COMMUNITY FOUNDATION of CHIPPEWA COUNTY

Professional Advisors

ARTICLE SERIES

Offering the Best Benefit with the Most Impact

Wealth management professionals like you have earned your client's trust with careful and intentional tax and estate planning. The Community Foundation joins you in this approach when it comes to charitable gift planning.

In this two-part article, we expand the possibilities you offer to your clients and increase their charitable impact. Through honest collaboration, we help you make a client's charitable giving go farther, have greater benefits, and make a meaningful impact forever.

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1 INFLUENTIAL GIVERS

while we serve anyone who wants to make a charitable gift, some clients are considered "401(k) millionaires." As retirement accounts continue to grow, so does the opportunity for community impact. We offer options to suit each donor's intention to get the best possible charitable impact.

Here's the scoop: At the end of 2024's first quarter, an estimated 485,000 Americans could count themselves among the so-called "401(k) millionaires," meaning the balance in their employer-sponsored retirement plans has reached the $1 million level. That's a larger number than ever before. Many of these 401(k) accounts will be rolled over into IRAs after retirement and the assets will continue to grow.

Retirement accounts are especially influential in serving the people and resources of Chippewa County. As you know, many of these clients are already supporting their favorite community causes, but the question is, are they getting the best tax benefit and are they getting the most impact from their giving? This is why wealth management professionals consider us an asset.

Now is an important time for a brief refresher on the benefits of deploying retirement accounts for tax benefits and charitable impact.

When your client names the Community Foundation, as the beneficiary of a traditional IRA or qualified employer retirement plan, your client achieves extremely tax-efficient results. Here's why:

–First, the client achieved tax benefits over time as the client contributed money to a traditional IRA or to an employer-sponsored plan. That's because contributions to certain retirement plans are what the IRS considers "pre-tax"; your client does not pay income tax on the money used to make those contributions (subject to annual limits).

–Second, assets in IRAs and qualified retirement plans grow tax-free inside the plan. In other words, the client is not paying taxes on the income generated by those assets before distributions start in retirement years. This allows these accounts to grow rapidly.

–Third, when a client leaves a traditional IRA or qualified plan to a fund at the community foundation or another charity upon death, the charity does not pay income taxes (or estate taxes) on those assets. By contrast, if the client were to name children as beneficiaries of an IRA, for example, those IRA distributions to the children are subject to income tax (and potentially estate tax), and that tax can be hefty given the tax treatment of inherited IRAs.

So, if your client is deciding how to dispose of stock and an IRA in an estate plan and intends to leave one to their children and the other to charity, **leaving the IRA to charity and the stock to children is a win-win**. Remember, the client's stock owned outside of an IRA gets the "step-up in basis" when the client dies, which means that the children won't pay capital gains taxes on the pre-death appreciation of that asset when they sell it.

INFLUENTIAL & OVER 70

Speaking of savvy giving techniques using IRAs, a client who is 70 ½ or older can make tax-efficient gifts directly from an IRA to a qualified charity (including certain types of funds at the community foundation), up to $105,000 per year! This is known as a "Qualified Charitable Distribution."

The community foundation is always happy to help you fulfill your client's charitable giving goals, both during their lives and through legacy gifts. We look forward to the conversation!

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2 COMPANIES NEED PHILANTHROPY ADVICE, TOO

As you guide individuals and families through financial and estate plans, consider that many of your clients are company executives and many companies want to lean into charitable giving, too. For example, several Chippewa County companies have opened funds so that their employees engage in selecting the charities they want to support.

You can count on our **careful and intentional charitable planning to assist you in these situations.** That's why it's wise to be aware of best practices in corporate philanthropy and know the ways the community foundation can help.

Establishing a corporate donor-advised fund, for example, helps corporate executives organize the company's giving in a convenient, 501(c)(3)-qualified structure, avoiding the time and expense that would be required for the company to establish and maintain a separate foundation entity. The company can fund the corporate donor-advised fund each year (especially in really good years!), thereby organizing charitable donations in their community through a single source of funds. This structure can help maintain historical corporate giving levels even when the company experiences a down year.

CLIENTS RECEIVE ALL OF THE JOY, WITH NONE OF THE HEAVY LIFTING

We make the fundholding journey easy for our advisors and their clients. It shouldn't be complicated or cumbersome. The Community Foundation's infrastructure, reporting practices, and compliance protocols ensure that all tax laws and other IRS requirements are met. In fact, we are **nationally accredited for our excellence** and received the Community Foundations National Standards accreditation seal.

The Community Foundation of Chippewa County builds positive and productive working relationships between corporate executives and local business owners, who are excited to give back to the community where they've built businesses and developed lasting relationships with employees and customers.

As always, we appreciate your call for philanthropy support in Chippewa County. It is our honor to help develop charitable giving plans that your clients will love.

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*These examples are for illustration purposes only. Every client's situation is different, and therefore the tax strategy and tax impact will be different for each client. For example, these illustrations are based on federal income tax rates only, and you'll need to evaluate, among many other factors, the impact of state taxes. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.