



## Ask a Trust Officer

### Charitable gifts from IRAs

DEAR TRUST OFFICER:

I made a multi-year pledge to my charity a few years ago, but my source for funding this gift has dropped in value. Can I satisfy the pledge from my IRA this year? Is this a smart financial move?

—PHILANTHROPIST SHORT ON FUNDS

DEAR PHILANTHROPIST:

Congress created a temporary provision permitting direct transfers by those who are 70 ½ and older from their IRAs to charities, beginning in 2006. That provision was renewed last year, and it covers the 2009 tax year. So, yes, if you are 70 ½, you can satisfy your pledge by arranging for your IRA trustee to cut a check made out to your charity. The limit is \$100,000 per IRA owner. If you and your spouse both have IRAs, you are each entitled to make a \$100,000 transfer. Whether this will be renewed again for 2010 and later years is unknown at this time.

The IRS has ruled that satisfying a pre-existing pledge in these circumstances does not create unfavorable tax consequences for you.

Whether this is a smart financial move for you is not so easy to answer. You'll need the help of a tax advisor to do a more comprehensive review of your situation. There are a number of tax advantages for making direct charitable gifts from an IRA, because the amount of the transfer is not added to your adjusted gross income. If it were, there is a chance that the taxes you pay on your Social Security benefits would go up, for example.

In the past, a secondary advantage of making a gift from an IRA to charity was that the gift would count toward satisfying the minimum distribution requirements that apply to those who are 70 ½ and older. However, that requirement has been suspended for the 2009 tax year. Thus, the downside of taking this approach this year is that you are unnecessarily giving up on potential tax-deferred growth in your IRA.

Please contact one of our trust officers at (989) 779-6207 with any questions.

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