PLANNED GIVING NEWSLETTER

A QUARTERLY EDUCATIONAL PUBLICATION OF EWTN

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IN THE NEXT ISSUE

- Ways to Gift Real Property
- The SECURE Act
- Year-End Giving Idea

EWTN Global Catholic Network

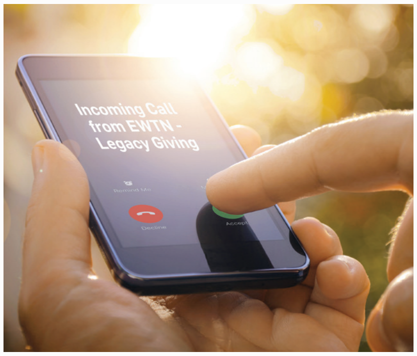
With over 20 years of experience in the area of charitable planning, Ryan Flood, EWTN's Legacy Giving Advisor, assists EWTN Family members and friends who are interested in integrating life-transforming charitable giving strategies into their financial, business, or estate plans while amplifying what they preserve for themselves in retirement and for their heirs. Ryan is also available to speak on the topic of estate planning.

You may reach Ryan at (205) 569-2674 or by email at rflood@ewtn.com

EWTN FAMILY MEMBERS SHARE THEIR STORIES

The Importance of Obtaining Multiple Planning Perspectives

by Ryan T. Flood, FCEP



I am blessed in my role as the Legacy Giving Advisor at EWTN to discuss a wide range of planning topics with our EWTN Family Members. My discussions usually center around planning for the individual, their family, and their favorite charitable causes. My hope is that I can share the knowledge, ideas, and solutions I've gained from over…20 years of experience that will have a positive impact in your life and legacy.

During a recent call I had with John and Mary from Colorado, they let me know that they had converted their traditional IRAs to Roth IRAs. They only realized afterwards that they, not their children, would be responsible for the tax from the conversion. Unfortunately, their advisor had suggested this estate planning technique without offering a solution to offset the tax liability. John remarked to me, "Why should we have to take the tax hit and not the kids, as they are the ones who will be receiving the inheritance?"

Since every situation is different and because I did not know their current financial situation, their tax bracket, or if their estate would be subject to the Federal Estate Tax (today most aren't), I offered John and Mary a few general points and said that I would be happy to speak with them in more detail if they had any additional questions. It is also important for you to consult with your Financial Advisor or tax preparer before you finalize any type of current or future charitable gift.

In general, traditional IRAs (Individual Retirement Accounts), but not Roth IRAs, may pose some challenges when designating all or a portion of one's account to heirs. From a tax planning perspective, it is not the most "tax friendly" asset to leave to your children.

For example, if you have a variety of assets, it is often best to leave any IRD (Income in Respect of a Decedent) assets, such as IRAs and pension plans, to charity. This removes the "bad" assets from the donor's estate.

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The Importance of Obtaining Multiple Planning Perspectives

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Any appreciated assets, such as a home, brokerage accounts, or CDs, can be left to the children as these tend to be more "tax friendly" assets. In regard to leaving gifts directly to grandchildren, you will need to study the state laws where the grandchildren reside regarding the "age of majority" (age when a child can inherit an asset, typically 18) and also with respect to any GST (Generation Skipping Tax) due on the transfer.

Generally, appreciated assets receive a step-up in basis when transferred at death. For example, if a parent leaves a home purchased for $100,000 to a child and the home has a fair market value of $1,000,000 at the parent's death, the child assumes a basis in the home of $1,000,000. In contrast, IRD assets do not receive a step-up in basis. See Sec. 1014(c). Therefore, when a child receives an IRA account from a parent, all payouts will be taxed as ordinary income to the child.[1]

It is also important to note that a traditional IRA may be the single largest asset a person owns. For instance, in 2018, the total traditional assets of IRAs in the United States were approximately 7.39 trillion U.S. dollars.[2] With the exponential growth in traditional IRAs assets over the last few decades it is important to clearly understand the rules that govern IRAs and other retirement plans (IRAs, 401ks, 403(b)s, Thrift Savings Plans, etc.). Also, if you have charitable intent and would like to make an outright or deferred gift using your retirement assets, it is important to inform your financial advisor about your intentions. If John and Mary had informed or if their advisor had asked [about their charitable intent], they might have arrived at a different solution on other ways to pass on this asset and/or other assets to their children. One way which a number of EWTN Family Members have already done so, would have been to designate a percentage of John's IRA to charity, thus reducing the income tax the children would have to pay on the asset. A number of EWTN Family Members have already done this. The percentage of the traditional IRA that was designated to EWTN would be transferred at death, free of any income tax. Another way to have converted John's IRA and offset the tax hit would have been to establish a life-income gift *(see article on page 3 - Life Income Gifts).*

As I have mentioned in previous articles, planning takes time and attention to detail. It is my hope that our EWTN Family Members have the best planning experience possible and this involves understanding all that goes into passing on of assets to heirs and/or charity. To learn more about how this story turns out, ***please turn to page 3** of this newsletter.*

1 Crescendo Interactive, Win – Win Solution // **2** www.statista.com

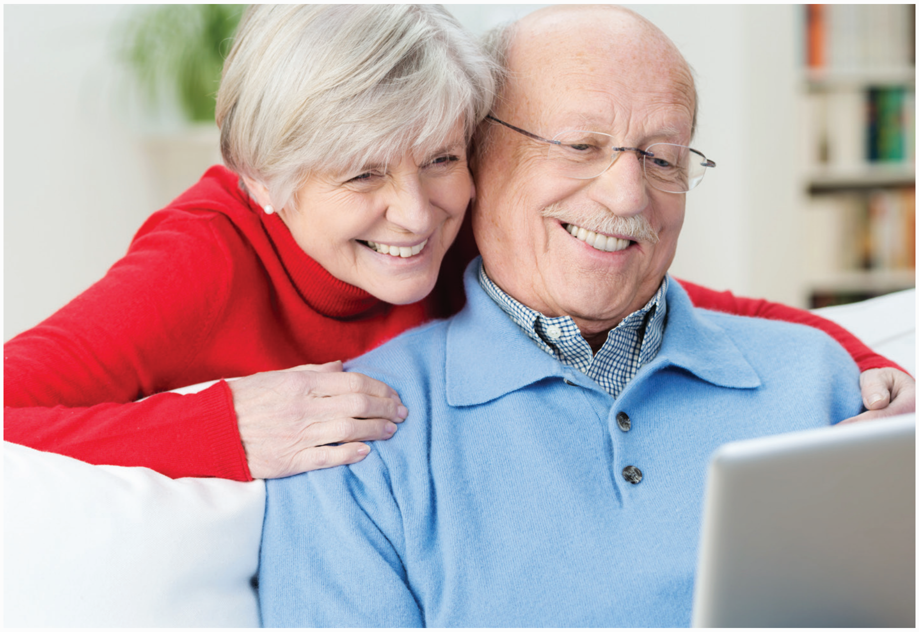
CARES Act:
Summary for EWTN Family Members

- **Creates a temporary universal charitable deduction for non-itemizers, for cash only, capped at $300. This provision excludes gifts into donor-advised funds.**
- **Temporarily suspends current AGI (adjusted gross income) limits for charitable deductions for cash gifts made by individuals and businesses. This provision excludes gifts into donor-advised funds and 509(a)(3) supporting organizations.**
- **Individuals: total charitable contributions can be deducted up to 100% of a donor's adjusted gross income (had been up to 60%).**
- **Suspension of the required minimum distribution (RMD) requirements for the year 2020.**

Life Income Gifts

Using a life income gift to offset the sale (or conversion) of an asset

by Ryan T. Flood, FCEP



After the initial shock of owing taxes on the traditional IRA to Roth IRA conversation had somewhat worn off, John and Mary began to think about ways in which they could offset the tax hit they took. Since both John and Mary had charitable intent and wanted to support EWTN, they began to think about establishing a more significant Charitable Gift Annuity than they had originally considered. A charitable gift annuity is an arrangement between a donor and a non-profit organization in which the donor receives a regular payment for life based on the value of assets transferred to the organization. After the donor's death, the assets are retained by the organization. A charitable gift annuity may be funded primarily with cash or appreciated securities.

As is the case whenever reporting income for tax purposes, there can be a variety of ways to offset or reduce the amount of tax due. The income from a Roth conversion is no exception. Tax credits, losses, charitable gifts, other deductions, or carryforwards can serve to reduce or eliminate the tax bite due to the conversion.

" Since both John and Mary had charitable intent and wanted to support EWTN, they began to think about establishing a more significant Charitable Gift Annuity than they had originally considered. "

Deductions can offset the Roth conversion income on a dollar-for-dollar basis up to the maximum allowed for income tax purposes. For this reason, charitable gifts can be an especially flexible tool that can help minimize taxes that would otherwise be due, while at the same time fulfilling one's charitable goals.

This story has a happy ending and turned out to be mostly a win-win for the parties involved. However, it does bring to light the importance of understanding and communicating the specifics of estate planning with retirement assets, making sure the right questions are asked and sound professional advice is sought from multiple perspectives. John and Mary ended up establishing the more significant Charitable Gift Annuity for the benefit of EWTN and will receive a guaranteed income stream for their lives. They also helped to offset their tax hit, provided an income source for their day-to-day living expenses, and left a residuum (remainder) to EWTN after their lifetimes. Throughout the gift planning process, John and Mary reiterated how grateful they were to EWTN for the high-quality Catholic programing that they receive each day. They also hope through their gift to pass on their Catholic values to the next generation of EWTN viewers and listeners.

If you would like to learn more about establishing a Charitable Gift Annuity that will one day benefit EWTN, please contact Legacy Giving Advisor Ryan Flood at (205) 569-2674 or at rflood@ewtn.com.

A special thanks to John and Mary, EWTN viewers from Colorado, for encouraging me to share their story with you.

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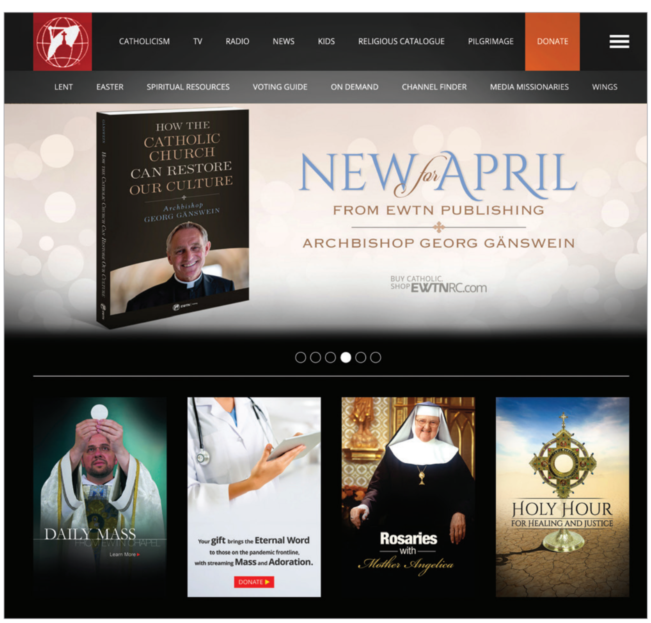
IN THIS ISSUE

EWTN Viewership during the COVID-19 Crisis

The number of people viewing, listening, and reading EWTN content has grown significantly since the beginning of the COVID-19 Crisis:



- **Website page views** have grown nearly 200%
- **Referrals to EWTN websites** from other websites have grown 355%
- **Hours of streamed content** has nearly doubled
- **Page views per day** has more than doubled to over 500,000/day
- **For the historic Urbi et Orbi** with Pope Francis on March 27, our website had over 70 times our normal audience for a papal event