Make the Most of Your Retirement Plan Assets

Avoid Double Taxation and Support Our Work

Did you know that retirement accounts are exposed to federal income taxes that could be as much as 39.6 percent upon your death? Federal estate taxes could consume even more. Ouch! The good news is that these taxes can be eliminated 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 federal income tax is owed on the funds as they are contributed, and no federal income tax is owed on the earnings and appreciation while in the plan. You pay taxes on the funds only when you withdraw them. If your estate is worth more than the current estate tax exemption amount, the balance left in your qualified retirement plan, however, is subject to federal estate taxes when you die. And giving the account balance to individual heirs exposes them to federal income taxes up to 39.6 percent on the funds. Your retirement dollars can be seriously depleted by this double taxation.

Do More With Your Retirement Account

If you’ve thought about contributing to our organization, consider giving IRA assets to us and giving other assets that are not as heavily taxed to family members. As a nonprofit organization, we are tax-exempt, so we can use 100 percent of your retirement plan assets. 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 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 or a term of up to 20 years 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.

3 Ways to Donate Your Retirement Account

1. List us as beneficiary and have your spouse sign a written waiver, if necessary.

2. Make us contingent beneficiary to your spouse.

3. Want your children to benefit, too? Designate a specific amount for us with the remainder for your children.

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. We would be happy to answer any questions regarding charitable giving that you or your advisor may have. Feel free to contact us at no obligation.

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