# Apples and Oranges: Life and Legacy Giving with IRAs



Retirement assets are becoming an increasingly important part of charitable planning. Americans hold more than $50 trillion in retirement accounts—nearly $20 trillion of which are held in IRAs. Meanwhile, the Great Wealth Transfer is underway, with more than $120 trillion expected to change hands over the coming decades.

In light of these trends, it is especially important for estate planning attorneys, CPAs, and financial advisors to remind clients that IRAs in particular offer two distinct charitable planning opportunities. Why? Because:

- Clients may blur the two opportunities together
- Clients may know about one opportunity but not the other
- Clients may simply not realize that IRAs and other retirement assets can play a role in their charitable plans at all

So what are these opportunities, in plain language that you can use with your clients? Here's a primer:

**Lifetime giving opportunities for clients age 70½ and older**

You're likely well aware that a client age 70½ or older may make a Qualified Charitable Distribution (QCD) directly from an IRA to a qualified charity, including some types of funds at the Chester County Community Foundation (but not a donor-advised fund, although pending legislation could change that). In 2026, the inflation-adjusted QCD limit is $111,000 per taxpayer.

QCDs can become particularly relevant for a client when required minimum distributions begin, currently at age 73. A QCD can count toward a client's RMD while still excluding the distributed amount from taxable income, assuming applicable requirements are met. But there is no need to wait until RMD age to begin the conversation. The QCD opportunity begins at 70½.

Under current law (note that legislation is pending that could change it), QCDs generally must come from IRAs; distributions directly from employer-sponsored retirement plans such as 401(k)s and 403(b)s do not qualify.

**Legacy giving opportunity for clients of all ages**

You know quite well that a client can name a charity (including a donor-advised fund at the Community Foundation) as the beneficiary of an IRA or other type of eligible retirement plan, allowing some or all of the assets remaining in the account at death to pass to charity. The designation itself is relatively simple, and it can be incorporated into a client's overall estate and charitable planning without necessarily changing the client's current lifetime giving.

This technique is especially useful because retirement plan assets passing to a charitable beneficiary typically are not subject to the income tax that generally applies when heirs receive taxable distributions from inherited traditional IRAs and retirement plans.

**So what's the issue?**

Clients sometimes do not realize that these opportunities are independent of one another. One client might use QCDs to support favorite charities throughout retirement and also name a charity as the beneficiary of some or all of a retirement account. Another client may have little interest in lifetime IRA giving but find the beneficiary designation compelling as part of a legacy plan.

That's why this should not be a one-and-done conversation. Retirement balances change. Charitable interests evolve. Clients reach new ages and life stages. Estate plans get updated. And a client who wasn't ready to consider one of these strategies the last time you discussed charitable giving may be ready now.

As retirement assets continue to grow and the Great Wealth Transfer accelerates, consider making two questions a regular part of conversations with charitably inclined clients:

- If you're 70½ or older, could your IRA help support the causes you care about during your lifetime?

- Could your retirement assets play a role in the legacy you ultimately leave behind?

Keep your eyes on pending legislation that might expand the ways your clients can use QCDs. Congress is considering two bipartisan charitable giving proposals: the Charity Parity Act, which would permit QCDs directly from employer-sponsored retirement plans, such as 401(k)s, in addition to traditional IRAs, and the IRA Charitable Rollover Facilitation and Enhancement Act, which would extend QCD eligibility to donor-advised funds. Neither proposal has advanced beyond committee, but both remain pending and of course could be very useful to expand charitable giving options if enacted.

As always, please reach out to the Chester County Community Foundation anytime you encounter the topic of QCDs, retirement plan legacy gifts to charity, or any other issue involving charitable giving. We are here for you!

For more information, contact the Chester County Community Foundation:
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