



Retirement and Charitable Giving

2023 Planned Giving Day Conference

Planned Giving Council of Greater Philadelphia

Tim Prosser

October 25, 2023

Test your knowledge



According to the 2020 U.S. Census, approximately how many Baby Boomers are there?

- A. 65 million
- B. 73 million
- C. 100 million
- D. 33 million

Test your knowledge



If you were born in 1960 or later, what age does the Social Security Administration consider full retirement age?

- A. 62
- B. 65
- C. 67
- D. 68

Test your knowledge

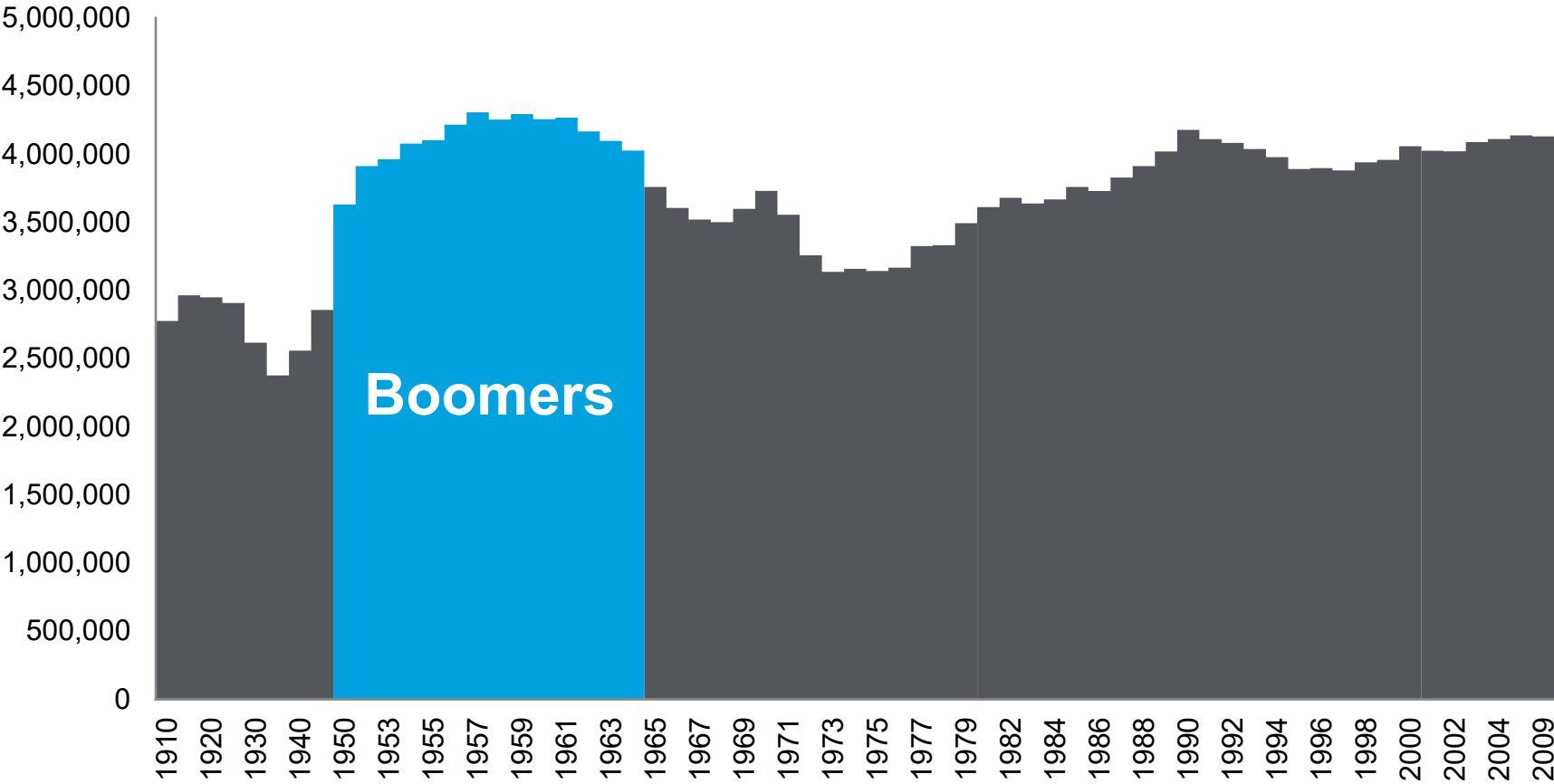


How much was held in U.S. retirement assets, including public and private defined benefit plans, defined contribution plans and IRAs at the end of Q4 2022?

- A. \$33.6 trillion
- B. \$48.4 trillion
- C. \$21.3 trillion
- D. \$980.0 billion

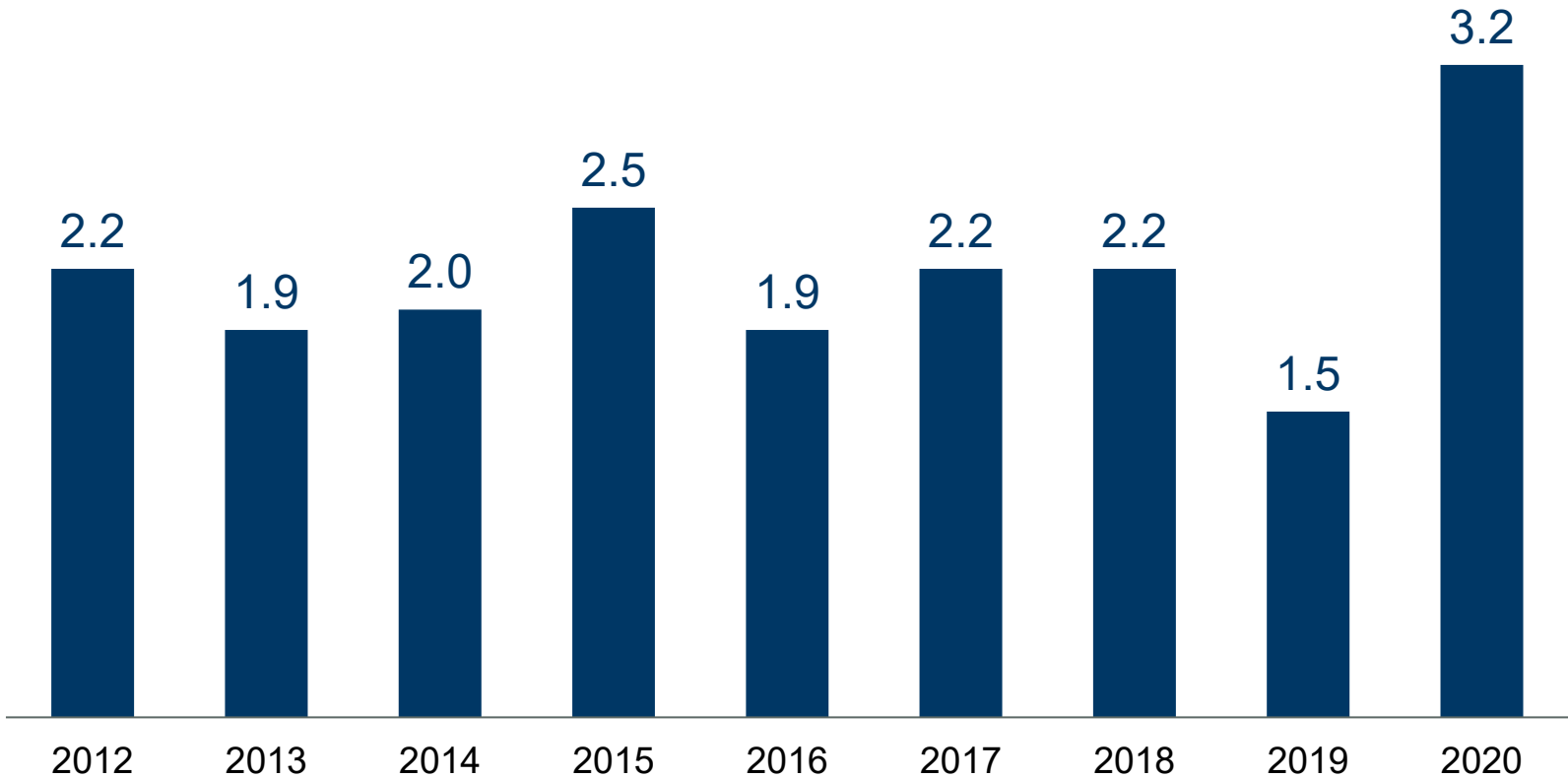
Source: Investment Company Institute

Number of live births by year



Source: Department of Health and Human Services, National Center for Health Statistics.

Annual INCREASE in retired U.S. Boomer population (in millions)

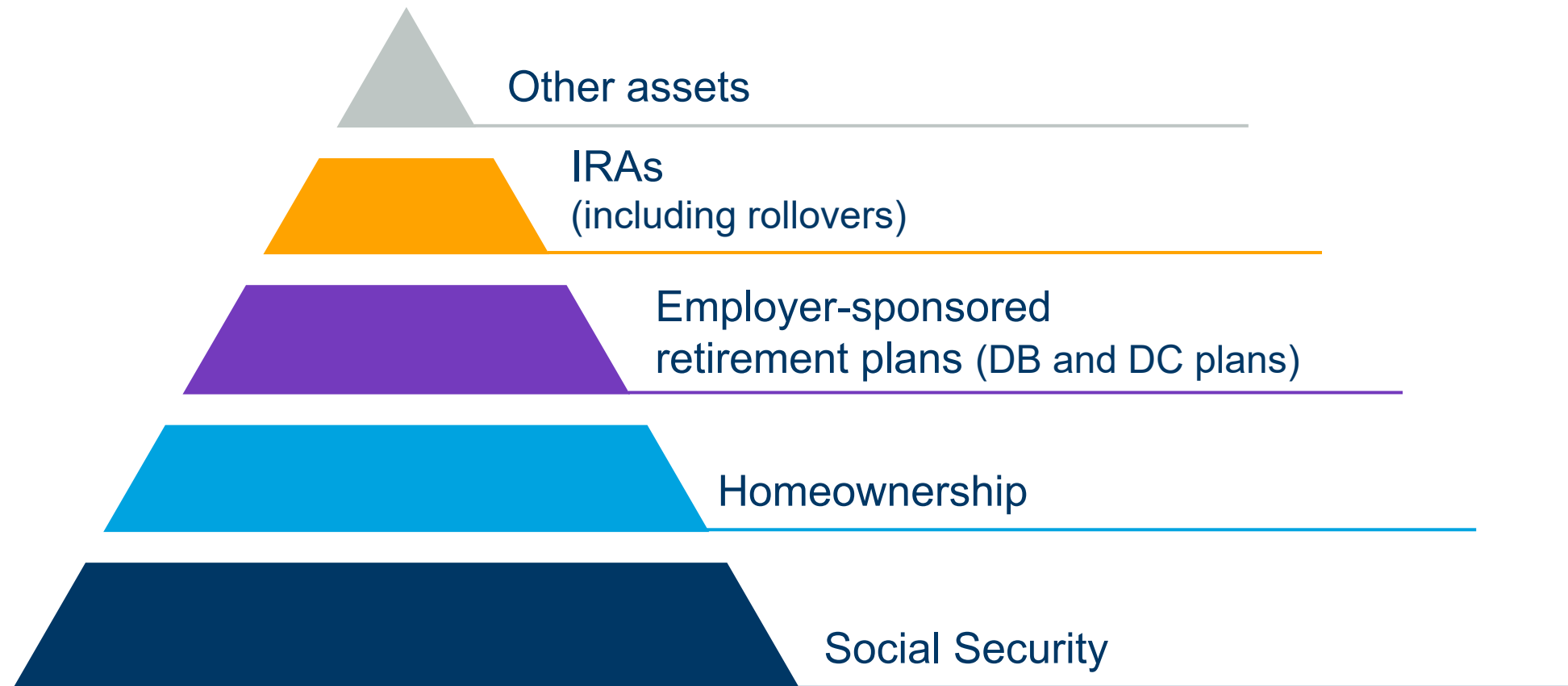


Note: “Retired” refers to those not in the labor force due to retirement. Baby Boomers are those born between 1946 and 1964. Each year’s retired Boomer population is based on the average of the July, August, and September estimates.

Source: Pew Research Center analysis of July, August, and September Current Population Survey monthly files (IPUMS)

The evolution of retirement savings

Retirement resource pyramid



DB = Defined Benefit and DC = Defined Contribution

Source: Investment Company Institute, *The Success of the US Retirement System*

Have Boomers saved enough?



Growth in DC plans,
decline in DB plans



Lots of money in
retirement market assets



Median
Boomer savings

\$33.6 T

Q4 2022

\$202 K

In 2020**

62%

held in IRAs and DC plans*

*Source: Investment Company Institute, **Source: Transamerica Center for Retirement Studies

Test your knowledge



Secure Act 2.0 allows a QCD transfer of up to \$50,000 to a split interest gift each year.

True
False

Test your knowledge



How many bear markets have there been since the first Baby Boomer was born in 1946?

- A. 15
- B. 10
- C. 7
- D. 12

Test your knowledge



When did the IRS first recognize flexible deferred gift annuities?

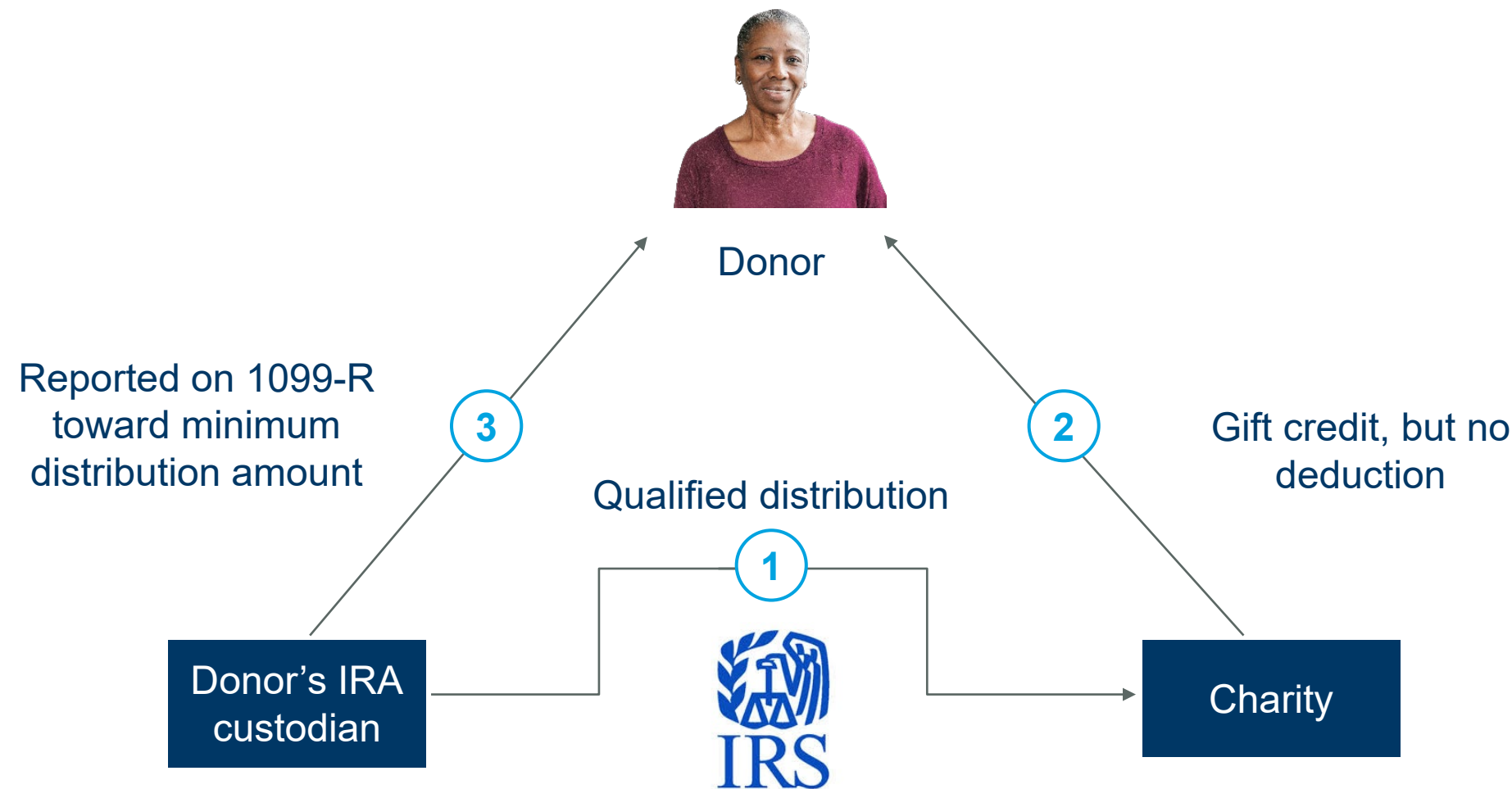
- A. 2001
- B. 1988
- C. 1997
- D. 1965

Rebecca has a large nest egg

“Over the years I have saved well for retirement. And, as you know, the university will receive a large portion of my IRA when I pass. So, while I would like to help out more now I don’t see how I can financially.”



Qualified charitable distributions



Qualified charitable distribution

Pointers

Donor must be at least
70½ years of age

Assets must transfer
directly from IRA to charity

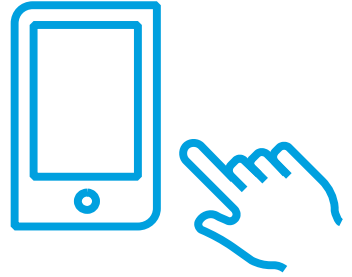
\$100,000 annual limit
per individual

Donor cannot receive any
benefit in return for the gift

Gift is not deductible, good
option for non-itemizers



Poll



What is your perception of the new QCD to CRT/CGA rollover opportunity?

- a) Greatest thing since sliced bread
- b) Good opportunity but for a limited audience
- c) Mostly a conversation starter
- d) Much ado about nothing

Qualified Charitable Distributions (QCDs)

What charities need to know

QCDs

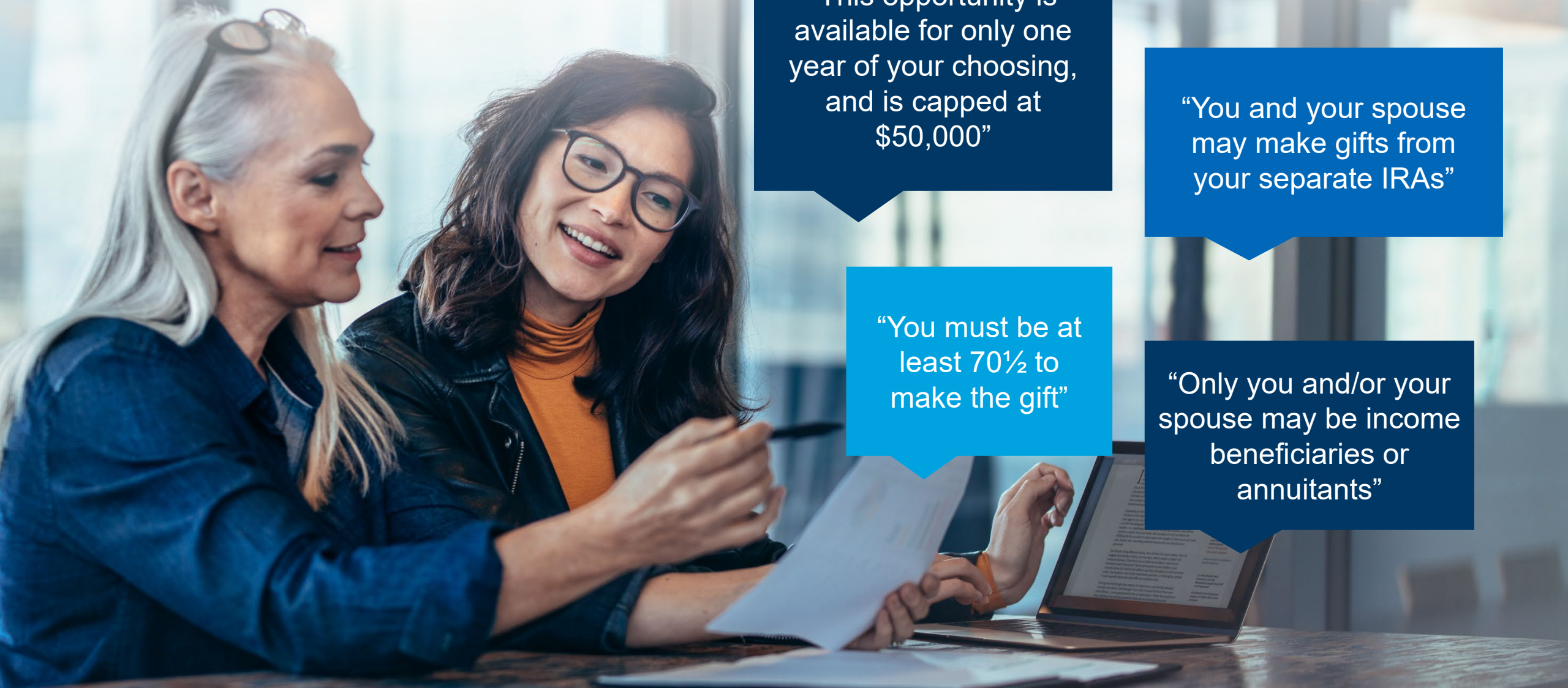
\$100,000 annual cap	Count against RMD	Must be at least 70 1/2
No income tax deduction		IRA distribution not taxable

QCDs for life income gifts

\$50,000 lifetime cap	Only in one year	Payments 100% ordinary income
Only immediate payment CGAs	Minimum CGA rate is 5%	Payments non-assignable
Only new CRTs	No additions to CRT allowed	Only IRA owner and/or spouse can be income beneficiaries/annuitants

QCD rollovers

What donors need to know



“This opportunity is available for only one year of your choosing, and is capped at \$50,000”

“You and your spouse may make gifts from your separate IRAs”

“You must be at least 70½ to make the gift”

“Only you and/or your spouse may be income beneficiaries or annuitants”

QCD rollovers

What donors need to know

“CGA payments must start within the year of funding”

“You can only use the QCD to fund a new CRT; additions are not permitted”

“You will not receive an income tax deduction and your distributions from the CRT or CGA will be taxed 100% as ordinary income”

“The QCD will count against your RMD”



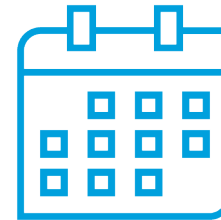
Inflation indexing for QCDs, split interest gift contributions



\$50,000
CRTs/CGAs



\$100,000
Outright QCDs



Adjusts annually both
outright QCDs and
distributions to life
income gifts for inflation



Adjustments
tied to CPI

QCDs to charitable remainder trusts

Pros

Comparatively easy asset to transfer

CRT is tax-exempt

Provides opportunity for tax-free growth of corpus

No income tax to donor on distribution from IRA to CRT

Not included in donor's estate

Qualifies for RMD

Cons

\$50,000 *maximum* is lower than most charities' gift acceptance policy *minimums*

CRT payments are 100% ordinary income

But none of the payments coming out of the CRT have favorable capital gain tax treatment

No income tax charitable deduction for funding the CRT

Not available for heirs after donor's death

No additions are permitted and CRT has an upfront cost of drafting the trust

QCDs to charitable gift annuities

Pros

Meets most charities minimum gift acceptance policies; very low cost to set up

Charity is tax-exempt

One-life CGAs qualify

No income tax to donor on distribution from IRA to CGA

Not included in donor's estate

Qualifies for RMD

Cons

Limited to \$50,000

CGA payments are 100% ordinary income

Two-life CGAs might not qualify depending on spouse's age (5% minimum payout rate)

No income tax charitable deduction for funding the CGA

Not available for heirs after donor's death

One-time use





**RETIREMENT
AHEAD**

I want to support your institution, but...

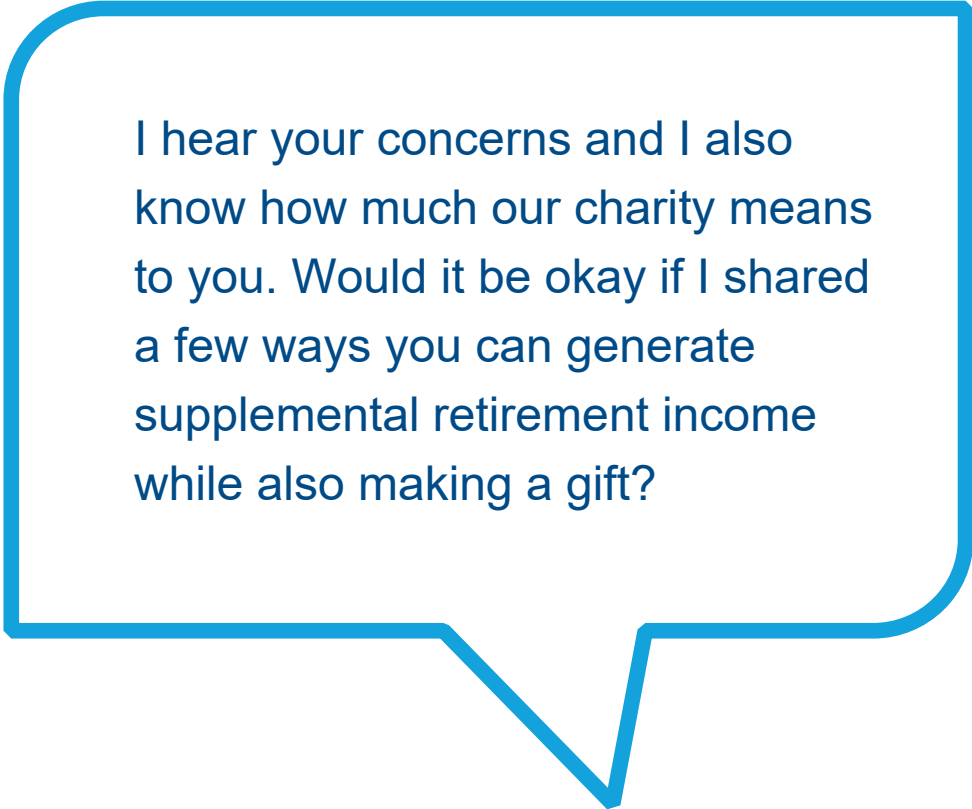
How long will I need to keep helping my kids and grandkids?

Have I saved enough?

After seeing multiple bear markets in the last 20 years, I'm reluctant to give away money now.

What if I get sick?

How do you respond to the “but”?



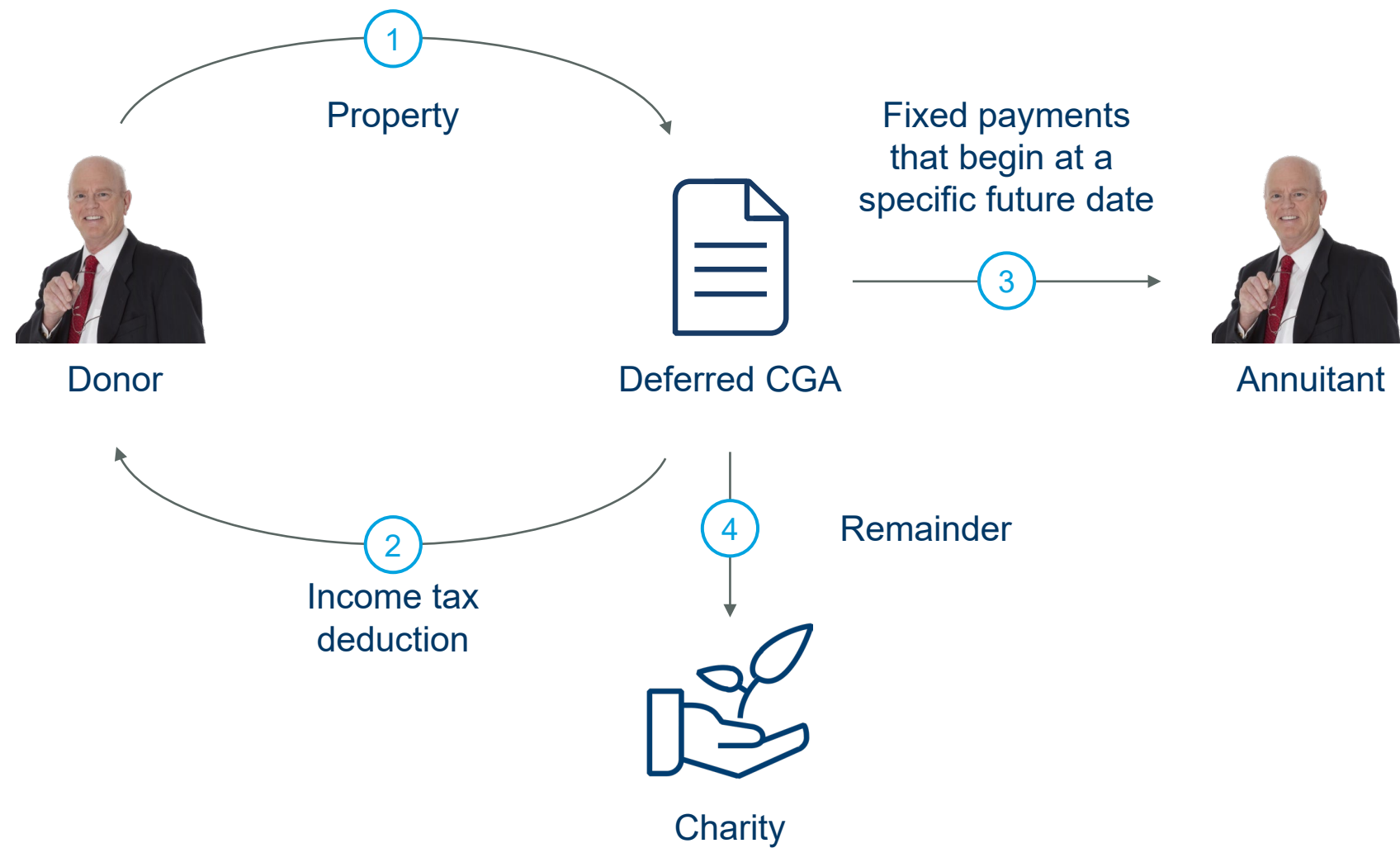
I hear your concerns and I also know how much our charity means to you. Would it be okay if I shared a few ways you can generate supplemental retirement income while also making a gift?

Mark has seen a few bear markets

“I’m 65. I had a good-sized 401(k) plan last year, but I’m worried about how it’s shrinking. I’d really like to add a stable element to my retirement income.”



Deferred charitable gift annuity



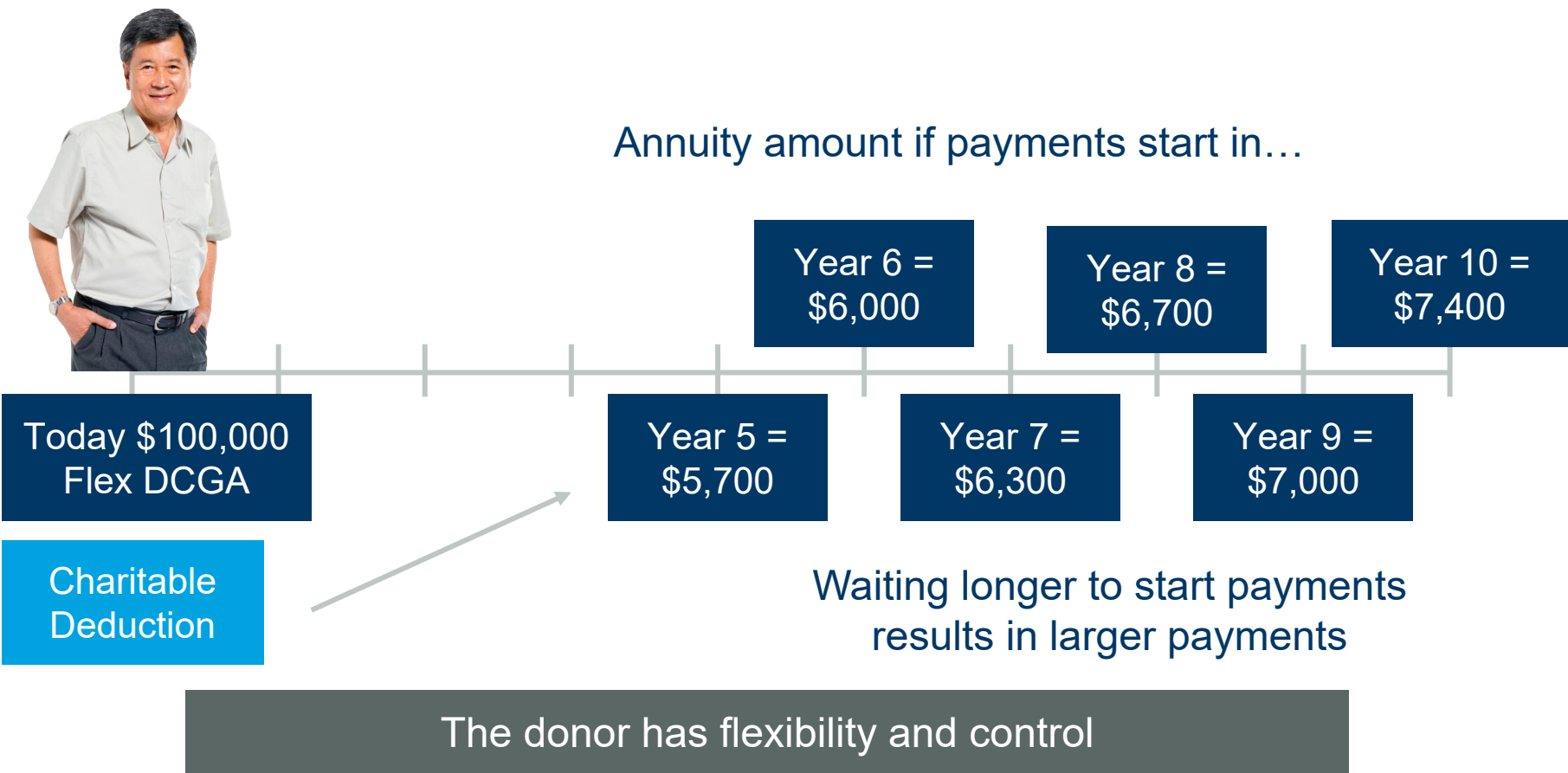
Steve can't plan his retirement party



“I’m 60 and worried about outliving my savings and don’t know when I will feel comfortable retiring. I wish I had some assurances.”

Retirement planning for 60-year-old

Flexible deferred CGA



Deferred CGAs

Pointers

Remind the donor that
payments are fixed

Choose an appropriate
deferral period

Determine how to stay
up to date with annuitants

Establish minimum
age policies



Florence daydreams about her son's graduation

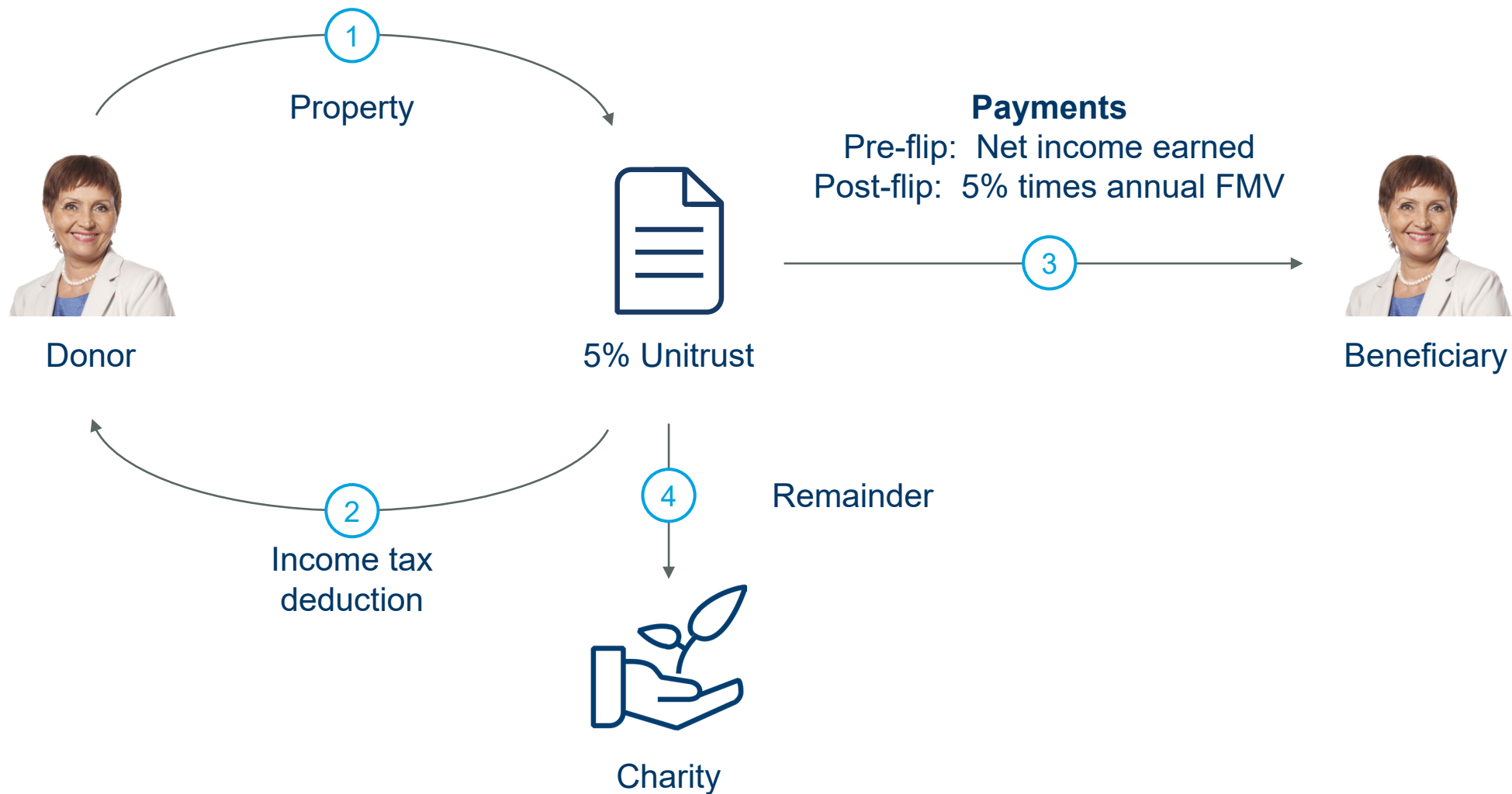
I'm 62. My son just decided to go back to school to pursue a new career.

I'm committed to helping him and his family financially until he graduates.

When I finally retire, I'm worried about how long my savings will last given cost of living increases.



Retirement flip unitrust



Group activity

“My husband and I read about the board chair’s charitable gift annuity. Next year we turn 60 and would like to set up a similar gift to support the campaign. What are our options?”



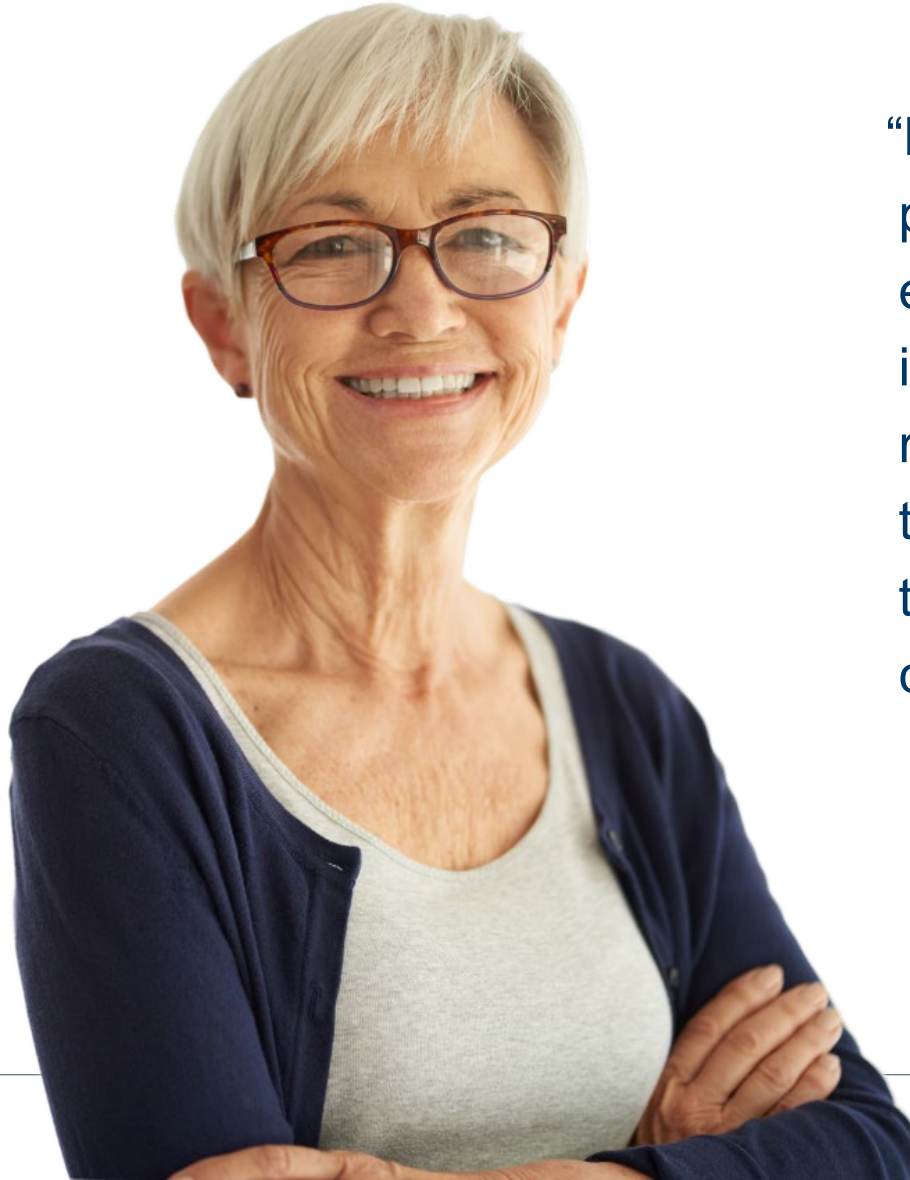
Group activity

“I am in my mid-sixties and plan to live off of my pension, Social Security and IRA, when I retire.

“My RMD will be more than I need and I’d like to pass some of my wealth, in a tax-wise way, to my 46-year-old nephew, but I don’t want to give it to him all at once.”

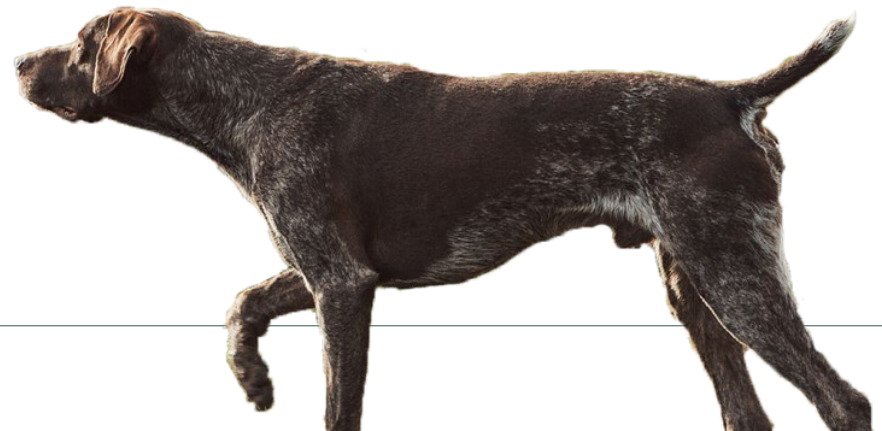


Group activity



“Here’s my dilemma: I really want to participate in the campaign, but I retired early and need the income now from my investment assets. I don’t want to tap my retirement accounts until I’m required to take payments. I’d also like to put off taking my social security payments so I can get more when I do start.”

Takeaways



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