**Ways to Incorporate Charitable Giving into Your Estate Plan**

People give to charities, such as Northampton Dollars for Scholars (NDFS), for many reasons — to honor a loved one, to help a cause they feel passionately about, or simply to do something good. However, charitable giving also has significant tax implications that can lower income taxes during your life as well as estate taxes at your death.

Advance planning can help ensure that you achieve the most tax savings available while meeting your charitable goals.

Here are four suggested ways to structure your charitable giving into your estate plan:

**Give Appreciated Stock**

If you have publicly traded stock that has appreciated in value, consider giving that appreciated stock to NDFS during your life. If you sell appreciated stock, you will pay capital gains tax on the appreciation. However, if you give the stock to NDFS, you will receive a charitable income tax deduction equal to the full fair market value of the stock at the time of the gift and will avoid capital gains taxes.

You will receive a benefit on the appreciated amount, without having to sell it. NDFS can then sell the stock without paying capital gains taxes because charities are tax exempt.

**Charitable Rollover**

Individuals who are over 70½ may donate up to $100,000 per year to charities, such as NDFS, directly from their IRA or other retirement plan. This is known as a Qualified Charitable Distribution (QCD). This QCD will count towards any required minimum distribution (RMD) an account holder must take from the IRA. Under the recently passed SECURE Act, RMDs must begin the April after the account holder turns 72. RMDs are considered taxable income and are taxed at ordinary income rates.

With a QCD you can benefit NDFS, fulfill your RMD requirement, and exclude that amount from your income. This can be a good strategy for individuals who may not need the distribution to cover living expenses.

**Bequest in Your Will or Revocable Trust**

A very simple and direct way to benefit a charity, such as NDFS, at your death is to leave a bequest or gift in your will or revocable trust. A bequest is a clause in either your will or trust stating the amount you’d like to leave to the charity, identifying the specific charity to receive the amount, and stating the purpose for which you’d like the charity to use the funds.

The gift can be for a NDFS’s “unrestricted purposes,” meaning it can use the funds for such scholarship as it sees fit, or for a specific purpose, i.e., a memorial scholarship, that you detail.

A typical bequest would look like the following:

I leave [*either a certain fixed sum or percentage*] to Northampton Dollars for Scholars, Inc., or its successor organization, a charitable nonprofit corporation as described in section 170 (c) of the Internal Revenue Code, and located in Northampton, Massachusetts, with a current mailing address of P.O. Box 60382, Florence, MA 01062-0382, to be used [*for its unrestricted purposes* **or** *specify the named scholarship for this bequest].*

If your request is to create a memorial scholarship with specific, student qualifications you should consider contacting NDFS to confirm NDFS is able to achieve your objective and how best to word your bequest.

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Charitable bequests are also eligible for the estate tax deduction and will reduce estate taxes. While the federal estate exemption amount is currently $12.06 million (2022 federal exemption), and not an issue for most individuals, many states including Massachusetts still have state estate taxes that kick in at lower exemption amounts ($1 million is current MA exemption). In those states, a charitable bequest at your death can help reduce state estate taxes.

**Name a Charity as the Beneficiary of Your Retirement Account**

It is relatively simple to name a charity, such as NDFS, as a beneficiary of all or a percentage of your non-Roth retirement accounts (IRA, 401(k), 403(b), etc.). The same rules for naming charities in your will or trust discussed above apply when completing the beneficiary designation form. Because NDFS is tax-exempt, after your death it can withdraw the assets from the retirement account without having to pay income taxes on the withdrawal.

Any individuals named as beneficiaries of the retirement account must pay income taxes at ordinary rates on any distributions they receive from the retirement account. Therefore, the best income tax result is to benefit charity from the retirement account and your loved ones from other assets that will not be subject to income tax when they receive it.

In addition, due to the recent changes under the SECURE act, most IRA beneficiaries will now need to withdraw all funds from the retirement account within 10 years of the account holder’s death. This change in the law limits the ability of most individuals (other than a spouse, minor children or disabled or chronically ill individuals) to stretch out retirement account distributions; it limits the ability to continue investments with deferred taxes; and it compresses income tax payments over a much shorter period of time. Any amounts left to NDFS at death would also receive an estate tax charitable deduction and lower any applicable federal or state estate taxes.

As you can see, there are many ways to benefit NDFS, either during your life or at your death. Which way you choose can have different tax implications. Taking into account taxes with your charitable giving can ultimately increase the amount received by not only the charity, but your loved ones as well.

[Click to go to our Donations Page](https://northampton.dollarsforscholars.org/index.php?section=chapterWebsite&action=donate&fwID=1294)

*Disclaimer: The above description of suggested charitable techniques is not meant to be definitive. There are specific rules that must be followed to receive the tax benefits you expect from these strategies. The above ideas may or may not work for your specific tax situation. There are additional strategies that may be available to you depending upon your situation, Always seek the advice of your CPA (and financial advisor) before making complicated tax moves.*