

## **Additional Q&A: July 18, 2024 AFP Global webinar**

### **Looking at the Legacy IRA Act 18 months later & how to grow giving from older donors**

***Question: is a Simple IRA a traditional IRA?***

Answer: A SIMPLE IRA plan account is an IRA and follows the same investment, distribution and rollover rules as traditional IRAs. [Source: IRS](#)

***Question: What is a qualified charity? Can the QCD go directly into the 501(c)3 that the Type 1 supporting organization supports?***

Answer: To receive a Qualified Charitable Distribution from an IRA, qualified charities are 501(c)3 organizations eligible to receive tax-deductible contributions. Private foundations, supporting organizations and donor advised funds are not eligible to receive QCDs. [Source: Fidelity](#)

***Question: What about folks who are under 70 ½ but have beneficiary IRAs and have to take RMDs? Any opportunity for them to utilize QCDs?***

Answer: Generally speaking, any IRA owner, regardless of age may designate a charity to receive all or a portion of their account after life. However, according to the new law, the IRA owner must be at least 70 ½ to take advantage of QCDs.

***Question: Do you have language that has proven to be effective when reaching out to your donors? And/or a paragraph that can be used with other development communications to share this information?***

Answer: Covenant House has been including a paragraph like the following at the end of our gift annuity marketing content - "And now, you can fund your gift using your IRA assets. If you are 70½ and older, you can make a one-time election of up to \$53,000 to fund a gift annuity. While your gift does not qualify for an income tax deduction, it does escape income tax liability on the transfer and count toward all or part of your required minimum distributions." [Resource: Covenant House CGAs](#)

***Question: Are there limitations to how nonprofits can use a donation from a QCD? Could these funds be used for a capital campaign, to sponsor an event, or endow a scholarship?***

Answer: Donors cannot receive any benefit for making a qualified distribution to a charity. For example, a QCD cannot be used to purchase something in a charity auction or purchase tickets for a charity golf tournament. [Source: Fidelity Charitable](#)

***Question: How do you use planned giving marketing to avoid donor-designated gifts that are very restrictive?***

Answer: Many organizations do not prompt donors to designate their planned gifts. If a donor initiates the conversation to designate a gift, we recommend conferring with your finance department to ensure that it is a designation you will be able to honor far into the future. You should also consider language in gift agreements that give your organization the ability to redesignate the gift to a similar purpose if needed if the purpose is no longer feasible in the future.

***Question: How do you know it's a QCD? Through conversation with the donor, right? Otherwise, it looks like any other gift right?***

Answer: It is most helpful when a donor tells you that they are sending a QCD gift. Most often the check is coming directly from the financial institution so it's incredibly helpful for the donor to inform you ahead of time the amount and name of the financial institution so you can easily identify the gift when it arrives. Sometimes the financial institution sending the check will include a letter stating it is a QCD; other times, they will simply note the donor's name in the memo line. In that case, if the donor is 70 ½ or older, you could contact them to confirm it is a QCD.

***Question: Did I understand correctly that it makes sense to identify donors who give through DAFs and solicit QCD donations? If so, would this be in addition or instead of the DAF gift?***

Answer: Not necessarily. This was in reference to the fact that, similar to DAF gifts, QCDs require different receipting. Identifying those donors and attaching those gifts to the donor record can create opportunities for future marketing or solicitation for similar gifts. For instance, ensuring that a DAF grant is tied to the correct donor can lead to opportunities to solicit for future DAF grants, and the same could be noted for QCD donors. At Boy Scouts of America, the office had already put in intentional effort to identify and mark QCD gifts as such in the CRM. Having that additional data has provided an opportunity to pursue additional QCD gifts from those donors and market the newly available option for IRA to CGA gifts. More than anything else, there is value in identifying QCD donors and DAF donors and ensuring that their giving profile are consolidated in a manner that allows for future marketing opportunities.

***Question: what minimums do you recommend for CGA's?***

Answer: The American Council on Gift Annuities (ACGA) does not have a recommendation for gift amount minimums to establish a gift annuity. However, the ACGA does recommend the organization establish its own minimum amount for a gift annuity. That minimum should ensure the amount realized by the charity in the future will justify its effort in setting up the gift plus incurring stewardship and administrative expenses during the life of the annuity.

Additionally, the ACGA recommends charitable organizations follow the ACGA suggested maximum rates, as the rates are designed to result in a residuum of at least 50 percent based on intentionally conservative assumptions. Use of the ACGA rates also allows the individual organization to focus on the gift instead of the administrative support of a different rate structure.

While the ACGA recommends charitable organizations follow the ACGA suggested maximum rates, charitable organizations may offer rates lower than the suggested maximum rates. Of course lower

rates will produce different outcomes and many times donors appreciate knowing their options.

[Source: American Council on Gift Annuities](#)

***Question: Is the idea that for the donor who can't give away their IRA assets outright through a QCD, to create a legacy IRA that creates a better and/or more tax-efficient return on investment that is better than the underlying IRA investment strategy is returning***

Answer: The Legacy IRA (QCD to CGA) allows individuals 70 ½ or older to fulfill their required minimum distribution (RMD) while receiving payments based on their agreement with the chosen charity. It benefits both donors and charities, as donors receive lifetime payments, and charities receive any remaining funds after the donor's passing. Because the gift annuity payments will be taxed as ordinary income, the taxes will be spread out over the annuitant's or annuitants' lifespan verses being taxed in the year the RMD is taken.

***Question: Are there specific receipting requirements for an IRA gift that goes directly to your charity (not to a CGA, etc.)?***

Answer: QCDs are not deductible as charitable contributions on Schedule A. But, as with deductible contributions, the donor must get a written acknowledgement of their contribution from the charitable organization before filing their return, especially in this case to prove the distribution was sent directly to the charity from the IRA. In general, the acknowledgement must state the date and amount of the contribution and indicate whether the donor received anything of value in return. Sources: [IRS Publication 526 \(acknowledgement section\)](#) and [Publication 590-B \(IRA distributions and QCDs section\)](#)

***Question: Can a CGA donor create a CGA with beneficiaries/annuitants other than themselves? And if so, can they do this through/with a legacy IRA?***

Answer: For a CGA funded with non-IRA assets – yes, the donor may name another as the annuitant. A CGA funded from an IRA – other than themselves, the donor may only name their spouse as an annuitant.

***Question: Does Covenant House segment who receives an acknowledgement letter with a message on the back? Never heard of this idea before!***

Answer: We do not. Each month has new content on the back of the acknowledgement letter, and we plan out the content for a calendar year. We include Planned Giving messaging four to five times a year.