Questions & Answers About Retirement Plans

Doing More with Your Retirement Plans

TO PROVIDE FUNDS for retirement needs, many people use savings vehicles such as Individual Retirement Accounts (IRAs), 401(k)s and similar plans. These plans have proven to be a very popular way to help secure one's financial future and that of loved ones. These funds can also serve another important purpose—they can sometimes be a wise source of charitable gifts.

Read on for answers to commonly asked questions about gifts of retirement plan assets.

Answers to Frequently Asked Questions

Q. What are the benefits of giving retirement plan assets?
A. If the funds in your tax-favored retirement plan exceed your current or future needs, giving from this source may be a good option.

Sharing these assets with charitable interests as part of your retirement planning can be a wonderful way to give while also minimizing taxes that may otherwise be due.

Q. How can I make charitable gifts from a retirement plan?
A. If you are aged 59½ or older, retirement plan assets can be a convenient source for charitable giving. Making immediate gifts using funds from your IRA or similar retirement plan may result in little or no tax on the amounts donated.

Those who itemize deductions report the amount withdrawn and take what can be a completely offsetting charitable deduction. Check with your tax advisors for the specifics of your situation.

Those aged 70½ or older should consider the possibility of making tax-free charitable gifts directly from a qualifying IRA. Charitable distributions of various amounts may be directed to one or more charities, but altogether they may not total more than $100,000 per person per year.

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

Withdrawals from retirement plans increase your AGI and, along with it, the maximim amount of charitable gifts you can deduct.

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

A. Consider using all or a portion of the required minimum withdrawal to fund charitable gifts. You may reduce or eliminate taxes that would otherwise be due on the amount withdrawn.

In the case of an IRA, gifts totaling up to $100,000 per year may count toward one's required withdrawal while not reportable for tax purposes.

Q. Can I save taxes by leaving all or a portion of retirement assets to charity?

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

More importantly, for most people, any retirement funds will also be subject to income tax when received by heirs.

You may wish to designate that charitable gifts be made from retirement funds and leave other assets to loved ones. This will ensure that no federal 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 after I provide for my heirs?

A. Yes. You may state that charitable gifts be made 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 be devoted to charitable purposes you designate. This option can result in significant tax savings while still helping to ensure 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 include charitable gifts as part of your retirement planning and other long-range goals.