Charitable Giving & Your IRA

Giving to nonprofits through your IRA is both generous and tax-smart

Giving to nonprofits through your IRA has never been easier. You can choose to make a gift that is both generous and tax-smart, whether through your annual Required Minimum Distribution or your estate.

The Alaska Community Foundation(ACF) can help you connect to the causes you care about most through your IRA gift. You can make an unrestricted gift to an unrestricted endowment or set up a charitable fund in your or your family's name to benefit an area of interest. ACF understands our state's most pressing issues and can help you establish or give to a fund that best reflects your interests.

Give the gift of a lifetime

The IRS requires individuals who are 70 ½ or older to take a minimum distribution from traditional retirement plan accounts. You can give up to $100,000 of your Required Minimum Distribution annually from a traditional IRA without incurring income taxes today, or estate and income taxes in the future. If married, you and your spouse can transfer up to $100,000 from each of your traditional IRAs annually.

Thanks to the PATH Act signed into law December 2015, you can give directly from your traditional IRA to a qualified charity, such as The Alaska Community Foundation. A qualified charitable distribution is not subject to federal taxes and can satisfy your Required Minimum Distribution. In past years, the IRA charitable provisions were typically extended by Congress annually at the end of the year. The PATH Act permanently extended the provisions allowing tax-free distributions year-round. Now, your retirement funds can go further than ever before. Think of the impact you can make by giving this way. You can support a cause or program you care deeply about, establish a scholarship, give to your community Affiliate Foundation, or donate to the Alaska Fund to meet needs around the state.

Please note, that while many options are available for donating through your Required Minimum Distribution, giving to Donor Advised Funds does not count as qualified distributions to charity.

Give through your estate to make a lasting difference

By gifting some or all of your IRA through your estate, you can save income tax by using an IRA to do good through the Alaska Community Foundation. Many people think of IRA distributions as income tax-exempt, which they are not. Income taxes are deferred until distributions are made from the IRA, whether funds are distributed to you or others through your estate.

If you contribute some or all of your IRA to a charitable organization such as The Alaska Community Foundation, you and your heirs will pay no tax on this contribution. In contrast, your spouse or children will pay taxes on the IRA when withdrawals from the IRA account are made.

Think about that for a moment. Why leave an after-tax gift to charity when you can make a tax-favored gift? Naming a charity as a beneficiary on your IRA means that no one ever pays income tax on that asset. The same tax benefits are available for 401(k) beneficiary designations.

A charity can receive from your IRA in many ways. It need not be your only beneficiary. Instead, you can name a charity to receive 5% or 10% of your IRA as the primary beneficiary. You can also name the charity as a contingent (secondary) beneficiary to collect from the IRA if your primary beneficiary disclaims or does not survive you.

Naming a charity as a beneficiary on life insurance is another painless way to do good things for causes you believe in, but life insurance does not have the income tax benefit that IRAs and 401(k)'s do.
It's easy to change your IRA, 401(k) or life insurance beneficiary designation. Your insurance agent, CPA, financial advisor, or attorney can assist you with these simple forms.

This document is provided for your information and is not intended to provide legal or tax advice. We strongly encourage donors to talk with their accountant, attorney and/or financial advisor for advice on your estate and financial planning.