



## Why Give Retirement Plan Assets to Charity?

### *Avoid Paying Up to 65 Percent in Taxes*

Did you know that retirement accounts are exposed to combined income and estate taxes that could be as high as 65 percent upon your death? Ouch! The good news is that many of these taxes can be avoided or reduced through a carefully planned charitable gift.

### How Retirement Accounts Are Taxed

Qualified retirement plans receive favorable income tax treatment during your lifetime. No income tax is owed on the funds as they are contributed, and no income tax is owed on the earnings and appreciation while in the plan. You pay taxes on the funds only when you withdraw them. The balance left in your qualified retirement plan, however, is subject to estate taxes when you die. And giving the account balance to individual heirs exposes them to income taxes on the funds. Your retirement dollars can be seriously depleted by this double taxation.

### Do More With Your Retirement Account

Other strategies come into play when deciding to use retirement plan assets for charitable giving. Upon death, your account can pass directly to us as your primary beneficiary. Or, it can be used to pay an income to someone you name for his or her lifetime, after which the remaining assets pass to our organization.

**Example:** Bill is considering adding a charitable bequest to his will, with *the residue of his estate passing to his children. If he decides instead to name his charity of choice as beneficiary of his profit-sharing account, the death benefit passing to the organization will qualify for the estate tax charitable deduction, and it will also pass free of any income tax obligation. His children will benefit from this change because, rather than getting the profit-sharing account proceeds that are subject to income tax, they will receive other assets of his estate that are free of income taxes.*

### Provide Income for Life for a Loved One

Another tax-benefiting possibility is to give retirement assets at your death to a tax-exempt deferred giving plan, such as a charitable remainder unitrust or a charitable remainder annuity trust. You designate who will receive income for life from the trust. The income can be either fixed or variable—whichever you choose. After the death of your income beneficiary, the remaining balance will support our work.

By naming a deferred giving plan as the ultimate beneficiary of your retirement account, income taxes can be deferred until paid from the trust to the income beneficiary you designate.

### beneficiary

an individual or organization designated to receive benefits or funds under a will or other contract, such as an insurance policy, trust or retirement plan





The simplest way to leave the balance of a retirement account to us after your lifetime is to list us as the beneficiary on the beneficiary form provided by your plan administrator. If you are married, your spouse must sign a written waiver (even though you may designate a charitable organization as beneficiary on your employer's forms). A waiver is not required for IRAs, however. If you prefer to make your spouse the primary beneficiary of the retirement account, you can name us as the contingent beneficiary. For your children to benefit, you could designate a specific amount to be paid to us before the division of the rest among them.

**For more information,** please seek guidance from an estate planning attorney, a CPA and other professionals who are thoroughly versed in this area of tax law, because the laws vary depending on when and how you make the gift.

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