Dear Friends,

I hope you find our first issue of “Strategies for a Solid Future” helpful when planning your charitable giving. We are grateful that you have counted Ann’s Place as one of the charities worthy of your generous support.

Over the 27 years that I have been part of the Ann’s Place family, I have seen the agency grow to now serve more than 1,100 people yearly — patients and family members having to deal with the physical, psycho-emotional, and financial trauma that oftentimes accompany a cancer diagnosis.

In our permanent home at 80 Saw Mill Road, we are able to offer not only support groups and individual counseling, but also a wide array of wellness activities, such as yoga, tai chi, horticulture therapy, art, dance, reiki, and nutrition and educational programs. All of our services remain free of charge.

To ensure that these programs remain available and grow and adapt to the needs of the community, we are initiating a Planned Giving program chaired by David Nurnberger. If you wish to speak to our Director of Development about this new initiative, Matt Boyle, he can be reached at 203-790-6568.

Thank you for your support!

Dr. Robert Cooper
Board Chair

How to Reduce Taxable Income in 2018 with a Qualified Charitable Distribution

By George Koeltl, Reby Advisors

As you may have heard, the new tax law has nearly doubled the standard deduction and as a result, the vast majority of taxpayers will no longer benefit from itemized deductions. Even if you take the standard deduction, however, there are still strategies to reduce your tax liability, such as a Qualified Charitable Distribution (QCD).

What Is a Qualified Charitable Distribution (QCD)?

A QCD is a direct payment of Required Minimum Distributions (RMD) from an IRA account to a qualified non-profit organization, thereby satisfying the RMD without adding the tax liability that comes with additional income.

Case Study: Using a Qualified Charitable Distribution to Reduce Your Tax Liability

Meet William and Betty Jones, both age 72, a retired couple who own a diversified group of investment accounts, including traditional IRA accounts. The Joneses were passionate about a certain non-profit organization and planned a $10,000 donation in 2018.
They faced a decision: should they make a QCD from an IRA account or make the donation from a bank account and itemize it as a deduction?

Without the charitable contribution, the couple would benefit from the new standard deduction of $26,600 for seniors who are married filing jointly. After taking that deduction, the Joneses’ adjusted gross income would likely be $87,401. At this level, they would pay $11,106.88 in income taxes.

If they made the $10,000 donation from a bank account, their itemized deductions would be $31,600 (and they would no longer take the standard deduction because their itemized deductions are $5,000 greater). In this scenario, their adjusted gross income would be $82,401. They would pay $10,006.88 in taxes. This is $1,100 less than they would have paid without giving to the charity or claiming the deduction.

However, if they made a QCD, offsetting the tax liability from $10,000 of their IRA RMD, their adjusted gross income would be only $77,401. This is because the $10,000 QCD is not counted as income: the couple never actually received it. It went directly from the IRA account to the qualified non-profit. In this scenario, they pay only $8,906.88 in income taxes.

The end result? The non-profit that William and Betty care about still got their $10,000 donation, and the Joneses reduced their tax liability by an additional $1,100 by making a QCD rather than writing a check to the charity from their bank account. Their overall tax savings was $2,200.

Who Benefits from a QCD?
A QCD is available to retirees age 70.5 and older who have a traditional IRA account. It’s also available to those who own a SEP IRA or Simple IRA, as long as the employer did not make any contributions during the year the QCD was made.

Generally speaking, those who benefit most from making a QCD:

• Already donate to charity or qualified non-profit. Of course, the main reason for giving to charity is to benefit the charity. The QCD is a strategy that may provide the most tax relief for those who give, but it does not pay for itself.

• Do not need RMDs to sustain their lifestyle. If other sources of income are sufficient to fund your lifestyle, the RMD from an IRA account may unnecessarily increase your tax liability, move you into a higher tax bracket, or even disqualify you from means-tested benefits. If this is the case, the QCD can really pay off.

Ann’s Place serves women, men and children - turning no one away who has been affected by cancer.
How to Make a QCD
It's really important to know that an RMD is considered satisfied by the first distribution. If you take an RMD for yourself, there’s no way to roll it back into an IRA so that you can then use a QCD to satisfy the requirement without it being counted as income. You have to do it right the first time – no mulligans. Here are a few important steps:

• The distribution check must be made out to the non-profit organization.

• The check can be sent to you to give to the non-profit, but it cannot be deposited into your bank account first so that you can write a check to the organization.

• On tax Form 1040, report the full amount of the charitable distribution on the line for IRA distributions; on the line for the taxable amount, enter zero if the full amount was a QCD – enter “QCD” next to this line.

• File Form 8606 if you made a QCD from a traditional IRA in which you had basis and received a distribution during the same year, other than the QCD; or if the QCD was made from a Roth IRA. Most important, discuss the strategy with your tax advisor or financial advisor prior to either implementing the QCD or even taking the RMD.

Four Tips to Prepare Your Will
By Attorney Paula Boa Sousa, Collins Hannafin, P.C.

We all know a Will is important. So, once you’ve made the big step of calling an attorney’s office for an appointment, what’s next? There are four main things you should think about and know going in.

1 First, it will be important to have some sense of your assets. How much is your house worth? What is the principal value of your mortgage? Where do you bank? About how much is in each account? Are the accounts owned solely, jointly, or are they beneficiary designated? All of these answers will help the attorney guide you in having a consistent estate plan. For example, you wouldn’t want a Will that leaves everything to two children equally, yet all of your assets are owned jointly with just one child.

2 You will also want to think about how you want to leave your assets. You can choose to leave assets to one person or several people. When leaving assets to several people, you can name them all as equal beneficiaries or give some a certain dollar amount and leave the remainder to one beneficiary. Varying percentages to various beneficiaries is also a possibility. Also consider who your contingent beneficiaries will
be. Heaven forbid you, your spouse, and all your children perish in a common accident, who do you want to get your assets? Many times, at this point, people will consider listing specific dollar amounts to certain charities, and choose to have the remainder of the estate go to siblings or nieces and nephews.

Another critical decision is who to name to shepherd your assets as you intended. Your Executor will be in charge of ascertaining your assets as of the time of death and working with the attorney to complete any necessary forms. Ultimately, the Executor will ensure that the estate’s assets are properly distributed to the intended beneficiaries. Likewise, you may want to name a Trustee of Trusts for the benefit of young children. You could decide to leave the amount to the child’s guardian until he or she reaches the age of majority. Some, however, prefer to have the amount held in trust until the child reaches a later age, such as 25 or 30.

In addition to the Will, you will want your attorney to prepare a Health Care Instructions and Power of Attorney document. While a Will is important in administering your assets after your death, the Health Care Instructions and Power of Attorney documents are important in handling your affairs while you are alive but unable to act for yourself.

Knowing the answer to at least most of these questions prior to the first appointment will make for a much more effective estate planning process. But, remember, the first step is making that appointment!

Talk to Us About a Planned Gift!
It may surprise you that you do not need to be wealthy to set up a planned gift. There are many potential tax and personal benefits to planning gifts during your lifetime.

If you would like to start the discussion, please contact:
Matt Boyle, Director of Development
matt@annsplace.org
203-790-6568

The articles in this newsletter or discussions with Ann’s Place staff should never replace the guidance of a licensed tax advisor or attorney.

Nobody should have to live with cancer all alone. If you know someone who is struggling with cancer or who has a loved one with cancer, please refer them to Ann’s Place. All services are free of charge, thanks to our generous donors.