

Giving That Gives Back

Illustrative Example:

Donor wishes to give \$500,000
Is the owner of an IRA valued at \$500,000 or above.
Has substantial investment assets outside of their IRA
Assume Donor 2020 Adjusted Gross Income is currently \$200,000

Procedure:

The Donor converts \$500,000 of his/her IRA to a ROTH IRA. This will increase taxable income by the same amount.

Donor gives \$210,000 of highly appreciated securities to a DAF and cash gifts of \$290,000 to his or her favorite public charities.

Effect:

Donor now has \$500,000 in a tax-free account that if it earns on average 7.2% will become a \$2,000,000 asset in 20 years. This can be used for the donor's retirement or more likely as a tax-free stream of income to family beneficiaries.

The donation of securities and cash reduce the income tax cost of the ROTH Conversion to 0.

Charities continue the desperately needed work of changing our world for the better.

Next Steps:

Each donor's charitable giving plan and individual tax and wealth planning situation is unique. The illustrative example above is just to show the concepts. If you are interested in taking advantage of this tax savings opportunity, you should seek guidance from your tax and financial advisors or feel free to contact ours. Susan Shackelford from KEB will be happy to answer questions (314-231-6232).

Because of the expiring CARES Act provisions, completion of this strategy must be done by 12/31/2020