



ELCA Foundation
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Qualified Charitable Distribution

What is a Qualified Charitable Distribution (QCD)?

Generally, a QCD is an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or over that is paid directly from the IRA to a qualified charity.

A QCD excludes the amount donated from your taxable income and may keep your taxable income lower, reducing the impact to certain tax credits and deductions.

QCDs don't require you to itemize. Therefore, you may choose to take advantage of the higher standard deduction and still use a QCD for charitable giving.

Can I make a QCD?

To make a QCD, certain requirements must be met:

- You must be 70½ or older
- QCDs are limited to the amount that would otherwise be taxed as ordinary income and, therefore, exclude non-deductible contributions.
- The maximum annual amount that can qualify for a QCD is \$100,000. Your spouse may also be able to make a QCD from his or her own IRA in the same tax year for up to \$100,000.
- Your QCD can be made to one or more charities, such as your favorite ELCA churchwide program or your local church.
- For a QCD to count towards your current year's RMD, the funds must come out of your IRA by your RMD deadline, generally December 31.

Tax reporting

A QCD is reported as a normal distribution on IRS Form 1099-R for any non-inherited IRAs. Itemization is not required to make a QCD. While the QCD amount is not taxed, you may not then claim the distribution as a charitable tax deduction.

What are my next steps?

After consulting with your tax or legal advisor, let your IRA custodian know you wish to make a QCD. Be sure to provide them with the information they request. Do not ask the custodian to send the QCD to you. They must send the QCD directly to the charity.

For additional assistance, reach out to your Regional Gift Planner.

The information provided should not be considered tax or legal advice. Please consult with your tax or legal advisor about proceeding with a Qualified Charitable Distribution.

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Donor Advised Fund

At a Glance—Benefits of a donor advised fund

- Offers you or your heirs a way to annually help direct how your gift is used
- Current gifts are tax deductible
- Provides a way to involve family members in giving and stewardship
- Provides a vehicle to lock in appreciation of an asset now and use it to make charitable gifts over time
- Invested with a social purpose fund

A donor advised fund is a simple, powerful and highly personal approach to giving. If you are wondering how to create a lasting legacy, have multiple philanthropic interests and are still considering how you want to allocate your gifts, consider an Evangelical Lutheran Church in America donor advised fund.

A donor advised fund can be created and funded while you are living or funded after you and/or your spouse pass away. Creating a donor advised fund enables you to annually recommend how your gift will be used to support ministry. In addition, creating a donor advised fund may provide an opportunity to involve your family in giving. They are also able to experience the joy giving brings.

You can create a donor advised fund with the Evangelical Lutheran Church in America through an irrevocable gift. You will receive an immediate income tax deduction for the gift. The ELCA invests your gift. Each year you advise the ELCA as to which ministries of the church you wish to receive distributions from the fund. Your donor advised fund assets also have the opportunity to grow in value, allowing you to give more to the ministries you love over time.

You may also create a donor advised fund through your estate plan. It can be funded with a variety of assets, including money from retirement plans.

The funds are not subjected to the income taxes heirs would normally assume. Your heirs will be able to recommend how the annual distributions from the donor advised fund are given to ministry.

Invested in the ELCA Endowment Fund Pooled Trust Fund A, your donor advised fund is part of a social purpose fund that has experienced solid returns over the long-term. The social purpose fund is invested in ways that are compatible with the social policies of the ELCA. Where applicable, social purpose fund managers seek and invest in activities they believe will positively benefit the community while achieving acceptable returns for participants. Managers look for investments which may include the following: community development, affordable housing, sustainable forestry, women- and minority-owned businesses, and clean energy and the environment.

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What does your faith inspire?

Charitable Remainder Trust

At a Glance— Benefits of creating a charitable remainder trust

- Can provide a current ongoing income source or income for your heirs
- Can provide tax relief
- Enables you to give to heirs and give to ministry

Charitable remainder trusts are legal instruments that enable you to gift cash, property or appreciated assets and generate a stream of income for you during your lifetime or for your heirs once you pass away. The assets placed into a charitable trust are invested. The income generated enables a predetermined percentage to be given annually to you for life or to your heirs for a set number of years.

Through gifting, you receive a current charitable tax deduction and may bypass capital gains. When the term of the charitable remainder trust has ended, the remaining principal is distributed to the ministries you have selected.

The two most common types of charitable remainder trusts are:

1. A *charitable remainder annuity trust* pays a fixed dollar amount each year based upon the percentage value of the initial gift. It may only be funded with a one-time gift. It cannot be funded with real estate.
2. A *charitable remainder unitrust* pays a percentage of the trust annually and may accept additional funds over time. It can be funded with real estate. The charitable remainder unitrust pays a percentage of the market value to you or the beneficiaries you name. The trust assets are revalued annually.

To learn more about charitable remainder trusts, please consult with your Evangelical Lutheran Church in America gift planning professional or your legal advisor.

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Retirement Plans

At a Glance—Benefits of gifting from retirement plans

- One of the easiest ways to give a gift
- Doesn't require any changes to a will or trust

Retirement and pension plans are critical elements of financial and gift planning. Some common plans are 401k, 403b and traditional IRA accounts. Simply, they are funds that have accumulated tax-free. When funds are withdrawn, such as when you take a distribution or when your heirs receive distributions, funds are taxed at the current income rate of the recipient.

Some assets are more beneficial to give to heirs and others are more beneficial to donate to charity. Since funds from these retirement plans are taxed as they are withdrawn, your heirs will incur the tax at their current income rate. If the beneficiary of the retirement plan is a charity, the charity will not pay taxes on the funds.

Since the Evangelical Lutheran Church in America is tax-exempt, you can use your retirement plan to make a significant charitable gift to support the work of the church. Following your death, that designated portion of the funds will be paid to the ELCA in a lump sum, totally tax-free. The balance is paid to beneficiaries.

Giving from your retirement plan is easy because you don't have to change your will or trust. You simply make a recognized 501(c)(3), like the ELCA, the beneficiary of the plan. You can give the whole amount held in a specific account or a percentage. A beneficiary designation form is available from your plan's custodian (investment management company). However, if you are updating your will or trust, you may take the opportunity to include your designations.

Although beneficiary designations are relatively simple to establish or change, appropriate distribution of relevant funds requires careful planning. Please consult with your ELCA gift planning professional and your legal advisor.

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Life Insurance

At a Glance—Benefits of gifting life insurance

- Can provide the ability to make a meaningful gift
- Can provide a current charitable tax deduction
- Should not be subject to estate taxes or fees

Life insurance is a valuable tool. An insurance policy can offer you peace of mind knowing that your loved ones will be cared for if you should die at a younger age. Life insurance can help provide adequate financial resources to family at a time when they may not be able to provide for themselves.

Life insurance can also be used to financially support a ministry that has been dear to you and can be an important component of your life-long stewardship plan. In many cases, giving life insurance is a way in which you can make a significant gift to greatly impact ministry by making smaller payments to support a policy over time.

You can commit to making a gift of life insurance at any age. Gifts of life insurance have the benefit of passing to the church without delay and without being subject to probate or administrative fees.

Generally, there are three ways to make a gift of life insurance to a ministry of the Evangelical Lutheran Church in America:

1. *Change the beneficiary.*

If you already have a life insurance policy you can simply call your representative or the insurance company and ask for a change of beneficiary form. You can name an ELCA ministry or ministries as the primary beneficiary or designate a percentage of the proceeds.

2. *Transfer ownership of your paid up life insurance policy.*

You may make a gift through a policy that is no longer fulfilling its original purpose (for example, a policy that was established when you were a child.) Through an irrevocable transfer, the ELCA will own the policy during your lifetime. You will receive a charitable income tax deduction for making the gift. At your death, the proceeds will be directed to the ELCA ministries you have named.

3. *Establish a new charitable life insurance policy.*

You can create a new life insurance policy with the ELCA as the owner. Instead of paying your premiums to the insurance company, you will make regular gifts to the ELCA that will be used to pay the policy premiums. Each time you make a gift to the ELCA you will receive a charitable tax deduction. The life insurance proceeds will be directed to the ELCA ministries you have named.

To learn more about making a gift of life insurance, please consult with your ELCA gift planning professional and your legal advisor.

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Charitable Gift Annuity

At a Glance—Benefits of a charitable gift annuity

- Receive fixed payments during your lifetime
- Receive possible tax benefits
- Ministries benefit from the remainder of your gift

If you are 65 or over and want to leave a gift to support ministry but need or desire to create a current income source, a charitable gift annuity may be the answer.

A charitable gift annuity is a contract with the Evangelical Lutheran Church in America. In exchange for making a gift to benefit a ministry, you will receive regular (monthly, quarterly, semi-annually or annually) fixed payments for your lifetime and, if you desire, for the lifetime of another person. The fixed payment rate is determined by your age (the annuitant) and the age of the second annuitant. Your gift is tax deductible and a portion of the payments that you will receive may also be a tax-free return of principal.

If you are at least 55 years old, you may also choose to defer the payments from your charitable gift annuity. A deferred payment charitable gift annuity allows you to make a gift now (and obtain a charitable income tax deduction in the year of the gift) while deferring guaranteed lifetime payments to a future date when you may be trying to supplement your retirement income.

Charitable gift annuities can be funded with gifts of cash, long-term appreciated stocks, bonds, mutual funds or incentive cash bonuses. Funding a charitable gift annuity with an appreciated asset you own may enable you to bypass part of the capital gains normally associated with selling the appreciated asset outright.

To learn more about charitable gift annuities, please consult with your ELCA gift planning professional and your legal advisor.

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The Evangelical Lutheran Church in America, via the ELCA Foundation, currently does not offer charitable gift annuities to any individuals in the states of Alabama, Hawaii or Tennessee.

A charitable gift annuity is not regulated by the Oklahoma Insurance Department and is not protected by a guaranty association affiliated with the Oklahoma Insurance Department. **Charitable gift annuities are not regulated by and are not under the jurisdiction of the South Dakota Division of Insurance.**

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