GREAT PLAINS
Trust

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Congratulations...

We're excited to celebrate the arrival of Meg and her husband's beautiful baby girl! We wish their growing family many happy memories and wonderful moments together.

Qualified Charitable Distributions: A Tax-Efficient Way to Give

As the end of 2026 approaches, it's a good time to review charitable giving strategies and any required minimum distributions (RMDs) that still need to be taken from IRAs. For individuals age 70 ½ or older, a Qualified Charitable Distribution (QCD) can be an effective way to accomplish both.

A QCD is a distribution made directly from an IRA to a qualified charitable organization. Unlike a traditional IRA distribution, a QCD is excluded from the account owner's gross income. This means the distribution can reduce the account owner's adjusted gross income (AGI), rather than being included and increasing the account owner's overall tax liability. QCDs also do not require the taxpayer to itemize deductions, which makes it particularly valuable for individuals who would rather take the standard deduction.

QCDs are also a productive way to satisfy required minimum distributions. RMDs are mandatory annual distributions that must be taken from an IRA when the account owner reaches a particular age. If the account owner was born between 1951 through 1959, they must begin annual withdrawals when they reach age 73. When an RMD is distributed to the account owner, it is generally taxable as ordinary income. However, when a QCD is made directly to a charity, that amount is excluded from income while still counting toward the account owner's RMD for the year.

There are several rules that must be followed in order for a distribution to qualify as a QCD. First, the account owner must be at least 70 ½ at the

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Year-End Financial Planning Reminders...

As a reminder, GPTC can work with retiring or terminated plan participants to arrange rollovers to new IRAs. Plan sponsors should contact their wealth advisor for assistance.

Deferrals to 401(k) plans for 2026 must be initiated by December 31st; however, due to some payroll cycles, funds may not reach plans until 2027. The maximum deferral amount for 2026 is $24,500 ($32,500*/$35,750**). *Catch-up contribution amount – ages 50 to 59 and 64+ **Super catch-up contribution amount - ages 60 to 63.

2026 RMDs must be paid no later than December 31, 2026. Remaining RMDs will be paid at the end of November.

Do you want to make an in kind charitable gift of stock for 2026? If so, please send your request to us no later than December 10, 2026.

Send in any remaining IRA Qualified Charitable Distribution requests no later than December 1, 2026. Maximum total QCDs for 2026 is $111,000.

Qualified Charitable Distribution continued...

time of the distribution. The annual limit for QCDs changes each year and is currently $111,000.00 per person. The account owner may direct QCDs to multiple charities, as long as the total amount does not exceed the annual limit. Amounts distributed above the annual QCD limit will be treated as an ordinary taxable IRA distribution, and will not qualify for the income exclusion. Lastly, the QCD must be paid directly to the charitable organization from the IRA account to qualify.

QCDs also can be utilized as a tax-planning strategy for account owners who are not yet required to take RMDs. Reducing the balance of an IRA through charitable giving will reduce the amount of future RMDs, since those are calculated using the IRA balance.

QCDs can be made from Traditional IRAs, IRA Rollovers, and Inherited IRAs. They may also be made from SEP and SIMPLE IRAs, as long as the account is inactive and no longer receiving contributions. QCDs cannot be made directly from employer-sponsored plans like 401(k)s or 403(b) plans. However, an individual can roll these plans into an IRA then subsequently make a QCD. Because the primary tax benefit of QCDs comes from excluding an otherwise taxable distribution from income, QCDs are most beneficial when made with pre-tax dollars. Roth IRA distributions are already tax-free when the applicable requirements are met, so making QCDs from a Roth IRA serves little value.

Recent changes to the tax law make QCDs an even stronger option for charitable giving. Under the One Big Beautiful Bill Act (OBBBA), taxpayers who itemize their deductions can deduct charitable contributions only to the extent that their total charitable contributions exceed .5% of their AGI. Additionally, taxpayers in the 37% tax bracket are subject to a 2/37th reduction on all itemized deductions. QCDs, on the other hand, are not subject to this new rule. Because a qualifying QCD is excluded from income rather than claimed as an itemized charitable deduction, the .5% AGI floor and the new limitation on the tax benefit of itemized deductions do not reduce the amount of the QCD that can be excluded from income.

For individuals who are age 70 ½ or older and charitably inclined, this distinction can make a QCD an important part of their overall charitable giving and retirement income strategy. If you are interested in making a Qualified Charitable Distribution, contact your wealth advisor to discuss whether a QCD may be appropriate for your goals.

How is your Real Estate Titled?

Major life events, such as marriage, the birth of a child, or divorce, can be good opportunities to review how your real estate is titled. A real estate deed identifies who owns the real estate, and when there are multiple owners, what type of joint ownership they hold.

Each type of joint ownership has different survivorship rules. As a result, it is important to understand how your real estate ownership fits into your overall estate plan. If you decide to transfer real estate to a trust, the deed will need to be updated accordingly. Common types of jointly owned real estate include the following:

Tenancy in Common: Two or more people each own an interest in the same property, and the shares may be equal or unequal (e.g., 60%/40%). There is no automatic right of survivorship. When an owner dies, their interest will pass accordingly to their will or trust.

Joint Tenancy with Right of Survivorship: Two or more people own equal interests in the same property. There is a right of survivorship, meaning that when one owner dies, their interest passes to the surviving owner or owners.

Tenancy by the Entirety: Only available to married couples, this form of ownership includes a right of survivorship to the surviving spouse.

The rules governing these types of ownership vary by state. An estate planning attorney can advise you on how your real estate is currently titled and help you determine how it can best be incorporated into your overall estate plan.

Incorporating a Special Needs Trust into Your Estate Plan

Last month's newsletter detailed the various types of special needs trusts. If you have a family member with a disability, you should consider incorporating a special needs trust into your estate plan. The disabled family member may be subject to income or asset rule limitations for public benefits, which may be violated by an inheritance and result in a loss of benefits. A special needs trust preserves their eligibility for public benefits while also allowing you to transfer assets that can be used to enhance their quality of life by paying for allowable expenses not covered by public benefits such as private nursing, technology, vehicle expenses, hearing aids, clothing, and even entertainment or travel costs.

A special needs trust ("SNT") is important for three reasons. First, the SNT prevents direct ownership of the assets by the beneficiary so that the assets do not count towards the beneficiary's asset limit. Often, a home for the special needs beneficiary is included as a trust asset. Second, the SNT includes specific language stating that the assets are only to be used to supplement public benefits and may not replace public benefits. Finally, the SNT gives the trustee discretion over distribution of the

assets. Proper distribution of the assets in accordance with the rules for special needs trusts prevents the beneficiary from losing eligibility for public benefits. Trustee control over the assets also protects the special needs beneficiary from financial exploitation or poor financial decisions.

The type of trust that you would incorporate into your estate plan is a third-party special needs trusts since it will be funded by someone other than the person with a disability. The SNT may be a stand-alone document or may simply be incorporated within your revocable trust document. Your revocable trust should state that the share for the disabled beneficiary shall be distributed to the SNT, either contained in your revocable trust document or a separate document. Generally, you can just include the SNT provisions in your revocable trust, but establishing a stand-alone special needs trust may be beneficial if, for example, there are grandparents or other family members who may want to leave an inheritance to the special needs beneficiary. Those individuals can direct the inheritance for the disabled beneficiary to the stand-alone special needs trust either through their own trust document or an account beneficiary designation. In either case, it is important to note that the eligibility rules for Medicaid and some other public benefits are state-specific, so the SNT provisions also need to be state-specific. If the beneficiary is receiving SSI, the trust language should also be approved by the Social Security Administration.

Combining a special needs trust with an ABLE account provides certain advantages. An ABLE account is a tax-advantaged account available to disabled individuals whose disability began before age 46. These are accounts where earnings grow tax-deferred, similar to a 529 college savings plan. Withdrawals are tax free when used for qualified disability expenses. A beneficiary is eligible for an ABLE account if he or she is receiving SSI or SSDI. If he or she is not already receiving those benefits, then a licensed physician must certify the disability. The beneficiary may contribute their own funds to an ABLE account, or others may contribute on their behalf. The annual contribution limits are $20,000 per beneficiary, and most states set the total account contribution limit at $300,000; however, amounts over $100,000 may affect eligibility for SSI and other benefits.

If you combine the use of an ABLE account and an SNT, you would want to transfer larger assets, such as real estate or a large investment account, to the SNT. The ABLE account would hold a smaller amount of discretionary funds that would be available to the beneficiary for smaller, routine qualified expenses, such as groceries and clothing, without having to wait for trustee approval. The ABLE account lets the individual have more autonomy over everyday spending, allowing them more independence. The SNT can even transfer funds to the ABLE account to reduce administrative costs for the trust by allowing the beneficiary some discretionary funds.

Each family's situation is unique, and planning for a disabled beneficiary may involve the use of several tools. The primary concern should be ensuring that the inheritance you leave your disabled beneficiary provides for their supplemental needs but does not result in a loss of benefits. While the attorneys at Great Plains Trust are unable to draft your estate planning documents, please contact us if you would like further information about planning options.

Why This Rate Hike is Different

On September 16, the Federal Open Market Committee (FOMC) voted unanimously to increase interest rates by 25 basis points to a target range of 3.75%-4.00%. The decision marked the first rate hike since July 2023, with policymakers citing elevated inflation as the primary motivation. The Fed has a dual mandate to promote maximum employment and stable prices, with a longer-term inflation target of 2% as measured by the Personal Consumption Expenditures (PCE) Price Index. In August, headline PCE inflation was 3.4% year-over-year, while core PCE, which excludes the more volatile food and energy categories, was 3.0%. While inflation has fallen significantly from the highs seen in 2022, it remains above the Fed's target. At first glance, however, the decision to raise rates may seem somewhat counterintuitive. Rate hikes are often associated with an overheating economy and excessive demand, while the current economic environment looks quite different.

In a typical demand-driven inflationary environment, strong consumer demand can push prices higher as demand begins to outpace supply. Today's environment is notably different, with the Fed citing several distinct drivers of inflation. The most significant of these pressures has come from energy prices, which rose sharply following the escalation of the conflict with Iran. According to the Bureau of Economic Analysis, prices for energy goods and services rose nearly 17% over the 12 months through August, far outpacing price increases across other major spending categories. The impact extends beyond what consumers pay at the gas pump, as higher energy and oil costs can raise transportation and production expenses across a wide range of goods and services. The Fed has also cited tariffs and AI-related investment as contributors. According to research from Yale's Budget Lab, the average U.S. statutory tariff rate has risen from about 2.9% at the beginning of 2025 to roughly 11% as of late August, with Yale estimating the annual cost for the average household at around $1,100. AI-related investment has added further pressure as rapid spending on data centers and computing infrastructure has increased demand for semiconductors, electronics, power, and other inputs. Taken together, these factors illustrate how today's inflation has been influenced by forces beyond the excessive consumer demand typically associated with an overheating economy.

An overheating economy may be characterized by above-average economic growth, a tight labor market, strong consumer spending, and accelerating wage growth. Following the global financial crisis in 2008, the U.S. experienced a decade-long expansion during which real GDP grew at an average annual rate of 2.4%. By comparison, real GDP grew at a 2.2% annualized rate in the second quarter of 2026, while the Fed's longer-run growth projection stands at 2.0%, suggesting that current growth is moderate rather than excessive. Labor-market conditions have also become much more balanced compared with the tight conditions following the pandemic, with roughly one job opening for every unemployed worker. Meanwhile, housing remains under pressure as borrowing costs remain elevated. Unlike a typical tightening cycle, some of the inflation the Fed is confronting has originated from supply disruptions and other forces that higher interest rates cannot directly fix, while broader economic conditions might otherwise argue against further tightening.

That raises an important question: why raise rates at all? While the Fed cannot produce more oil, remove tariffs, or build more semiconductor capacity, it can reduce overall demand by making borrowing more expensive, which can slow spending and investment. The Fed's ultimate goal remains returning inflation to its 2% target, and while higher interest rates cannot reverse the original sources of today's inflation, they can help prevent those initial price increases from spreading more broadly, becoming persistent, or causing longer-term inflation expectations to rise. Given that the economy does not appear to be overheating, the question becomes whether the Fed can successfully navigate this balancing act by containing inflation without weakening economic growth and the labor market more than necessary.

Our Mission

To be a premier provider of wealth management and trust services to families across generations. We shall deliver responsive, reliable, and informed service combined with a commitment to achieving the stated goals of our clients and their families. We shall, at all times, deal honestly and respectfully with all clients and associates.

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