

Tax Efficient Distributions to Family & Charities Gamblers, “To Break Even”

Andy Whitman, Finance & Law, 09/18/2023

(All errors & opinions are mine.)

This is an Educational Exercise. Contact Your Advisor Specialists in Each Area. A link to another web site or services is not an endorsement of or warranty of any service, provided on their site(s).

AGENDA

RISK PROBABILITIES - WILL YOUR FUNDS LAST AS LONG YOU DO?
EXPENSES?
MARKET VOLATILITY?
LONGEVITY?
HEALTH CARE?

MANAGING FOR LOWER TAX RATES INCREASES RATES OF RETURN.

MANAGE Required Minimum Distributions (RMD)

MANAGE QUALIFIED CHARITABLE DISTRIBUTIONS (QCD)

FUND ROTH IRAs FOR SPOUSES/PARTNERS & YOUNG EARNERS

USE DONOR ADVISED FUND- Does not meet RMDs

REGISTER For ESTATE PLANNING & YEAR-END Workshops

Sept. 18, 2023

[Tax Efficient Distributions to Family and Charities](#) 9:30 AM

<https://umra.umn.edu/news/tax-efficient-distributions-family-and-charities-0> Presenters:

Andy Whitman, Professor of Insurance

Bob Hall, CFP, Carson MBA, (ret.)

Tim Brown, MBA, CFA®, CFP®, RICP®, AIF®

Carlson classroom, 1-123, & by Zoom; click this to [Register](#). Registration required to attend &/or to obtain a recording.

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Sept 20 New Session 8:00p. Can join insurance class anytime after 5:45p

[Long Term Care Insurance class in Hanson Hall 1-105](#) 8:00p. You are invited to attend in person or on zoom.

<https://umn.zoom.us/j/99725903666> You can attend the entire class, 5:45p – 9:00p.

Presenters: Andy Whitman, Profession of Insurance

Tom Devine, Regent Emeritus, Developed LTC Offered by Employers

Fred Andersen, FSA, MAAA, Chief Life Actuary

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Nov. 6, 2023

[Estate Plans During Life, Incapacity & When You Expire](#) 9:45 AM

<https://umra.umn.edu/news/estate-plans-during-life-incapacity-when-you-expire>

Carlson Classroom, 1-123 and by Zoom; click on this to [Register](#). Registration is required to attend and/or to obtain a recording.

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Dec.13, 2023

[Tax Update: Act Now! Year-end Tax Planning](#) 11:45 AM

<https://umra.umn.edu/news/tax-update-act-now-year-end-tax-planning>

Carlson Classroom. 2-219. & by Zoom: click on this to [Register](#) Registration is required to attend and/or to obtain a recording.

WILL YOUR FUNDS LAST AS LONG YOU DO?

Have you & your planner processed this type of analysis?

An analysis process like this is at Fidelity:

<https://www.fidelity.com/calculators-tools/PGCretirement-score>

Assess your plan for risk factors: The Probability of Risks

- 1. Spending:** Are most of your estimated expenses covered by your plan?
- 2. Health Care:** Do you need to add Medigap or long-term care insurance?
- 3. Longevity:** Does your plan account for the possibility you may live beyond?
- 4. Market Volatility:** Does your plan have **portfolio asset allocation and diversification to help manage investment risks? What level of market return do you input?- Significantly below Average, Average market or Above average market performance? What if it's down when you need cash?**

To deal with risks you should have four types of accounts:

1. Taxable cash accounts
2. Non-retirement account investments
3. Retirement account investments that Require RMDs
4. Accounts that do not Require RMDs – Roths, Real-estate.

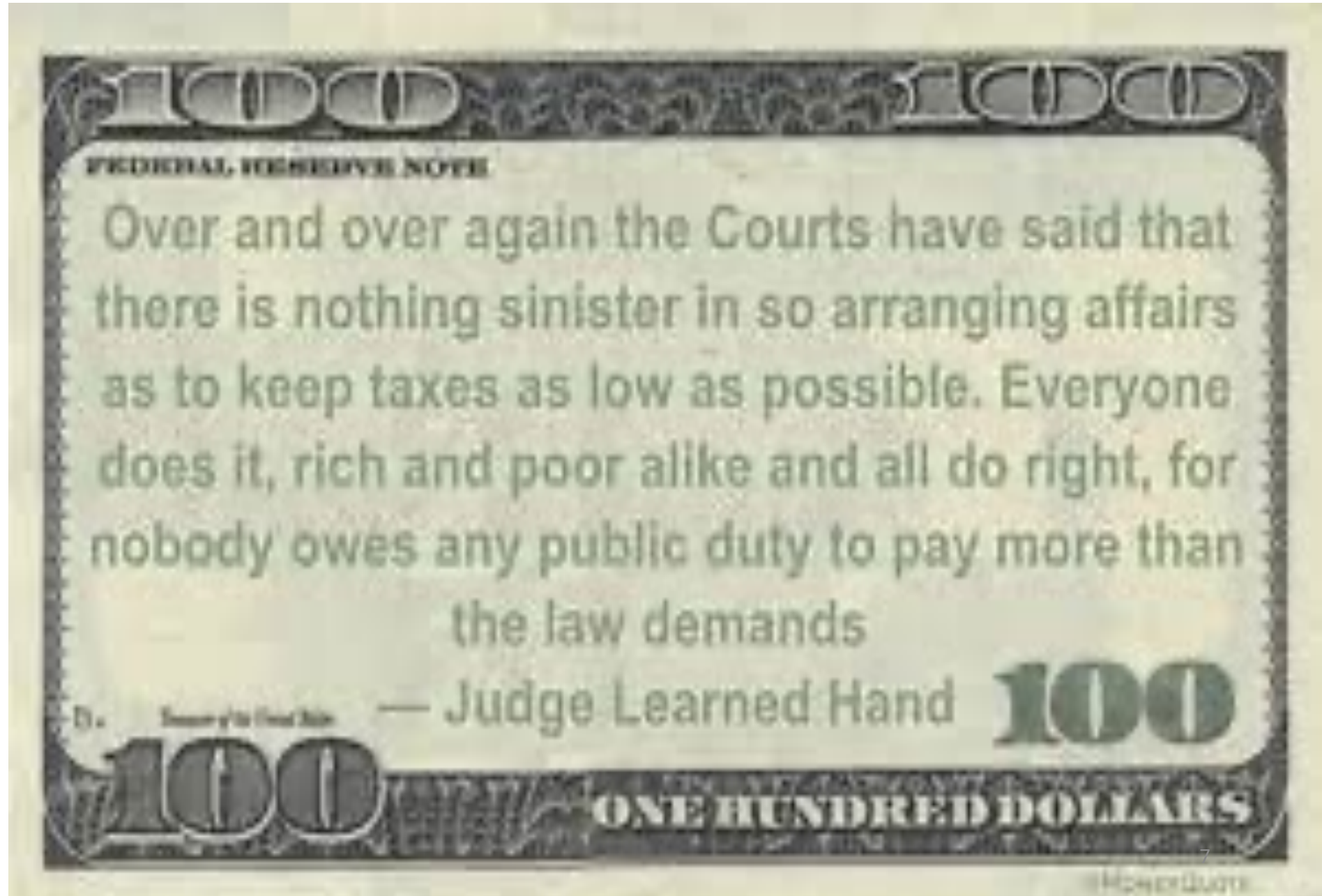


Illustration: Kiersten Essenpreis

Consider making these moves before year-end to stay ahead of Uncle Sam. ⁶



Judge Learned Hand



DISTRIBUTIONS TO FAMILY- - GIFTS TO LOWER INCOME TAX

Fund Roth IRAs of a Child When the Child Earns Income.

Fund Gifts to Minors, or Coverdale Savings, or “529 Plans”

When viewing investment ranking of 529 plans, beware of Investment Rankings based only on annual investment returns. Check 5 & 10 year rates of return.

[Home](#) // [College Savings 101](#) // [Coverdell ESA](#) // [Coverdell ESA providers](#) (At Fidelity site)

Gifts: \$17,000 Single & \$34,000 Joint are not gift limits. But may have to file a 709 Gift Tax return. Everything over limits will reduce your lifetime exclusion. Most do not worry about the lifetime exclusion amount.

IRS-- Payments for Education Generally Not Deductible

Credits May be Available. <https://www.irs.gov/newsroom/tax-benefits-for-education-information-center>. You can't generally use private school tuition to directly reduce your taxes. There's some tax relief in [Coverdell Education Savings Accounts](#), allows invest in education savings without paying tax on the earnings. If your [modified adjusted gross income](#) is above limits, there's a gradual reduction in your contribution limits. Tax [credits](#): There are two education credits available: the [American Opportunity Tax Credit](#) and the [Lifetime Learning Credit](#). Tax [deductions](#) and [savings plans](#) can help taxpayers with expenses for higher education.

MANAGE RMDS (Required Minimum Distributions)

Take Control From Automatic RMD

Total Sum of RMD of All Tax Deferred Accounts. Can do from one account. Avoid high penalties, but Contact IRS, to unwind.

No RMDs for Roth IRAs, unless inherited.

Complex IRS rules limit spread to 10 years.

Conversion To Roths & Contributions To Roths

Pay income taxes on conversion.

(Join Estate Life Expiration Planning, Monday Nov. 6. 9:30a, Room 1-123.)

Key Roth IRA Features

- . Roth IRAs for spouses with no current income.
- . Contributions to Roth IRAs for minors Earned Income Self-employed, royalties, side-gigs, with a SEP IRA.
- . “Complex”, Subject to RMD; but not QCD.

Consider QCD To:

Grandkid's Charities

Charities

Spouses/Partners' Charities

RMD questions for 2023

<https://www.fidelity.com/retirement-ira/required-minimum-distribution-faq>. (Questions? 800-343-0860)
[7:00a – 11:00p week days.](https://www.fidelity.com/retirement-ira/required-minimum-distribution-faq)

Age 73, IRS requires, taking RMDs.

Active employees are not required to do RMDs It's Complex.

Must roll funds from Retirement Accts. to an IRA to make RMDs.

Account Types For RMDs

RMDs must be taken out of IRA accounts,

- Traditional IRAs
- Rollover IRAs
- SIMPLE IRAs

- SEP IRAs
- Most 401(k) and 403(b) plans

Top RMD questions for 2023 at Fidelity site:

<https://www.fidelity.com/retirement-ira/required-minimum-distribution-faq>

Money Markets? Securitan- ML GEN ACCT LIMITED.
VALIC/AIG still paying 4.5%.

Take RMD from other lower interest accounts.

MANAGING QUALIFIED CHARITABLE DISTRIBUTIONS (QCD)

Carefully distribute, document, and inform your tax preparer or you may be taxed on the QCD distribution.

Spouses/Partners coordinate QCDs

MN Rev. Takes Tax – File exempt Form.

Making Qualified Charitable Distributions (QCD)

Carefully document the transfer.

Tell tax preparer: Form 1099-R, (07), “Normal Dist.”

Signal Fed tax withheld 0, But MN?

Distributions QCDs honor: Veterans, First Responders; Religion, UMN Foundation; be Specific.

FUNDING ROTH IRAs

It's all in [Ed Slott and Company, LLC, Book](#) An action plan to help you make sure your retirement savings aren't depleted by taxes (Not so easy when you are retired.)

Have only a person beneficiaries on a Roth, not a Charity. (More in Estate Planning Workshop)

Why consider a Roth conversion now?

What to invest in?

Taxes could rise, making a Roth conversion a timely strategy to consider.

<https://www.fidelity.com/learning-center/personal-finance/retirement/answers-to-roth-conversion-questions>

USING A DONOR ADVISED ENDOWMENT FUND

Good yearend tax planning for future charitable distributions.

Warning: Distributions do not qualify RMDs, and not deductible; only contributions are deductible when you Itemize. Fidelity web site:

https://www.fidelitycharitable.org/insights.html?_ga=2.237356480.1568814149.1631481977-1485351185.1561653700

Make your Donation on line or Call Fidelity

Retirement: 800-343-0860. Log in. On “All Accounts” page.

Go to search in upper right corner; put in QCD.

Click On: Qualified charitable distributions (QCD) - IRA one-time withdrawal online form.

Make a donation to an eligible charity.

From which account do you want to initiate the distribution?

Select your IRA or IRA Rollover account (not a Roth IRA)

Continue: Name of Charity. Where sent, charity address? Or yours?

Additional information on check Memo. Don't put thanks for the Teddy Bear or thanks for membership, state: “No Goods or Services were exchanged”. Copy the confirmation.

PREPARE FOR ESTATE PLANNING WORKSHOP

Beneficiaries: First step is important!

Beneficiary designations or a Living Trust?

Warnings with Transfer at Death by Deed!

Court of Appeals opinion, "...that should horrify anyone who has prepared a transfer-on death deed (TODD)".

Transfer Insurance (Name Donee/Grantee/Buyer as Named Insured).

Check with UMN Foundation for more gifting methods:

<https://give.umn.edu/waystogive> Contact Robyn White at rwhite@umn.edu for assistance giving through give.umn.edu or the crowdfunding platform. **Phone:** 612-624-3333 or 800-775-2187

Email: giving@umn.edu

Check with Fidelity for more gifting methods:

<https://www.fidelity.com/viewpoints/retirement/IRA-things-to-know>

Retirement Service Center; 800-343-0860; tell auto phone, 403(b) to get through faster.

Evelyn A. Rhines, CRPC , Workplace Financial Consultant, works locally in the Minneapolis area.

[Click here to schedule an appointment with her.](#)

CHECK ANNUITY PURCHASE DECISIONS

Two general information links for annuities:

1. Minnesota Commerce Department annuity information guide:
2. Funding your retirement with an annuity . . .does it make sense?:
3. Check UMN 403 (b) Pre 7-1-1989 for male & female rates, not unified rates used after this date.

Please send to me questions and suggestions on any topic in the outline. awhitman@umn.edu; or 612-747-6015.

August 2013



This
Guy's
An
Insurance
Professor?

We feel the pain of the 09/11-2001 terrorist attack, pandemic “Unwinding”, wild fires, hurricanes and draught. Hopefully unite as “A “Force for Good” CSOM’s Mantra.