Questions & Answers
About Retirement Plans

Unleash Potential From Retirement Plans

Millions of Americans take advantage of retirement savings opportunities such as Individual Retirement Accounts (IRAs), 401(k)s and similar plans. Such plans have proven to be a very popular way to help secure their financial future and that of loved ones. But did you know these funds may also be a source from which to make charitable gifts?

What follows are commonly asked questions about giving retirement plan assets.

Answers to Frequently Asked Questions

Q. Who should consider giving retirement plan assets?
A. If you have accumulated excess funds in a tax-favored retirement plan, or you are required to make mandatory withdrawals from such plans, you may find this option appealing.

Sharing these assets with charitable interests as part of your retirement planning can be a wonderful way to continue a lifelong commitment to helping others.

Q. How can I make charitable gifts from a retirement plan?
A. If you are over age 59½, you are generally allowed to withdraw funds from retirement accounts without triggering an early withdrawal penalty. You report the withdrawal amount for income tax purposes, but are normally allowed an offsetting charitable deduction that can result in no income tax being due.

Special tax benefits may be available for those over age 70½ who wish to make charitable gifts from a traditional or Roth IRA. Check with us or your administrator for more information.

Q. How much can I withdraw from retirement plans and give to charity?
A. You are generally allowed to eliminate tax on up to 50 percent of your adjusted gross income (AGI) through charitable gifts of cash.

Withdrawals from retirement plans increase your AGI and, along with it, the amount of charitable gifts you can deduct. But if your withdrawal exceeds certain amounts, you may cause other income to be taxed at higher rates.

Q. What if I am required to take withdrawals that I do not need?

A. Consider using all or a portion of the required withdrawal to fund charitable gifts, thus reducing or eliminating taxes that would otherwise be due on the amount withdrawn.

Q. Can directing a portion of retirement assets to charity at death also help save taxes?

A. Yes. Funds remaining in your retirement accounts at death are considered part of your estate and may be subject to state and/or federal taxes.

Additionally, any retirement funds that remain after estate taxes may also be subject to income taxes.

Many choose to avoid this potential "double taxation" by using retirement funds to make charitable gifts from their estate.

Designating that charitable gifts be made with retirement funds and leaving other assets to loved ones ensures that no estate or income tax will ever be due on any remaining retirement fund balances.

Q. Can I leave assets in my retirement plan to charity only after other heirs have been provided for?

A. Yes. You can designate that amounts you determine go to your loved ones before any distributions are made to charity. Or, you can provide for charitable gifts only in the event your spouse or other heirs do not survive you.

Q. Is it possible to ensure an income from retirement plan assets and still make a charitable gift?

A. Yes, you may arrange for one or more persons to receive an income for life or another period of time. At the end of the term you choose, the funds remaining will go to your specified charitable interest. This option can result in significant tax savings while still helping to assure future financial security for heirs.

Q. How do I make a charitable gift from what might remain in my retirement plan?

A. Ask the administrator of your plan for a Change of Beneficiary form. You can then designate one or more charitable interests as a beneficiary to receive all or a portion of your retirement plan assets under conditions you stipulate.

Conclusion

We will be happy to provide you and your advisors with more information about ways to incorporate charitable gifts into your retirement planning and other long-range plans.