



PROFESSIONAL ADVISOR NEWSLETTER

MONTHLY NEWSLETTER

OCTOBER 2025 TRENDING TOPIC 2

**YOUR PARTNER IN STRATEGIC PHILANTHROPY PROFESSIONAL
ADVISORY SERVICES.** Empowering Financial Growth and Community Impact



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Starved Rock Country Community Foundation



GREETINGS FROM SRCCF!

WE'RE HERE FOR YOU - OCTOBER 2025 TRENDING TOPICS 2

Hello again from Starved Rock Country Community Foundation. This is our second newsletter for October 2025.

We look forward to working with you and your clients as you set in motion charitable giving plans with an eye toward that end-of-year deadline.

Here's what's trending now:

–You are not alone if you miss the old “stretch IRA.” Many attorneys, CPAs, and financial advisors recommended this technique to help the heirs of their deceased clients avoid a big income tax hit. For a specific type of client,

though, it may be possible to mimic the benefit of the stretch IRA by using a charitable remainder trust.

–No two of your clients are exactly alike, which is why you tailor your advice to the specific circumstances of each client's life, finances, and goals. For inspiration, we're happy to offer three examples of client scenarios and how the SRCCF can work alongside you to help handle the charitable components of a client's plan.

Thank you so much for the opportunity to work together.

01 INHERITED IRAS: A CHARITABLE SOLUTION?

Remember the good old days when your clients could withdraw the money they inherited in their parents' IRAs over the course of their lifetimes, thereby deferring the income tax for as long as possible?



This so-called “stretch IRA” was largely eliminated by the SECURE Act of 2019, requiring most non-spouse beneficiaries to withdraw the entire inherited IRA within 10 years, rather than stretching withdrawals over their lifetime.

FOR A VERY SPECIFIC SUBSET OF YOUR CLIENTS, HOWEVER, THERE MAY BE AN ALTERNATIVE. HERE IS THE IDEAL FACT PATTERN:

- Your client owns an IRA
- Your client is very philanthropic, and charities are prioritized in the client’s estate plan even where the client has children or other heirs.
- Your client has identified a young, healthy heir to whom the client would like to leave a legacy gift
- This heir is likely to be in a high income tax bracket in the years ahead and wants to defer income tax wherever possible

THE CONCEPT, OVERSIMPLIFIED FOR ILLUSTRATION PURPOSES, GOES SOMETHING LIKE THIS:

- Instead of naming the heir directly as the beneficiary of the IRA, your client instead would name as beneficiary a charitable remainder unitrust, referred to as a CRT, or even a

“NIMCRUT” (net-income make up charitable remainder unitrust), of which the heir is the income beneficiary.

–The CRT would receive the IRA proceeds upon your client’s death.

–The tax result of this structure somewhat mimics the old stretch IRA because, as a charitable entity, a CRT does not itself get hit with income tax on the income from the IRA.

–According to the terms of the CRT, the assets can be distributed annually over the heir’s lifetime (or for a fixed period of up to 20 years) and, similar to what would have happened with the old stretch IRA, the heir will pay income taxes on distributions from the trust as they are received.

SO WHY DOESN’T EVERYONE DO THIS? HERE ARE THREE REASONS:

–It’s actually possible for an heir to be too young for this technique to work well. The IRS requires that a CRT’s pay-out rate result in a present value of the future gift to charity of at least 10% of the value of the initial gift. This means that the pay-out rate could be too low to justify the expense and hassle of the transaction where the CRT’s income beneficiary is very young.

–There is always a risk that the heir will die prematurely, sending the entire remainder interest to the charity with nothing remaining to pass to the heir’s own heirs.

–Even when compared with the 10-year rule, it can take a very long time for the CRT’s tax benefits (i.e., more wealth) to outweigh the projected “loss” of the assets that will ultimately go to charity.

What’s the bottom line here? If your client is truly charitable, they may be better able to fulfill their charitable goals by naming a charity, such as the client’s fund at the SRCCF, as the beneficiary of the client’s IRA, leaving other assets eligible for the step-up in basis to fund the estate gifts for heirs.

As always, we are here to help! Please reach out anytime.

We've rounded the corner into the fourth quarter! As the calendar year draws to a close, you're likely well aware that charitable giving is not only important to your clients first and foremost as an act of generosity, but also as a powerful tool in tax planning.



Consider the following hypothetical client situations:

YOU WANT TO HELP EMILY HARPER BENEFIT FROM ITEMIZING DEDUCTIONS.

Your client, Dr. Emily Harper, a 62-year-old physician, has long supported many local charities with annual donations totaling around \$20,000. While generous, her giving has not exceeded the standard deduction under the current tax law, which means she has received little to no tax benefit for her contributions. You've counseled Emily that 2026 will bring even more limitations on her ability to deduct charitable contributions.

Working with the SRCCF, you are arranging for Emily to contribute \$100,000 of appreciated stock this December to establish a donor advised fund. This large, single-year contribution will allow her to itemize deductions for 2025 and maximize her tax savings, while still preserving the flexibility to recommend grants of \$20,000 per year to her favorite charities over the next five years. By front-loading her philanthropy, Emily not only secured a significant deduction even under the higher standard deduction thresholds in place, but she also avoided potential exposure to the upcoming IRS "floor and cap" rules under the One Big Beautiful Bill Act.

YOU ARE WORRIED ABOUT JONATHAN LEE'S CONCENTRATED STOCK POSITIONS

Jonathan Lee, a 58-year-old business executive, has accumulated a significant position in a favorite stock over the past two decades. As Jonathan's advisor, you have grown increasingly concerned about the concentration risk in his portfolio and the steep capital gains tax bill he would face if he sold shares outright. You also discovered that Jonathan has consistently supported a handful of local charities with annual cash gifts. (This made you cringe; you wish Jonathan had consulted you about giving stock versus cash.)

Working with the SRCCF, you arranged for Jonathan to donate \$250,000 worth of his highly-appreciated stock to establish a donor advised fund. This move accomplished two critical objectives: it allowed Jonathan to bypass the capital gains tax on the gifted shares and made him eligible for a full fair-market-value charitable deduction for the stock's value on the date of the gift. Now, instead of writing annual checks from after-tax dollars, Jonathan can recommend grants from his donor advised fund over time, maintaining his giving pattern while enjoying significant tax efficiency. What's more, by contributing stock instead of cash, Jonathan transformed a concentrated holding into diversified charitable capital.

MARGARET DAVIS HAS MORE MONEY IN HER IRAS THAN SHE'LL EVER NEED.

Your client, Margaret Davis, is 74 years old. She continues to receive royalty income from several books she wrote over the course of her career as a successful romance novelist. Margaret also owns several IRAs. Her royalties are more than enough to cover her living expenses; she simply does not need the Required Minimum Distributions from her IRAs. You have counseled her, though, that she has to take those distributions under IRS rules.

Recently, Margaret sent you an article she read in the Wall Street Journal about Qualified Charitable Distributions, or QCDs. Truth be told, you've heard about QCDs, but you don't specialize in tax planning and you simply have not had the time to get up to speed on these vehicles. But, because Margaret brought it up, you wisely dive in.

You learn that Margaret, because she is over the age of 70 ½, can direct up to \$108,000 (the 2025 limit) to qualified charities. You've reached out to us for help, and you are glad you did because the community foundation team is setting up a designated fund to receive Margaret's QCDs. The designated fund, in turn, will support the local animal shelter, where Margaret has volunteered for decades, even after Margaret dies. What's more, the QCD dollars are excluded from Margaret's income and still satisfy a portion of her RMD. What's more, the QCD reduces Margaret's exposure to Medicare IRMAA surcharges—benefits that would not have accrued if she'd simply donated from after-tax cash.

If your client base includes people like Emily, Jonathan, and Margaret, please give us a call! We are here to help. The tax benefits are terrific, but that's not what is most important.

What's most important is that you are helping your clients fulfill their charitable objectives, making our community and the lives of the people who live here even better for generations to come.

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**STARVED ROCK COUNTRY
COMMUNITY FOUNDATION**

*Connecting People Who Care
With Causes That Matter*

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The team at the community foundation is honored to serve as a resource and sounding board as you build your charitable plans and pursue your philanthropic objectives for making a difference in the community. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice. Please consult your tax or legal advisor to learn how this information might apply to your own situation.

**THANK YOU FOR THE OPPORTUNITY
TO WORK TOGETHER!**

