FALL 2022

TALENTS

Wheaton College Gift Planning Newsletter

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Hello Friends,

You may have heard the Will Rogers line, *The only difference between death and taxes is that death doesn't get worse every time Congress meets*. Humorous, with some truth! For many of us, the matter of taxes, even at death, requires consideration and preparation.

The way we use our resources, during life and after death, is worth prayerful planning. This edition of *Talents* highlights ways to give that preserve more funds for you, your loved ones, and your favorite charities, while reducing the taxes owed.

Our Gift Planning Services team is experienced in estate matters and can help you think through your estate plan and charitable objectives. Additionally, Wheaton College Trust Company was founded to serve as a fiduciary—trustee, executor, or personal representative—to support Wheaton College donors in their estate planning needs.

Your questions and input are appreciated as we aim to provide you with useful information!

Danielle Hilgers

Danielle Hilgers, JD
Director of Gift Planning Services

WHEATON COLLEGE
For Christ & His Kingdom

A Tale of Two Gifts

Wendy's Gift

Wendy was recently widowed. Through her Will, she leaves her sons, Weston and Wyatt, most of her assets. She believes in supporting Christ-focused work with her treasure, so she also plans to remember her church and Wheaton College through her estate.

Wendy's Will provides that from her $300,000 bank account, $200,000 will go to Wheaton College, and $100,000 will go to her church at her death.

Wendy's $300,000 individual retirement account (IRA) beneficiary designation names Weston and Wyatt as equal co-beneficiaries. As they receive distributions from the inherited IRA, they must pay taxes on that money. Regulations now require full distribution of IRA assets to adult children like Weston and Wyatt within ten years of the account owner's death, otherwise, a 50% penalty applies. Assuming that a 25% federal and a 5% state income tax apply, the total tax burden for Weston and Wyatt on the $300,000 IRA will be $90,000!

Through her Will, all of Wendy's $300,000 bank account will go to Wheaton College and her church. Meanwhile, Weston and Wyatt only receive **$210,000** from her retirement assets, after taxes.

Diane's Gift

Diane is also a widow, and her estate plan is similar to Wendy's plan. However, Diane talked to Wheaton College Gift Planning Services and her financial advisor, who explained to her that her retirement assets, rather than her bank account assets, are better suited for her charitable giving intentions.

Diane updates her beneficiary designation form for her 401K retirement account to leave $200,000 to Wheaton College and $100,000 to her church.

Qualified charitable organizations can receive gifts like these without incurring income tax.

Through her Will, Diane leaves her $300,000 bank account to her sons, Daniel and David, to be split equally between them. Her sons will receive **$300,000**, just as Diane had intended.

BIG TAKEAWAY

With proper planning, Diane's sons will receive $90,000 more than Wendy's sons.

Daniel and David will receive **$300,000**, simply because Diane gave non-retirement assets to her sons and used her 401K to give charitably. Meanwhile, Weston and Wyatt will only receive **$210,000** because of the considerable taxes that will be incurred as a result of Wendy giving to her sons through her retirement assets.

Proper planning can allow you to maximize giving to your loved ones and charities.

A different way to manage the tax liabilities of inherited retirement accounts is to utilize a **testamentary Charitable Remainder Unitrust (CRUT)**. Retirement asset beneficiary designations can designate the CRUT to receive the assets at the passing of the account owner. The CRUT will pay income to your loved ones for up to twenty years, with the remainder then going to charity. Many donors appreciate giving loved ones a stream of income over many years rather than a single lump sum, while also being able to remember their favorite charities.

At Wheaton College, we appreciate your heart for supporting Wheaton's ministry, and we want you to know that these concepts may work to support other ministries as well. We would be happy to talk through these and other preferred ways to give and help you maximize the benefit of your giving.

STRATEGIC GIVING WITH A FOCUS ON TAX REDUCTION

Most people give charitably because they believe in the mission of an organization, but tax reduction can also be a motivating factor. If possible, wouldn't you prefer to maximize your assets going to your preferred charity, rather than to taxes? Many tax reduction strategies, while easy to implement, are often overlooked.

Certain types of assets are ideal for charitable giving strategies that can be used to minimize taxes. One type is traditional **retirement account assets** such as 401Ks, 403Bs, and IRAs; another type is **appreciated non-cash assets** such as appreciated securities and appreciated real estate. Both have an "embedded" taxable nature. However, if used to make a charitable outright gift or fund a charitable giving vehicle, there are significant tax advantages.

In addition to giving of your retirement assets through a beneficiary designation or through a testamentary CRUT mentioned on page 2, the following are other tax-advantaged giving opportunities.

Qualified Charitable Distributions (QCDs)

Retirement account owners must take Required Minimum Distributions (RMDs) from their account beginning at age 72. As they receive distributions, the owner pays taxes at their income tax rate. A QCD gift to charity is an optimal way to reduce tax liability, even if you don't itemize your deductions. QCD giving may also reduce your Medicare premium amount. If you are required to take RMDs, QCDs can help you fulfill your RMD requirements. You can find out more at wheaton.edu/QCD or request our **QCD Information Sheet** by mail.

Appreciated Assets

The sale of **appreciated assets** (like stock or real estate) owned for longer than a year often generates between 15-20% federal capital gains tax and possibly additional state capital gains tax, depending on your state. For example, Illinois charges 4.95%, while California's capital gains tax can reach over 13%.

How can we harness the power of charitable giving to reduce taxes on appreciated assets? **Charitable Gift Annuities** and **Charitable Remainder Unitrusts** are charitable giving vehicles that can be funded with appreciated assets which will not trigger a capital gains tax event. Gift annuities and charitable remainder unitrusts have a lot of similarities. Both are powerful in that they provide a stream of income to the donor (or donor's loved ones), a charitable tax deduction, capture of capital gains tax, and a significant gift to Wheaton College.

For more information on various giving options, contact us to request any of the following **Information Sheets**:

1. Strategic Giving (tax advantaged)
2. Qualified Charitable Distributions (QCDs)
3. Gift Annuities
4. Charitable Remainder Trusts
5. Giving from IRAs or Other Retirement Accounts
6. Giving Through Your Estate

With the recent increase in gift annuity rates, which provide a greater income flow back to you, now is an ideal time to examine gift annuities and other charitable giving strategies!

Blanchard Society

We would be pleased to invite you to join the Blanchard Society at Wheaton College.

The Blanchard Society is a legacy giving society that honors the generosity of those who have remembered Wheaton through their estate plans or who have made a planned gift to Wheaton such as through a charitable gift annuity or charitable remainder trust. Members receive devotional letters from our chair, are invited to our annual luncheon during Alumni Weekend, and receive bookstore discounts. If you have named or intend to name Wheaton in your Will, trust, or retirement account beneficiary designation, or if you have established a planned gift benefiting Wheaton, please contact our office, as we would love to thank you for your generosity and welcome you into the Blanchard Society!

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