



Seniors age 70½+: Take your required retirement distribution

The tax laws generally require individuals with retirement accounts to take annual withdrawals based on the size of their account and their age beginning with the year they reach age 70½. Failure to take a required withdrawal can result in a penalty of 50% of the amount not withdrawn.

If you turned age 70½ in 2014, you can delay your 2014 required distribution to 2015. Think twice before doing so, though, as this will result in two distributions in 2015 — the amount required for 2014 plus the amount required for 2015, which might throw you into a higher tax bracket or trigger the 3.8% net investment income tax. On the other hand, it could be beneficial to take both distributions in 2015 if you expect to be in a substantially lower tax bracket in 2015.

Supersizing your charitable contribution deductions

You might want to consider three charitable giving strategies that can help boost your 2014 charitable contribution deduction.

Use your credit card

Donations charged to a credit card are deductible in the year charged, not when payment is made on the card. Thus, charging donations to your credit card before year end enables you to increase your 2014 charitable donation deduction even if you're temporarily short on cash or just want to put off payment until later.

Donate a life insurance policy

A number of charities are asking their donors to consider donating life insurance policies rather than (or in addition to) cash in order to make substantially larger gifts than would otherwise be possible. The advantage to donors is that they can make a sizable gift with relatively little up-front cash (or even no cash, if an existing policy is donated). The fact that a charity may have to wait many years before receiving a payoff from the gift is typically not a problem because charities normally earmark such gifts for their endowment or long-term building funds.

If handled correctly, a life insurance policy donation can net the donor a charitable deduction for the value of the policy. A charitable deduction is also available for any cash contributed in future years to continue paying the premiums on a policy that was not fully paid up at the time it was donated. However, if handled incorrectly, no deduction is allowed. For this reason, we encourage you to contact us if you are considering the donation of a life insurance policy. We can help ensure that you receive the expected income or transfer tax deduction and that the contribution works as planned.

Take advantage of a donor-advised fund

Another charitable giving approach you might want to consider is the donor-advised fund. These funds essentially allow you to obtain an immediate tax deduction for setting aside funds that will be used for future charitable donations.

With donor-advised funds, which are available through a number of major mutual fund companies, as well as universities and community foundations, you contribute money or securities to an account established in your name. You then choose among



investment options and, on your own timetable, recommend grants to charities of your choice.

The minimum for establishing a donor-advised fund is often \$10,000 or more, but these funds can make sense if you want to obtain a tax deduction now but take your time in determining or making payments to the recipient charity or charities. These funds can also be a way to establish a family philanthropic legacy without incurring the administrative costs and headaches of establishing a private foundation.
