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ENDOW

THE NEWSLETTER OF THE *Covenant College Foundation*

en•dow verb » 1. to provide with a permanent fund or source of income.

Now that we've passed the halfway point of the year (and more likely because I had the opportunity to take some time off), I've spent some time reflecting on 2024 thus far. I'm not a big one for making resolutions each January, but I do like to set a challenge and give myself something to wrestle with during the year. Perhaps my challenge for 2024 will resonate with you.

This year, I have challenged myself with the question, "What would it look like for me to grow in generosity?" Of course the immediate assumption, and possibly the easier answer, is to focus just on monetary generosity. Could I give more to my church, Covenant, and others? Could I be more ready and willing to respond to the many needs around me? Am I truly giving sacrificially, or only giving what feels manageable? As C.S. Lewis famously said, "If our charities do not at all pinch or hamper us, I should say they are too small."



But it can't stop there, can it? We often talk about "time, talent, and treasure" but usually focus only on the treasure part. I am also wrestling with what it might look like for me to be more generous with my time and talents. What gifts, experience, knowledge, skills, or opportunities has God given me that I should be sharing with others? These questions are harder for me

to answer, and if I'm honest, I may hold on tighter to my time and talent than I do to my treasure.

If God truly owns everything, and if He has called me to be a steward of all the things He has entrusted to me, then I need to be ready to give it all back to Him. Rather than working so hard to establish patterns and limits that produce comfort and predictability for me, I need to hold my time, talent, and treasure with an open hand, and be ready to give more than I may be comfortable giving.

Marc M. Erickson '92 CFP®, CLU®
Executive Director
Covenant College Foundation

Smart Giving During Retirement

by DAVID WELSH, Assistant Director of Estate and Gift Design, Covenant College

IT'S BEEN SAID that "Trapped inside every old person is a young person who's thinking, 'What in the world just happened to me?'" While I'm not yet ready to call myself old, it shocks me to realize that I am just two years shy of turning 60. All of a sudden (or so it seems) retirement is no longer some distant thing in the future but something that I will be facing in the next 7-10 years.

Whether you're in a situation similar to mine, you've already retired, or you're years away from retirement but

helping your parents navigate this new phase, this is something that we all face, and we need to be prepared. While retirement

forces us to rethink things like time management, income, spending, and health insurance, it should also compel us to re-evaluate how we approach our charitable giving.

Many of us have been giving to our church, school, and favorite missions and charities for years, and we have well-established patterns of giving. A common way that we give is "out of our checkbook"—i.e., out of our monthly net income. Our paycheck (after taxes are withheld) is deposited into a checking account, and we do our charitable giving out of that. While this can work fine during our working years, this might not be the best way to give after we begin drawing on our retirement funds.

Many Americans who save for retirement do so through a traditional IRA, or through workplace-provided programs like the 401k, 403b, and SEP-IRA. Retirement savings deposited into these accounts are tax-deferred, often called "pre-tax

dollars." In other words, we don't pay taxes on that money on the front end. When we're young and grateful for the tax break (and retirement feels a long way off), we may overlook the reality that we will be paying taxes on our income during retirement.

According to the IRS, when someone reaches age 72 (or 73 since Dec. 31, 2022), they must start taking Required Minimum Distributions (RMDs) out of their retirement accounts—even if they don't want or need the money. These RMDs must

be taken every year, and the IRS treats this money as ordinary income, which is taxable. Remember how great it was to not pay taxes on your retirement

contributions all those years ago? Well, now Uncle Sam is ready for you to take your distribution so he can collect his tax. Therefore, any strategies that can reduce one's taxable income during retirement are worth considering; in many cases, these strategies could save thousands of dollars per year and still allow you to continue your charitable giving.

During your retirement years, if you continue to give "out of your checkbook" as you always have, you would simply take your RMD, pay income tax on the full amount, and then do your charitable giving out of whatever is left over. If you itemize on your tax return, you can take a deduction for those charitable contributions, but there are thresholds and limitations. Because this is how many people have approached their giving throughout their lives, they don't think about taking a different approach during retirement—but there may be a better way.

Thanks to the government's QCD (Qualified

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Charitable Distribution) provision, you can give to charitable organizations directly out of your retirement account (401k, IRA, etc.), and your taxable income will be reduced by the dollar amount you give to charity. A QCD can be used to fulfill the RMD requirement, as long as the gift is made directly to the charity from the individual's retirement account. As of this year, a QCD up to the amount of \$105,000 will satisfy the RMD requirement (either a gift up to that amount to a single charity, or gifts to multiple charities totaling \$105,000).

Because QCDs reduce one's taxable income, you may be able to avoid being pushed into a higher tax bracket like you would have if you had simply taken your RMD in the standard way. Staying in a lower tax bracket can help reduce the negative impact on certain things, like Social Security and Medicare. Another benefit is that people often find that, because they are reducing their taxable income, they can make a larger charitable gift by making a QCD than they could have if they gave out of their checkbook. Part of faithfully stewarding the money that God has entrusted to us involves not paying taxes unnecessarily. With a little planning, that extra

money can go to our preferred charity instead of going to pay a tax that could have been avoided.

While having a QCD count as your RMD is a fairly simple process, there are a few intricacies, and it's important to get things right to make sure your gift qualifies. A tax advisor can help you navigate this process. Even those folks who are accustomed to doing their own tax returns could benefit from meeting with a tax advisor as they contemplate retirement and entering the world of RMDs and QCDs.

So, as you or your loved ones enter this new phase of life, you can continue to give (and give smartly!) by taking advantage of this unique opportunity.



David Welsh MEd '96 grew up on Lookout Mountain. He earned his BA from Davidson College and MEd from Covenant, teaching and later serving as head of school at the International Christian School of Budapest before returning to Chattanooga in 2018. David and his wife Jennifer '91 have three adult children.

Heritage Society Tea

The annual Heritage Society Tea, a treasured part of each homecoming weekend, was held at The Kirk on September 20, 2024. The Heritage Society recognizes those friends of the college who have included Covenant in their estate plans. Most often, estate gifts help build the college's endowment, strengthening Covenant for years to come and providing valuable resources for student scholarships, faculty, and facilities.

Each year, a different academic discipline is featured at the tea. This year's event featured the business department. Heritage Society members enjoyed tea, sandwiches, and desserts while hearing from business student Anderson Ivey. Anderson shared about the joy he has found in studying business in a Christ-centered academic setting and spoke about the genuine, caring relationships among faculty and students. Dr. Brad Voyles then gave an update on the college and answered questions from Heritage Society members.

