SAINT AMBROSE ENDOWMENT FUND

STRATEGIES FOR EFFECTIVE CHARITABLE GIVING TO BENEFIT DONORS AND THE BENEFICIARIES

SAINT AMBROSE
CATHOLIC PARISH

The Parable of the Talents

- Genesis 41
  - In Genesis 41, Joseph interprets Pharaoh's dreams, predicting seven years of abundance followed by seven years of famine. Joseph advises Pharaoh to store surplus grain during the years of abundance to prepare for the years of scarcity. Pharaoh appoints Joseph to oversee this plan, which ultimately saves Egypt and surrounding nations from famine[2]
- Matthew 25: 14-30
  - In this parable, a master entrusts his property to his servants before going on a journey. He gives five talents to one servant, two to another, and one to the third, each according to their ability. The first two servants invest their talents and double them, while the third buries his talent in the ground. Upon the master's return, he praises the first two servants for their diligence and condemns the third for his inaction[1].

The Rule of 72

A simple way to estimate how long an investment will take to double at a fixed annual rate of return.

Divide 72 by the annual interest rate to get the number of years.

72/8 = 9 years

Required Minimum Distributions (RMDs)

RMDs are mandatory withdrawals from retirement accounts starting at age 73. The amount is based on the account balance and life expectancy.

Strategic Timing:

a. Avoid Higher Tax Brackets: Consider the timing of your first RMD to avoid taking two distributions in one year, which could push you into a higher tax bracket.

b. Automate Withdrawals: Set up automatic withdrawals to ensure you don’t miss the RMD deadline and incur penalties.

Qualified Charitable Distributions (QCDs)

- **What are QCDs?**
  - **Definition**: "QCDs allow individuals aged 70½ or older to make tax-free donations directly from their IRAs to qualified charities."
  - **Eligibility**: "You can donate up to $100,000 per year, and if you're married, each spouse can donate up to $100,000 from their own IRAs[1]."
- **Benefits of QCDs**
  - **Tax Efficiency**: "QCDs can satisfy all or part of your RMDs for the year, reducing your taxable income[1]."
  - **Lower AGI**: "By lowering your adjusted gross income (AGI), QCDs can help reduce the impact on other tax credits and deductions, including Social Security and Medicare costs[2]."
  - **No Need to Itemize**: "Unlike other charitable contributions, QCDs do not require you to itemize deductions, making them beneficial even if you take the standard deduction[3]."

Ohio Angel Scholarship Fund

- **Overview of the Ohio Angels Scholarship Fund**
  - **Mission**: "The Ohio Angels Scholarship Fund provides tuition assistance to students attending Catholic schools in the Diocese of Cleveland. This fund helps ensure that high-quality education is accessible to families with financial need[1]."
  - **Impact**: "By contributing to this fund, you directly impact a family's ability to afford a Catholic education, supporting the community and fostering future leaders[1]."
- **Tax Benefits**
  - **Ohio Tax Credit**: "Donors can receive a 100% Ohio income tax credit of up to $750 per individual or $1,500 for married couples filing jointly[12]. This means you can effectively redirect your state tax dollars to support education without any net out-of-pocket cost."
  - **Eligibility**: "The tax credit is available to all Ohio taxpayers, making it a highly accessible and beneficial way to support education."
- **How to Donate**
  - **Online Donations**: "You can make contributions online through the Catholic Community Foundation's website[1]."
  - **Mail-In Contributions**: "Alternatively, donations can be made via mail using a contribution form available on the foundation's website[1]."
  - **Designating Funds**: "Donors have the option to direct their contributions to the Area of Greatest Need or to a specific Catholic school within the Diocese of Cleveland[1]."

Charitable Remainder Trusts (CRTs)

- CRTs allow donors to receive income for life or a specified term, with the remainder going to charity.

- **Real-Life Example**: A couple establishes a Charitable Remainder Trust (CRT) and invests $2,000,000, designating Saint Ambrose Parish as the beneficiary. They purchase a 4% 30-year CD within the trust, generating $80,000 per year in interest. The couple draws this income for the next 30 years, benefiting from the $2,000,000 gift while living. Upon their passing, Saint Ambrose Parish receives the $2,000,000 gift.

Summary

- **Qualified Charitable Distributions (QCDs)**
  - **Benefit**: Allows individuals aged 70½ or older to make tax-free donations directly from their IRAs, satisfying RMD requirements and reducing taxable income.
  - **Impact**: Helps manage taxable income, potentially lowering taxes on Social Security benefits and Medicare premiums.
- **Required Minimum Distributions (RMDs)**
  - **Understanding**: RMDs are mandatory withdrawals from retirement accounts starting at age 73, which are considered taxable income.
  - **Impact**: Can increase taxable income, affecting Social Security taxation and Medicare costs.
- **Charitable Remainder Trusts (CRTs)**
  - **Benefit**: Provides a steady income stream while offering significant tax advantages, including immediate tax deductions and avoidance of capital gains tax.
  - **Impact**: Supports your favorite charities and leaves a lasting legacy.
- **The Ohio Angels Scholarship Fund**
  - **Benefit**: Offers a 100% Ohio income tax credit for contributions, supporting education and providing significant tax savings.
  - **Impact**: Directly impacts students' lives by making high-quality education accessible to families in need.
- **Additional Tax Strategies for Charitable Giving**
  - **Donor-Advised Funds (DAFs)**: Immediate tax deductions and flexibility in recommending grants over time.
  - **Appreciated Securities**: Avoid capital gains tax and receive a fair market value deduction.
  - **Bunching Donations**: Maximize itemized deductions by concentrating charitable contributions in specific years.

Encore Slide: Secure Act 2.0 Opportunity

As a special encore, let's explore an exciting new strategy for building generational wealth, made possible by the Secure Act 2.0. This involves rolling over funds from a 529 plan into a Roth IRA for the beneficiary, tax-free.

- **New Rule from Secure Act 2.0**
  - **Overview**: "The Secure Act 2.0 allows for up to $30,000 to be rolled over from a 529 plan to a Roth IRA for the beneficiary, tax-free."
  - **Eligibility**: "This rollover is available if the 529 plan has been open for at least 15 years."
- **Strategy Outline**
  - **Initial Investment**: "Invest $7,500 in a 529 plan when a grandchild is born."
  - **Growth Expectation**: "Using the Rule of 72, with an average annual return of 7.2%, the investment should double every 10 years."
  - **Projected Value**: "By the time the grandchild is 20 years old, the 529 plan is expected to grow to $30,000."
- **Rollover to Roth IRA**
  - **Process**: "At age 20, roll over the $30,000 from the 529 plan into a Roth IRA for the grandchild, tax-free."
  - **Future Growth**: "The Roth IRA will continue to grow tax-free. Assuming it doubles every 10 years, it could reach approximately $960,000 by the time the grandchild is 70 years old."