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Legacy and Livelihood: Integrating Charitable Giving with Retirement Planning

In 1420, Filippo Brunelleschi faced a daunting task when he took over construction of the dome of Florence Cathedral, a structure many believed could never be finished. With no established method for spanning such a void, he relied not on a single invention but on an integrated design. A double shell, herringbone brickwork, and structural ribs and chains formed a self-supporting system in which each element reinforced the others. The dome took 16 years to complete and still crowns Il Duomo more than six centuries later.¹

Like Brunelleschi's dome, retirement and charitable planning draw strength from an integrated approach. The strongest outcomes rarely arise from treating philanthropy as a final touch after the plan is set. When charitable intent is considered alongside retirement income, tax strategy, and estate planning from the start, the components form one coherent structure that advances multiple objectives and remains effective over time.

This issue examines why philanthropy deserves a central role in retirement planning and how charitable strategies can advance clients' financial and legacy objectives. It provides practical guidance for evaluating lifetime gifts, tax-efficient uses of retirement and other assets, and estate-planning approaches that help your clients support organizations they value while providing for their heirs.

- [The New Retirement Landscape](#), pg. 3
- [Philanthropy as a Retirement Priority](#), pg. 3
- [Connecting Charitable Goals to Retirement, Tax, and Estate Strategy](#), pg. 4
- [Charitable Giving Strategies in Retirement](#), pg. 6
- [Directing Retirement Assets at Death](#), pg. 11

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More information about charitable giving and tax rules can be found [here](#).

The New Retirement Landscape

Retirement has changed significantly over the past century. Earlier generations often worked as long as they could and relied heavily on family members in later life. Social Security (established in 1935) and employer pensions helped make retirement more widely attainable. However, the subsequent shift from defined benefit pensions to defined contribution plans placed more responsibility and risk on the individual. As a result, retirement planning must now address a broader range of personal goals and tradeoffs.

For some clients today, retirement planning success means maximizing lifetime spending. For others, it means maintaining stable, inflation-adjusted income, reducing the risk of running out of money, creating an inheritance for loved ones, or leaving assets to charity. Retirement planning therefore encompasses not only income and security, but also purpose, impact, and values.

This broader definition of success coincides with an unprecedented retirement wave. The “Peak 65®” period refers to the largest surge of Americans reaching retirement age in U.S. history.² In 2025, an average of 11,400 Americans turned 65 each day, resulting in more than 4 million people reaching the traditional retirement age in a single year—the highest number ever recorded.³ More than 11,200 people are expected to turn 65 daily each year through 2027, and one-fifth of the U.S. population will have reached age 65 by 2030.⁴

At the same time, retirement is becoming less likely to represent a fixed date or a clean break from work.⁵ Many Americans envision new forms of work, volunteer engagement, or other ways to remain active.⁶ Approximately one in four Americans ages 65 to 74 participates in the workforce—a significantly higher share than a few decades ago.⁷ As clients increasingly view retirement as a stage rich with purpose and personal meaning, the desire to give back becomes more relevant to the planning conversation.

Philanthropy as a Retirement Priority

The historic scale and evolving nature of retirement have direct implications for philanthropic planning. Fidelity Charitable’s 2024 study, *Charitable Living and the New Retirement*, found that the age 50–80 segment has a strong commitment to giving, but there is a gap between charitable intent and structured planning. Several findings offer valuable insights:⁸

- **Broad philanthropic intent.** Charitable giving is a priority for 78% of people in this age group. This interest surfaces at the same time income needs, estate objectives, and tax exposure often grow more complex.

- **A measurable knowledge gap.** Only 32% of respondents are aware of strategies such as donating appreciated assets (although awareness increases among high-net-worth donors), and 21% aren't familiar with any options beyond a direct cash gift.
- **A need for more planning conversations.** While 65% of retirees work with an advisor, only 51% report having discussed charitable planning or giving with that advisor. Many clients may benefit from guidance in an area they already consider important.

These findings suggest that professionals should not wait for clients to introduce the subject. Asking about charitable priorities can reveal objectives that affect income planning, asset selection, tax strategy, and the eventual transfer of wealth.

Connecting Charitable Goals to Retirement, Tax, and Estate Strategy

Philanthropically inclined clients can benefit from a structured charitable strategy that lets them address multiple objectives. For example, a gift of appreciated property may advance a charitable goal while managing a concentrated position and bypassing capital gains taxes. A qualified charitable distribution (QCD) from an IRA may satisfy charitable intent while limiting taxable income, or a testamentary gift of retirement assets may benefit charity while passing more tax-efficient assets to heirs.

A Framework for Integrated Planning

On their own, clients may tend to select a charitable vehicle in isolation, but professional guidance can steer them toward a gift option aligned with their financial circumstances, assets, timing, and preferred beneficiaries. Consider these five questions when evaluating gift strategies:

- **What does the client want their gift to accomplish?** Identifying the desired charitable recipients, impact, timing, and level of family involvement provides the foundation for evaluating possible strategies.
- **Which assets are best suited to the gift?** Cash may be convenient, but appreciated securities, real estate, business interests, and retirement assets may offer greater planning opportunities depending on the client's circumstances.
- **What financial needs must the giving strategy accommodate?** Before recommending an irrevocable gift, for example, it's important to determine whether the client may need continued access to the assets. If the client can relinquish the assets but

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needs or prefers an additional income stream, a life income gift is worth considering.

- **When should the client act?** Planning before experiencing a liquidity event, taking a required minimum distribution, or transferring ownership of an asset generally preserves more options. Waiting until after income is recognized or the asset is transferred may eliminate strategies or reduce their effectiveness.
- **Who should receive each asset?** The income tax characteristics of retirement accounts, appreciated assets, and other property may make some assets better suited to charity and others better suited to heirs.

Once charitable goals are incorporated into the retirement plan, the next questions are which assets to use, when to make the gift, and which vehicle best supports the client's objectives. Current deduction rules make those choices especially consequential.

Charitable Deduction Limitations

Tax-efficient charitable strategies are especially relevant for retirees and those nearing retirement, who may hold substantial wealth in appreciated securities, real estate, and closely held business interests. Three federal income tax rules deserve particular attention:

- **AGI limitations.** The donor's charitable deduction is limited to a percentage of their adjusted gross income (AGI), depending on the type of charity and the type of property donated.⁹ Unused deductions generally may be carried forward for up to five years, subject to applicable limitations.¹⁰



- **Minimum contribution threshold.** Beginning in 2026, an itemizer may deduct only the portion of total annual charitable contributions that exceeds 0.5% of AGI. This giving floor increases the importance of timing and may make bunching gifts for two or more years into one tax year more attractive.
- **Tax benefit cap for high-income donors.** For donors in the 37% income tax bracket, the tax benefit of itemized deductions, including charitable deductions, is limited to 35%. This rule may increase the relative value of strategies that exclude income, such as QCDs, rather than relying on a deduction alone.

These limitations make integrated planning even more important. Asset type, timing, income level, charitable vehicle, and the client's other deductions can all affect the result.

Charitable Giving Strategies in Retirement

Within this tax environment, several strategies can help clients coordinate charitable giving with retirement planning. The discussion that follows focuses on the specific opportunities, limitations, and coordination points that can help you determine when and how each strategy fits.

Appreciated Assets

A direct gift of appreciated securities or real estate held for longer than one year can help clients pursue charitable goals, rebalance a portfolio, and bypass capital gains taxes that would otherwise result from a sale. Gifts to qualified public charities generally qualify for a deduction equal to the asset's fair market value (FMV), limited to 30% of AGI (and subject to other limitations), with a five-year carryforward for any unused amount. The charity can sell the property without recognizing the capital gain that would have applied to the donor. For a client holding a concentrated or highly appreciated position, the tax difference between this approach and selling the asset before making a cash gift can be substantial.

Addressing charitable intent before a planned sale can preserve options that disappear once the gain is realized. This timing can be especially important when portfolio rebalancing, the sale of a business, or the disposition of long-held real estate coincides with retirement and creates an unusually high-income year. Closely held business interests, real estate, and other complex assets also require additional time for valuation, due diligence, transfer restrictions, and acceptance by the charitable recipient, making early coordination among the client's legal, tax, financial, and charitable advisors essential.

Within this tax environment, several strategies can help clients coordinate charitable giving with retirement planning.

Qualified Charitable Distributions

For clients age 70½ or older, a qualified charitable distribution (QCD) from an IRA can advance charitable goals while helping manage required distributions and taxable income. The distribution must pass directly from the IRA to an eligible charitable organization; funds first distributed to the client will not qualify. Donor-advised funds, supporting organizations, and most private foundations are not eligible recipients.

While no income tax deduction is available for this gift, a QCD (up to \$111,000 in 2026) is excluded from the IRA owner's gross income and counts toward a required minimum distribution (RMD) if one is due. Eligible spouses may each make QCDs from their own IRAs. Contributions made to a traditional IRA after age 70½ for which the taxpayer took a deduction count against QCD amounts.

The QCD is particularly useful for clients who take the standard deduction because its benefit does not depend on itemizing. It may also help manage AGI-sensitive items, including the taxation of Social Security benefits, Medicare income-related monthly adjustment amount (IRMAA) brackets, and exposure to the 3.8% net investment income tax.

Coordinating IRA Distributions

RMDs generally begin at age 73, increasing to age 75 for individuals born in 1960 or later. When a client plans to use a QCD to satisfy all or part of an RMD, sequencing matters. A taxable IRA distribution taken earlier in the year cannot later be recharacterized as a QCD. Completing intended QCDs before other IRA withdrawals can therefore help preserve the desired result.

The years between retirement and the RMD starting age also may provide an opportunity for partial Roth conversions. Reducing a traditional IRA balance can lower future RMDs and provide greater control over taxable income. Roth conversions and QCDs serve different purposes, but coordinated timing may improve lifetime bracket management and preserve more flexibility for charitable giving.

Charitable Gift Annuities Funded from an IRA

IRA owners age 70½ or older who want to make a current gift and receive fixed lifetime payments can use a one-time QCD (up to \$55,000 in 2026) to fund a new charitable gift annuity (CGA). The election counts toward both the lifetime limit for this

special distribution and the donor's annual QCD limit. Important requirements include the following:

- The distribution must pass directly from the IRA to fund a new immediate CGA, not a deferred gift annuity.
- No charitable income tax deduction is allowed, but the distribution is excluded from income and counts toward the donor's RMD if one is due.
- Spouses may each transfer up to the applicable limit from individually owned IRAs to establish one joint-life CGA.
- Payments must be made only to the IRA owner and/or the owner's spouse and are taxed as ordinary income.
- The CGA must be nonassignable.
- The CGA must satisfy the requirements that otherwise would apply to a deductible charitable gift, including the 10% minimum charitable component and 5% minimum payout requirements.

Given the one-time nature of the election, clients should carefully evaluate the projected payments, income tax treatment, irrevocable transfer, and financial strength of the issuing charity before committing IRA assets.



Charitable Remainder Trusts Funded from an IRA

The one-time QCD provision also allows eligible clients to use an IRA distribution to fund a new charitable remainder annuity trust (CRAT) or charitable remainder unitrust (CRUT) with up to \$55,000 in 2026, converting IRA assets into an income stream while establishing a charitable gift. The election counts against both the annual QCD limit and the donor's lifetime limit (a donor can only use this special election once). The trust generally follows traditional charitable remainder trust (CRT) requirements, with several additional restrictions:

- The IRA funds must pass directly to a qualifying trust with a payout rate of at least 5%. A CRAT must also satisfy the applicable probability test (or the 10% alternative termination test).
- No charitable income tax deduction is allowed, but the IRA distribution is tax free (excluded from income) and counts toward the donor's RMD if one is due.
- All payments from the trust are taxed as ordinary income and may be made only to the IRA owner and/or the owner's spouse.
- Spouses may each contribute from their respective IRAs to a single CRT at a maximum of \$110,000 in 2026.
- The income interest is nonassignable, the trust may not accept additional contributions, and its term must be based on the life or lives of the donor and/or the donor's spouse rather than a fixed term of years.

Compared with the CGA option, a CRT involves greater expense, administration, and drafting. Given the contribution limit, its practical use may be narrow unless spouses combine their permitted distributions or the trust serves a specific planning need.

QCD-Funded vs. Conventionally Funded Life Income Gifts

The special rules for QCD-funded life income gifts should be weighed against the potential income tax benefits and greater structural flexibility available when a client uses other assets.

- A CGA funded with cash or appreciated property may entitle the donor to a charitable income tax deduction, and any capital gain on appreciated property is generally recognized over the donor's life expectancy.
- A CRT funded with assets (other than a QCD) may provide an income tax deduction based on the present

value of the charitable remainder and offers greater flexibility, including payments for a term of up to 20 years, multiple beneficiaries, and acceptance of a broader range of assets.

The appropriate vehicle should be evaluated in light of the client's objectives and whether the benefits of using IRA assets outweigh the greater flexibility available with conventional funding.

Donor-Advised Funds

A donor-advised fund (DAF) can help clients concentrate charitable giving in a high-income year while staying flexible regarding the timing and recipients of future grants. Several familiar DAF features make this a particularly useful strategy in retirement planning, including:

- **Tax deduction.** Donors may qualify for an immediate charitable deduction in the year of the contribution, generally based on the type and value of the property and subject to limitations. A gift of appreciated property held longer than one year may also bypass recognition of capital gains on the appreciation.
- **Flexibility.** Donors can recommend grants to one or more eligible charities over time rather than selecting every recipient when the DAF is funded.
- **Growth potential.** Assets in the DAF may be invested, potentially increasing the amount available for future charitable grants.
- **Legacy planning.** Many DAF sponsors permit successor advisors or charitable succession plans, which can facilitate family involvement or continued grantmaking after the donor's death.

The DAF's timing flexibility may be particularly useful during the transition into retirement. A client may fund a DAF while taxable income is relatively high, then recommend grants after employment income declines. Some sponsors also accept and liquidate complex assets and manage related due diligence, which can be useful when charitable planning involves a business interest, real estate, or non-publicly traded assets. A DAF cannot receive a QCD, however, and contributed assets are irrevocably dedicated to charitable giving.

A donor-advised fund (DAF) can help clients concentrate charitable giving in a high-income year while staying flexible regarding the timing and recipients of future grants.

Directing Retirement Assets at Death

For charitably inclined clients, the tax treatment of retirement assets makes both beneficiary selection and payout structure especially consequential. Taxable distributions from a traditional retirement account after the owner's death constitute income in respect of a decedent (IRD), so noncharitable beneficiaries generally owe income tax as they receive the funds. Most non-spouse beneficiaries also must empty an inherited account within 10 years, with annual distributions generally required when the owner died on or after the required beginning date. The applicable rules depend on the beneficiary and the owner's date of death.¹¹

By contrast, a tax-exempt charitable organization generally pays no income tax when it receives retirement assets. Coordinating the plan for retirement assets with the disposition of other property can therefore improve the after-tax result for both charity and heirs.

Charitable Beneficiary Designations

One approach is for the client to direct all or part of a traditional IRA or other pretax retirement account to charity while leaving assets that may receive a step-up in basis at death (such as appreciated securities or real estate held outside a retirement account) to heirs. Because distributions from inherited traditional IRAs and other pretax retirement accounts are generally taxed as ordinary income, this approach may increase the total after-tax value delivered to the intended beneficiaries, depending on the asset mix and plan design.

Beneficiary designations should be coordinated proactively with the client's will or trust, charitable documents, and overall estate plan. Professionals should confirm that the designation identifies the correct legal recipient, reflects the intended percentages, and accounts for contingencies. Modeling the projected income and estate tax consequences can help the client compare alternatives before finalizing the plan.

It's also important to review beneficiary designations periodically. Changes in family circumstances, charitable priorities, account balances, custodians, or tax law can cause an older designation to produce a result the client no longer intends. The beneficiary designation on file with the custodian generally controls the disposition of the account, but some clients may not realize that updating a will or trust will not change who receives the retirement assets.

Segmenting Retirement Accounts by Beneficiary Type

Naming both charitable and individual beneficiaries on the same retirement account can complicate post-death distribution rules and may reduce the withdrawal options and access to more favorable tax treatment that would otherwise be available to individual beneficiaries.¹² A cleaner approach may be to divide retirement assets during the owner's lifetime, designating one account for charity and another for family members. Review the custodian's procedures and the applicable distribution rules before making changes.

Testamentary Charitable Remainder Trusts

A testamentary CRT can convert retirement assets into an income stream for a spouse or other heirs before the remainder passes to charity. Rather than inheriting the retirement account directly, the individual beneficiaries receive trust payments for the permitted term. The trust can therefore combine family support with a charitable legacy.

A CRT may allow the income tax associated with the retirement assets to be recognized by the individual beneficiaries over the trust's payout period, rather than compressed into the shorter withdrawal window that generally applies to inherited retirement accounts for non-spouse beneficiaries. Because the remainder ultimately goes to charity, the estate may also qualify for an estate tax charitable deduction based on the value of that remainder interest.

The retirement account beneficiary designation, CRT terms, and estate plan must be carefully coordinated, and the trust must satisfy the charitable remainder requirements. The irrevocable structure, administrative cost, payout limitations, and loss of direct access to the assets make advance modeling and careful drafting essential.

Helping Clients Build a Coordinated Plan

Charitable planning is most effective when it begins with the client's broader vision for retirement, not with a particular giving vehicle. Timing often determines which opportunities remain available, making early coordination especially valuable.

When charitable goals are part of the conversation from the start, clients are better positioned to balance financial security, family priorities, and charitable impact. Like the dome that still crowns Il Duomo, the best plans take their strength from an intentional design in which each part reinforces the whole.

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More information about charitable giving and tax rules can be found [here](#).

Endnotes

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