund? “You can choose which IRS-approved, public charity (or charities) to support,” said David. “And, you choose when and how much to support the charity of your choice from your Donor-Advised Fund.”

How long does a Donor-Advised Fund last? Mitchell said that “annual disbursements from a Donor-Advised Fund aren’t required by law, so your fund can stay in existence, and grow, until you decide to allocate it. Should you die, you decide who takes over your Donor-Advised Fund, and what charities to support in your absence.”

Be sure to reach out to your financial advisor or a financial services institution for more information on creating a Donor-Advised Fund.

HERE’S A UNIQUE WAY TO SUPPORT UNITED WAY OF PICKENS COUNTY: DONATE FROM YOUR IRA’S REQUIRED MINIMUM DISTRIBUTION

If you are age 72 or older, the IRS requires you to take a required minimum distribution each year from your tax-deferred retirement account. Did you know that you can donate all, or a portion of your Required Minimum Distribution directly to United Way of Pickens County or another charity? It’s called making a Qualified Charitable Distribution.

A Qualified Charitable Distribution is a transfer of funds from your IRA payable directly to a charity. Amounts distributed can be counted toward satisfying your annual Required Minimum Distribution. The Qualified Charitable Distribution is excluded from your taxable income. This isn’t the case with a regular withdrawal from your IRA, even if you use that money to make a charitable donation later.

Here are four ways that a Required Minimum Distribution can increase your taxes:

- 1. A Required Minimum Distribution can push you into a higher tax bracket.** Since distributions are ordinary taxable income, it can push some retirees into a higher marginal tax bracket.
- 2. Medicare surtax.** Required Minimum Distributions also increase the taxpayer’s modified adjusted gross income, which could trigger the 3.8% Medicare surtax.

- 3. Taxing Social Security.** Even modest withdrawals from a retirement account can cause Social Security benefits to become taxable for federal income tax, up to 85% for single filers with income above \$34,000 annually or married couples with income above \$44,000.
- 4. Medicare Part B & D Premiums** are calculated using a taxpayer's modified adjusted gross income from the prior year. So large Required Minimum Distributions can cause sharp increases to your Medicare costs, with the wealthiest taxpayers paying up to 80% of the cost.

Be sure to contact your local accountant or attorney to discuss your specific situation before making a donation.

THREE TIPS WHEN CONSIDERING A YEAR-END GIFT TO UNITED WAY OF PICKENS COUNTY

Our goal at United Way of Pickens County is to help you make the greatest impact with your donation, while maximizing your tax advantages. With the increased standard deduction rules under the Tax Cuts and Jobs Act of 2017, there are several prudent ways that you can give before year-end:

- 1. Consider a year-end gift of an appreciated stock or mutual fund:** If you own stocks that are worth more than what you paid for them, it may be cost-efficient to donate shares of that stock, rather than mailing a check. United Way of Pickens County will accept a stock gift of any kind, but we recommend initiating that gift by **Dec. 20th**, so that the transaction can take place before December 31st. Email meisengrein@uwpickens.org to receive instructions about how to donate a stock to United Way of Pickens County, and avoid the capital gains tax.
- 2. Make a donation in someone's honor:** In lieu of giving a Christmas gift this year or a birthday gift in 2023, consider making a donation in someone's honor to United Way of Pickens County. Your gift will be deposited in our Endowed Community Fund, and become a forever-gift that will help those in need. We will notify the honoree of your wonderful gift in their honor, but the amount of the gift will remain confidential. Be sure that your donation is postmarked, or submitted online (www.uwpickens.org/donate), by midnight on December 31st.
- 3. The Cares Act of 2020 provides donors an additional \$300 tax break:** As an incentive to encourage charitable donations, Congress passed a special \$300 tax break during the COVID-19 pandemic for individuals who don't itemize, but instead take the standard deduction – which is \$12,400 for singles and \$24,800 for married-filing-jointly. On top of your standard deduction, individuals can **add an additional \$300 deduction (or \$600 if you are married and file jointly)**. Your gift must be made by December 31st. The IRS requires taxpayers to keep documentation of contributions up to \$600 made in 2022.

ESTATE PLANNING ISN'T ONE-SIZE-FITS ALL

Here are four estate planning approaches to consider:

- **If You're Single:** Estate planning helps you protect yourself as you grow older. It is important to select someone to help make healthcare and financial decisions if you are unable.
- **If You Have No Heirs:** While your spouse and children are oftentimes the clear choice to inherit your assets, there are others who do not have an heir to receive their assets. In this situation, one option is to leave your assets to a charitable organization that aligns with your values and interests.
- **If You Have a Blended Family:** Merging families can be a complex process. If your marriage entails welcoming stepchildren into your life, you may have some estate planning decisions to make. For example, do your estate planning documents need to be updated to include your stepchildren?
- **If You Have a Pet:** Pets are beloved family members, and it's common for people to make a provision in their estate plan for the care and maintenance of their pet. A Pet Trust provides funds solely for a Trustee to care for your pet, and many times lists the designated caregiver.

Estate planning is an in-depth process that requires careful thought, and takes time to create. A local attorney can provide assistance in this important process. Please do it today...your heirs will thank you!



You are invited to join the *Heritage Society* by pledging a final gift to United Way of Pickens County through your estate. Unless otherwise indicated, your estate gift will live on in the Endowed Community Fund helping with education and financial stability. If you want to help Pickens County residents in need through your estate plan, simply contact Mark Eisengrein at 864-850-7094 ext. 108 or email him at: meisengrein@uwpickens.org