



CAUSE CONNECTION

Connecting people who care to causes that matter



Carrie's Corner

The latest Intel from LVCF's Director of Donor Services

Make 2025 Count:

Secure the Full Value of Your Charitable Gifts

As 2025 winds down, it's a good time for generous individuals and families to review their charitable giving plans. Significant federal tax changes are scheduled to take effect in 2026, and acting now could help you preserve the full value of your charitable deductions.

Why Giving in 2025 Matters

Because the new rules don't take effect until January 1, 2026, there is still time to take advantage of the current, more favorable deduction rules. Many donors are considering **"bunching"** multiple years of planned donations into 2025 to maximize their tax benefit. For instance, a couple planning to give \$50,000 over two years could save more than \$2,000 in taxes by making the full gift in 2025 rather than spreading it between 2025 and 2026.

How the Community Foundation Can Help

If you're not ready to distribute a large gift to multiple nonprofits all at once, the **Lehigh Valley Community Foundation** offers flexible options to help. One of the most effective tools is a **Donor-Advised Fund (DAF)**. By opening or adding to a DAF in 2025, you can:

- Contribute cash or appreciated assets now and receive the full deduction this year.
- Recommend grants to your favorite nonprofits over time—on your schedule.
- Take advantage of 2025's tax benefits while continuing your giving in future years.

A DAF through LVCF allows you to make a strategic gift today while sustaining your charitable impact for years to come.

Make the Most of This Moment

If you'd like to discuss how these changes might affect your giving—or how a fund at the Lehigh Valley Community Foundation can help you plan strategically—please contact our team. We're here to help you make the most of your philanthropy.



New Federal Tax Reality

The **One Big Beautiful Bill Act** (OBBBA), passed in July, introduces new limits that will make charitable giving slightly less tax-advantaged starting next year.

What's Changing in 2026

- **New 0.5% AGI Floor:** Beginning in 2026, the first 0.5% of your income donated to charity will no longer be deductible. Currently, every dollar you give (up to normal IRS limits) can be deducted.
- **Reduced Deduction Rate for Top Earners:** For those in the 37% tax bracket, charitable deductions will only offset income at a 35% rate beginning in 2026.
- **Limited Deduction for Non-Itemizers:** Taxpayers who take the standard deduction will be able to deduct up to \$1,000 (single) or \$2,000 (joint) in charitable gifts.

Together, these changes mean that in 2026 and beyond, charitable gifts may provide a smaller tax benefit than they do today.

Inherited IRAs: Turning a Tax Challenge into a Charitable Opportunity

Remember when you could “stretch” an inherited IRA over your lifetime—taking smaller withdrawals each year and deferring taxes for decades? Those days are mostly gone.

Thanks to the **SECURE Act of 2019**, most non-spouse beneficiaries now have to withdraw the entire inherited IRA within 10 years. For adult children or other heirs in high income tax brackets, that can mean a big tax bill coming due faster than anyone would like.

But for donors who are charitable by nature, there may be a way to turn this challenge into something positive—for both your family and the causes you love.

A Creative Giving Strategy

Here’s a scenario where this might make sense:

- ▶ You own an IRA.
- ▶ You care deeply about giving back and have already included charitable gifts in your estate plan.
- ▶ You’d like to leave something for a younger heir, like a child or grandchild.
- ▶ And you know that heir will probably be in a high tax bracket later in life.

If that sounds familiar, a Charitable Remainder Trust (CRT) might be worth a look.

Instead of naming your heir directly as the beneficiary of your IRA, you could name a charitable trust—specifically, a Charitable Remainder Unitrust, or “CRUT.” When you pass away, your IRA goes to the trust, which in turn makes regular payments to your heir for a period of time (often for life or up to 20 years).

Here’s the appealing part: because the trust itself is a charitable entity, it doesn’t pay income tax when it receives the IRA assets. Your heir only pays tax as they receive distributions from the trust—much like the old “stretch IRA.” And when the trust ends, whatever remains goes to your charitable fund at Lehigh Valley Community Foundation (or another charity of your choice).

It’s a way to provide for your loved one and your community at the same time.



Is It Right for You?

Like most financial tools, a CRT isn’t one-size-fits-all. A few things to keep in mind:

- **Age matters.** The IRS requires that at least 10% of the value of the gift eventually go to charity. If your heir is very young, that math might not work well.
- **There’s some risk.** If the heir passes away earlier than expected, the trust’s remaining balance goes straight to charity.
- **It takes time to see the benefits.** The tax advantages build up gradually and may not always outweigh the simplicity of the standard 10-year rule.

A Simpler Option

For many donors, the easiest and most effective approach is simply to name your fund at LVCF (or another favorite charity) as the beneficiary of your IRA, and use other, more tax-efficient assets to provide for heirs.

Because IRAs are fully taxable when inherited by individuals—but tax-free when left to charity—this strategy can help you make the most of every dollar you’ve saved. It’s a beautiful way to care for family and strengthen your community at the same time.

Let’s Talk About It

Planning how your IRA and other assets will support both your loved ones and the causes you care about is deeply personal—and we’re here to help.

The team at Lehigh Valley Community Foundation works with donors and their advisors to find creative, practical solutions that make generosity go further.

If you’d like to talk about how your retirement assets could create a legacy of giving, reach out anytime. We’d love to help you explore your options. Contact: carrie@lvcfoundation.org