## Be a steward of your taxes

**The standard deduction threshold** is $12,400 for an individual, $24,800 for a couple in 2020.

* **Bundle charitable gifts** you would normally make over several years to exceed the threshold.
* Create a **donor advised fund** with a large charitable contribution that exceeds the threshold.

**The limitation on deductions for charitable contributions is** 60% of adjusted gross income. If you can afford to forego the income, help grow your parish, school, ministries or the Diocese.

### Give assets without increasing your taxable income

**IRA Distributions:** A Qualified Charitable Distribution (QCD) given directly from your IRA to the parish is valuable even if you no longer itemize deductions. QCDs up to $100,000 may be excluded from taxable income. You must be at least 70 1/2 and have a regular (not Roth) IRA. If you are taking your Required Minimum Distribution (age 72 beginning in 2020), the QCD can satisfy the distribution requirement.

**Gifts of Grain or Livestock:** If you farm on a cash basis, you can provide significant support for the Church by donating your grain or livestock. The gift is excluded from income. Production costs are eligible for deduction, if your tax situation allows.

### Reduce capital gains & increase deductions

**Securities:** An outright gift of appreciated securities will not incur federal capital gains, plus the fair market value is eligible for deduction. The securities must have been owned for more than a year and appreciated in value.

**Real Estate or paid up Life Insurance:** A gift that can be sold might allow you to make a larger gift than you expected.

### Give appreciated assets and receive income

**Charitable Gift Annuities or Charitable Remainder Trusts:** If funded with appreciated assets there is no up-front capital gains tax for you, but it is eligible for a charitable deduction and pays income for your lifetime. The remainder becomes a legacy gift for your parish.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

## Plan your stewardship

"As each one has received a gift, use it to serve one another as good stewards of God's varied grace." 1 Peter 4:10

“As Christian stewards, we receive God's gifts gratefully, cultivate them responsibly, share them lovingly in justice with others, and return them with increase to the Lord.” *To Be a Christian Steward: A Summary of the U.S. Bishops' Pastoral Letter on Stewardship.*

### How is planned giving stewardship?

The United States Conference of Catholic Bishops *Stewardship: A Disciples Response*, explains: “Planned gifts are normally made from the contributor’s accumulated assets as part of an overall estate plan. In addition to the normal benefits of charitable giving, planned gift agreements frequently result in tax advantages or other income benefits to the donor.”

“Most of the time, a planned gift is made by means of a formal agreement or contract and the principal or income from the gift is not available to the organization until the terms of the agreement are fulfilled (usually at the death of the donor or spouse).”

### Your stewardship legacy

Planned gifts make it possible to share more than just income. Consider:

#### [An outright gift now](file:///\\FileServer\Users\gray\Tool%20kits%20for%20Parishes\Parishioner%20handouts\02%20Gifts%20You%20Can%20Give%20Now.docx)

* A charitable distribution from your IRA
* Appreciated stock or other securities
* Grain or livestock
* Assets that can be sold like real estate, paid-up life insurance, etc.

#### A gift now and in the future

Open a donor advised fund for your charitable giving.

#### [A gift in the future](file:///\\FileServer\Users\gray\Tool%20kits%20for%20Parishes\Parishioner%20handouts\03%20Gifts%20for%20the%20Future.docx) with little or no cost during your lifetime

Make a bequest to your parish, a school, a ministry or the diocese in your will or a trust. Name it as a beneficiary of a life insurance policy or your retirement plan.

#### A gift in the future with [income during your lifetime](file:///\\FileServer\Users\gray\Tool%20kits%20for%20Parishes\Parishioner%20handouts\03c%20Charitable%20Gift%20Annuities.docx)

Name your parish, a school, a ministry or the Diocese as the beneficiary of a charitable remainder trust or charitable gift annuity.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

## Plan your legacy - bequests

When planning your estate, think about the institutions that have played a role in your life. This might be your parish, parish school, diocesan high school, or other ministry.

You helped them during your life with time, guidance, and financial assistance. You endorse their mission and believe that they will continue to make a difference for good in the world far into the future.

### Bequests in a will or trust

The most basic estate planning tools are wills and trusts. "Bequests" are established by wills and trusts.

Bequests are not payable until death, so they do not affect your assets or cash flow during your lifetime. You can change the provisions of your will or a revocable trust at any time.

To make a bequest you will most likely engage an estate planning attorney. This professional can guide you to make sure all legal necessities are followed.

Charitable bequests are private. Your will is not filed or made public until your death. Trusts are never made public unless you instruct otherwise.

### Frequently Asked Questions

Q What's the difference between a will and a trust?

A will is your instructions to your survivors and to the probate court about how you want your property distributed. It is a revocable, private document that only takes effect after your death.

A revocable trust -- sometimes called a living trust -- is a legal document that is always private and holds assets during your lifetime. After death, the trust transfers your assets -- or benefit from them -- to family and charity. Unlike a will, a trust must take title to assets before it can pass them to your survivors.

Q What if I already have written my will or trust?

You can amend a will or trust to make a new gift. Your attorney can prepare a simple document, called a codicil or amendment that adds a new charitable bequest while reaffirming the other terms of your will or trust.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

## **Plan your legacy – retirement plan assets**

*“When you hold a banquet, invite the poor, the crippled, the lame, the blind; blessed indeed will you be because of their inability to repay you. For you will be repaid at the resurrection of the righteous.”* Luke 14:1,7-14

As Christian stewards, we share the responsibility of making our Church a true community of faith and a vibrant source of service to the larger community. This includes providing financial support for today’s needs and building a firm financial foundation for tomorrow.

### Beneficiaries of Retirement Plan Assets

A gift of all or a portion of your remaining assets from an IRA, 401(k), 403(b) or other retirement plan may be one of the smartest and least "expensive" ways to favor your parish, school, ministry or the Diocese.

### Tax Treatment

In addition to **inheritance taxes** if the balance is large (more than $11.58 million in 2020), if retirement plan assets pass to family members other than the spouse, the **heir pays income tax** on the value received. If a child is in the 22% tax bracket when he/she receives retirement plan assets from a parent, he/she is taxed at the 22% tax rate.

Retirement plans inherited in 2020 and beyond require your heirs to zero out the account by the end of **10 years** rather than over the course of their lifetime. You can reduce the potential tax burden for your heirs with:

* Life insurance payable to the beneficiaries to replace what they would have received from your IRA (or other retirement plan).
* A charitable remainder trust to receive the retirement plan assets. Your heirs receive lifetime income and the remainder goes to charity.

If your heirs are provided for, **by-pass taxation** completely and give your retirement plan assets directly to your parish, school or other ministry.

Most retirement fund managers provide "beneficiary designation forms" available through a website or by calling the manager of the funds. The proper legal name of your parish ( Catholic Church) should be listed on the beneficiary designation form with a portion or amount of the fund to be designated for the benefit of the parish or ministry.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

Plan your legacy & receive income – charitable gift annuities

The Holy Spirit brought the early Church alive by giving individuals gifts that would sustain the Church. By sharing your gifts, you can keep the church alive for years to come.

### Charitable Gift Annuity

The diocese sponsors a charitable gift annuity program for donors 65 or older willing to make a gift of at least $5,000 that will eventually pass to a parish, ministry or the diocese. In return for a gift that will pass after death, a charitable gift annuity generates fixed payments for life to you (and/or someone you designate).

The annuity will replace and may increase the cash flow from the assets used to fund it.

### How does it work?

The annuity is a simple contract between you and the Diocese of Kansas City-St. Joseph. Annuity payments are a general obligation of the diocese.

You may fund your annuity with cash or appreciated property. All property accepted to fund a gift annuity is invested by the diocese to support annuity payments.

The amount you receive as income is determined by the amount you contribute and your age; the older you are, the higher your payment rate. Gift annuity rates are those set by the Board of the American Council of Gift Annuities. Payments are generally made quarterly.

## Tax Treatment

* If you are one of the annuitants and you fund the annuity with appreciated securities, there is no upfront capital gains tax.
* Your initial contribution is eligible for a charitable tax deduction, if your tax situation allows.
* A portion of each payment is a tax-free return of your principal. If funded with appreciated securities, the taxable portion is taxed at the capital gain rates.

For more information and a personalized illustration, contact Laura Gray, Planned Giving Director, 816-714-2363 or [gray@diocesekcsj.org](mailto:gray@diocesekcsj.org).

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

## A meaningful gift in your lifetime - IRA gifts

*“What we do with our money is our gift to God.”* St. Anthony of Padua Parish, Effingham, IL

Every time you give to your parish, a ministry or worthy cause, you are giving a gift to God. If you can live without using withdrawals from your IRA, giving from an IRA account is one of the smartest ways to make a real impact for your parish, a ministry or the Diocese.

### Eligibility for an IRA Qualified Charitable Distribution (QCD)

* Beginning in 2020, you do not have to take your Required Minimum Distributions (RMD) until you turn 72, but you can still make Qualified Charitable Distributions beginning at 70 ½.
* Contributions must be made from traditional IRAs.
* Distributions must go directly from your IRA account to a qualified charity.

## Tax Treatment

The tax treatment for an IRA QCD may make it possible for you to make a larger gift to your chosen ministry.

* IRA QCDs are excluded from taxable income.
* Taxpayers who do not itemize benefit most from an IRA QCD, since they do not receive a tax benefit for charitable gifts.
* You can give up to $100,000 per year.
* Taxpayers who’ve reached the limit for charitable giving (usually 60% of adjusted gross income) can give more - up to the IRA limit.
* Your QCD can satisfy your Required Minimum Distribution (RMD). Contact your IRA administrator about your RMD.

Withdrawals from other qualified retirement plans (e.g. 401(k)s) are treated differently. The withdrawal may be eligible for a deduction, if you can itemize, but it also creates taxable income.

**How to make an IRA Qualified Charitable Distribution**

The form to send your IRA administrator designating the recipient of your qualified charitable distribution is available from your parish or on the website [www.kcsjdiocese.org](http://www.kcsjdiocese.org). If your parish prefers, the Diocese processes IRA distribution as a service to the parishes. For more information, contact Laura Gray, Planned Giving Director, 816-714-2363 or [gray@diocesekcsj.org](mailto:gray@diocesekcsj.org).

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

## **A meaningful gift in your lifetime – appreciated securities**

*“At the heart of stewardship in my own reflections and my own search for how it touches my life it has prompted me to ask that questions more than once, ‘What do I own and what owns me?’”* --Archbishop Thomas Murphy

Examining ourselves in the way Archbishop Murphy examined himself can inspire thoughts about all that we have. You may find that you have appreciated securities purchased some time ago at a much lower value that could make a meaningful impact on your parish, a ministry or the diocese.

## Tax Treatment

Donating publicly traded appreciated stock or mutual fund shares is a strategic gift-planning method. The after-tax cost is less than a cash gift.

* If held for more than 12 months, the **fair market value** as of the date of the gift is eligible for deduction, if your tax situation allows.
* The donated value may be **deductible up to 30% of your adjusted gross income** and can be carried over for up to five years.
* **Capital gains tax will not be assessed**.

The IRS offers guidance to establish the value of your securities donations

## How to donate appreciated securities

If your parish has a brokerage account, please contact the staff for directions on donating your securities. If your parish prefers, the diocese processes securities donations as a service to parishes and ministries.

How your gift is processed depends upon whether you hold your securities in a brokerage account or have physical possession of the certificates. Contact the Office of Stewardship and Development at (816) 714-2363 or 816-714-2346, if you need help determining how to proceed.

To transfer securities from your brokerage account to the diocesan brokerage account, you will need a DTC Transfer form. You can download the form from www.kcsjdiocese.org. The diocese will sell your securities and forward the proceeds to the parish or ministry you designate.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.A meaningful gift in your lifetime – share the harvest

Cash basis farmers who harvest crops in the fall and make plans for spring planting may find that making a **charitable gift of grain** is an especially effective way to “share the harvest.”

## Tax Treatment

The example below illustrates that for many farmers a **gift of grain** can increase the impact of their giving. The tax treatment can reduce adjusted gross income, help reduce the basis on which tax is assessed, and allow larger giving not limited to 60% of adjusted gross income. Plus, there is no need to itemize to get the benefit.

* The value of the contributed grain is **excluded from income.**
* In many cases, the donated grain **lowers the income subject to self-employment tax.**

|  |  |  |
| --- | --- | --- |
|  | Sell the grain and donate the proceeds | Transfer ownership of the grain |
| Value of the Crop | $10,000 | $10,000 |
| Less |  |  |
| 15.3% Self-employment tax | $1,530 | - |
| 15% Federal Income Tax | $1,500 | - |
| 6% MO State Income Tax | $600 | - |
| Net to parish | $6,370 | $10,000 |

## How to donate your grain

Contact the Office of Stewardship and Development at (816)714-2363 or (816)714-2346. We can provide the necessary forms ([www.kcsjdiocese.org](http://www.kcsjdiocese.org)) and information for your grain elevator to directly transfer ownership to the diocese prior to sale to ensure favorable tax treatment.

1. The diocese will receive and own the grain only for a very short time before we sell it for as high a price as possible.
2. The diocese forwards the proceeds to the parish, school or ministry you designated in a Deed of Gift form.

As with all charity and tax planning, you should consult your own financial and legal advisers about your personal tax and financial situation.

## A meaningful gift now & in the future - Donor Advised Fund

*“The sharing of gifts is a very rich and beautiful activity. It is a confident, joyful and hope-filled expression of ministry. In ministering to each other, each from the riches that he or she possesses, we work together for the full coming of God’s Kingdom.”— Henri J.M. Nouwen*

#### WHAT IS IT?

A Donor Advised Fund (DAF) is like an investment account for your charitable giving. The fund is managed by a sponsoring organization, which is a 501(c)(3) tax-exempt organization.

#### HOW DOES IT WORK?

1. You donate cash or appreciated assets to a DAF and take an immediate tax deduction. The assets grow tax free.
2. The charitable assets now legally belong to the sponsoring organization.
3. You, as the donor, or others you name, can be the DAF advisor (s):
   1. Recommend how the assets in the DAF are invested.
   2. Recommend grants to the nonprofits you wish to support.
   3. The sponsoring organization conducts due diligence and, if that research shows the organizations are eligible to receive tax-deductible contributions, issues the grants to the charities.

#### From the Catholic Community Foundation website

“A Donor Advised Fund provides a solution to fulfill your giving goals. Consider the advantages when compared to a traditional investment portfolio or family foundation:

* Professional and morally responsible management of investments with expert Catholic Community Foundation oversight.
* Charitable tax deductions when you contribute assets.
* Cost efficient account administration through the Catholic Community Foundation.
* Distribution requests handled by CCF staff available to assist with evaluating giving opportunities.

Create a legacy today for your parish or Catholic organizations you care about that will provide financial resources for generations to come through a professionally managed Donor Advised Fund.”

To create an investment account please contact Jeremy Lillig by phone at (816) 714-2356, or by email at Lillig@diocesekcsj.org.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

## Make A Gift in the Future

*“For we brought nothing into the world, just as we shall not be able to take anything out of it.” 1 Timothy 6:7*

#### Sponsored by the Diocese:

*Charitable Gift Annuities*

The Diocese sponsors a charitable gift annuity program for donors 65 or older willing to make a gift of at least $5,000 that will eventually pass to a parish, school, ministry or the Diocese. In return for the gift that will pass after death, a charitable gift annuity generates fixed payments for life to you and/or someone you designate. The annuity will replace and may increase the cash flow from the assets used to fund it. For more information and a personalized illustration, contact Laura Gray, Planned Giving Director, 816-714-2363 or [gray@diocesekcsj.org](mailto:gray@diocesekcsj.org).

#### Name your beneficiaries

*Wills & Trusts*

The most basic estate planning tools are wills and trusts. "Bequests" are established by wills and trusts. Bequests are not payable until death, so they do not affect your assets or cash flow during your lifetime. You can change the provisions of your will or a revocable trust at any time. To make a bequest you will most likely engage an estate planning attorney to make sure all legal necessities are followed.

*Retirement Plan Assets*

Very substantial sums are currently invested in retirement plans. For many people, their retirement plan may be the principal asset at the end of their life. A gift of all or a portion of your remaining assets from an IRA, 401(k), 403(b) or other retirement plan may be one of the smartest and least "expensive" ways to favor your parish, school, a ministry or the Diocese.

***Inherited tax-deferred retirement plan assets create income for your heirs.*** Retirement plans inherited in 2020 and beyond require your heirs to zero out the account by the end of 10 years rather than over the course of their lifetime. Consult with a financial advisor for options to reduce the tax burden for your heirs.

*Other Legacy Gifts*

Name your parish, a school, ministry or the Diocese as a beneficiary of your life insurance.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.

## Make an Outright Gift Now

*“*…e*verything has its origin in God's love, everything is shaped by it, everything is directed towards it. Love is God's greatest gift to humanity, it is His promise and our hope.* *“Caritas in Veritate” Pope Benedict XVI*

#### Gifts the Diocese can process for your parish

*IRA Qualified Charitable Distributions (QCD)*

If you can live without using withdrawals from your IRA, an IRA gift is one of the smartest ways to make a real impact for your parish, a ministry or the Diocese. An IRA Qualified Charitable Distribution (QCD) is excluded from taxable income so there is no need to itemize to benefit. You must be 70 1/2 years old or older and make a distribution directly from a traditional IRA to a qualified charity. You can give up to $100,000. If you are taking your Required Minimum Distribution (age 72 beginning in 2020), the QCD can satisfy the distribution requirement.

*Appreciated Securities Donations*

Donating shares of publicly traded appreciated stock or mutual funds can be a meaningful gift for your parish, a ministry or the Diocese. The tax benefits could make it less costly than a comparable cash gift. Capital gains tax is not assessed. Plus, for a security held for more than 12 months, the fair market value of the gift is deductible if you exceed the threshold for deductions. Values up to 30% of your adjusted gross income are eligible for deduction and can be carried over for up to five years.

*Gifts of Grain*

Cash basis farmers who harvest their crops in the fall and make their plans for spring planting may find that making a charitable gift is an especially effective way to “share the harvest.” The value of the contributed grain is excluded from income so there is no need to itemize to get the benefit. In many cases the donated grain lowers the income subject to self-employment tax.

*Other assets to give*

* Paid up life insurance redeemable for cash value
* Marketable real estate
* Marketable tangible personal property

Contact parish staff or the Office of Stewardship and Development at (816) 714-2363 or 816-714-2346, if you need help determining how to proceed.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation.Ease the tax burden for your heirs

“Give to the Most High as He has given to you, generously, according to your means.” -Sirach 35:7-10

The estate tax exemption in 2020 is $11.58 million per person, $23.16 million for a couple. If you have a high net worth and have provided for your heirs, your assets can help sustain your parish, school, ministries or the Diocese.

Consider the tax impact of inheriting a retirement plan.

Your heirs will pay **inheritance taxes** if the balance is large (more than $11.58 million in 2020).

Even if an inherited tax-deferred retirement plan does not create an estate tax liability, it creates taxable income for your heirs. If retirement plan assets pass to family members other than the spouse, the **heir pays income tax** on the value received. If a child is in the 22% tax bracket when he/she receives retirement plan assets from a parent, he/she is taxed at the 22% tax rate.

Retirement plans inherited in 2020 and beyond require your heirs to zero out the account by the end of **10 years** rather than over the course of their lifetime. You can reduce the potential tax burden for your heirs with:

* Life insurance payable to the beneficiaries to replace what they would have received from your IRA (or other retirement plan).
* A charitable remainder trust to receive the retirement plan assets. Your heirs receive lifetime income and the remainder goes to charity.

Remove taxable income from your estate during your lifetime. If your heirs are provided for, **by-pass taxation** completely and give your retirement plan assets directly to your parish, school or other ministry.

Donate assets like cash, appreciated securities, real estate, or personal property. Open a charitable gift annuity or charitable remainder trust and remove assets from your estate while generating income.

Please consult with your own attorney and other professional advisors regarding your personal tax and financial situation. End of life and estate planning.