

MONEY

2019 Tax Savings Strategies for Retirement

2 ideas that might let you pay less in taxes to the IRS

By [Dean Hedeker](#)

June 27, 2019

For people nearing retirement or in retirement, every dollar counts and planning ahead is paramount. That's especially true for taxes. Now that 2018 tax returns are behind us, this is an opportune time to look for 2019 tax savings strategies for retirement.

Here are two ways to do it:

Use Your IRA to Donate to Charity

Have an [Individual Retirement Account](#) (IRA)? If you're 70 ½ or older, there's a special way to use it to your tax advantage.

Because of the 2017 tax law and its new, larger standard deduction, it doesn't make sense for most people to itemize. Under the old law, people would deduct their real estate taxes, state income taxes, mortgage interest and [charitable contributions](#). The new law effectively eliminates, in most cases, those write-offs and replaces them with a larger standard deduction.



Credit: Adobe

Contribute to an IRA in 2019 so you can make charitable IRA contributions once you hit 70 ½.

A great way to work around this, if you're 70½ or older, is to use IRA funds for charitable contributions. You're required to take a minimum of approximately 4% out of your IRA starting at age 70½ anyway. So, instead of writing checks to a charity from your personal checking account, donate the money from an IRA through what's called a Qualified Charitable Distribution. You'll not only help a cause you care about, you'll receive a tax deduction for the contribution.

With a Qualified Charitable Distribution, the money you donate is excluded from your taxes, effectively preserving the charitable deduction.

If you haven't retired yet and are younger than 70½, plan ahead to use this strategy when the time comes. Contribute to an IRA in 2019 so you can make charitable IRA contributions at 70 ½.

Leverage a Donor-Advised Fund

If you're below age 70½ and have a higher-than-average income, consider leveraging what's known as a [donor-advised fund](#) to realize tax savings.

A donor-advised fund is a tax-advantaged charitable giving vehicle that can manage your charitable donations. You can claim a deduction for the amount you give the donor-advised fund but don't have to decide which charities will ultimately receive your money. And if you give

the donor-advised fund stock you own that has appreciated in value, you won't owe any capital gains taxes on your profits.

Here's an example of how this tax move could work for a single person, who'd normally have a standard deduction of \$12,200 for 2019. If you take, say, \$50,000 and put it into a donor-advised fund this year, you can realize the full \$50,000 deduction on your 2019 taxes.

To maximize savings with a donor-advised fund, consider using a bunching strategy. That means, you fund the donor-advised fund in one year and, in addition, pile all the itemized deductions you can into that year— things like medical expenses, mortgage interest, real estate taxes and state income taxes. Then, you'll surpass the standard deduction and itemize. Next year, take the standard deduction. The year after, put more into a donor-advised fund and max your itemized deductions again to claim them. And so on.

Since itemizing tax deductions every year doesn't make sense any longer due to the higher standard deduction threshold, a bunching strategy will let you maintain a steady stream of charitable giving while realizing significant tax savings.



By [Dean Hedeker](#)

Dean Hedeker is owner and principal of [Hedeker Wealth](#) in Lincolnshire, Ill. He has more than 35 years of experience in estate and financial planning and wealth management. He is also an attorney at law and a Certified Public Accountant, and can be reached at info@hedekerwealth.com

Next Avenue Editors Also Recommend:

- [Charitable Giving Took a Hit Due to Tax Reform](#)
- [To Tap Your IRA or Not? That's the Question](#)
- [Donor-Advised Funds: Timely, Tax-Saving Way to Give to Charity](#)

Next Avenue brings you stories that are inspiring and change lives. We know that because we hear it from our readers every single day. One reader says,

"Every time I read a post, I feel like I'm able to take a single, clear lesson away from it, which is why I think it's so great."

Your generous donation will help us continue to bring you the information you care about. What story will you help make possible?

[Make a Donation to Next Avenue](#)

© Next Avenue - 2019. All rights reserved.