GREGORIAN UNIVERSITY FOUNDATION

More Charitable Planning Strategies for Retirement Plans and IRAs

Due in part to their tendency to accumulate rapidly and to become "tax traps" later in life, retirement accounts are fast becoming a primary source of funding for charitable gifts.

Ensure security for your spouse or other heirs;
Establish a charitable arrangement for heirs in place of a "stretch" IRA

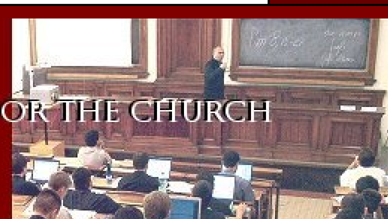
IRA owners are often encouraged to "stretch" their retirement accounts over the lifetimes of multiple beneficiaries. Most IRA owners and their heirs, however, would rather enjoy the funds rather than "stretch" for its own sake, avoid required distributions and inflexible tax burdens, and spare their heirs the investment management decisions and potential exposure to market risks.

You may choose instead to designate a charitable life income arrangement (such as a Charitable Remainder Trust) as the beneficiary of your IRA. Your estate will receive an estate tax deduction for the charitable portion of the gift, and your heirs can receive income from the arrangement. There are a number of ways that the income payments can be structured: fixed or variable stream; current, deferred, or flexible timing; and a lifetime(s) term or specific number of years. Investments within some life income arrangements grow tax-free, just as within an IRA. When the arrangement terminates, a significant gift will go to the Foundation.

Fund a gift with employer stock shares – and save taxes

Not only can too much concentration in employer stock increase the investment risk of your retirement portfolio, but there are also great tax advantages for distributions of that stock from your tax-qualified retirement plan. The only portion of such a distribution that is included in your taxable income is the original "cost basis," or the value of the stock when it was contributed to the plan. Subject to certain rules, the additional appreciation in the value of the stock is generally not taxed until the stock is sold, and then it is taxed at the lower long-term capital gain rates. Here's the opportunity: If you contribute the employer stock shares to one of the charitable life income arrangements available at the Foundation, you may avoid and/or defer the capital gain tax due while earning a stream of income.

FORMING FUTURE LEADERS FOR THE CHURCH



Don't worry about the effects on your other beneficiaries

You may hear that naming a charity as beneficiary will force other beneficiaries to take accelerated annual distributions from the inherited plan; this is no longer true since new rules were enacted in 2001. You can easily avoid this problem through transfer of the Foundation's portion immediately after the donor's death, or by setting up separate accounts in lifetime or at any time in the year of the donor's death (even afterward via your executor).

Reduce over-weighted savings in retirement plans

Saving too much of your retirement assets in tax-qualified retirement plans or IRAs can expose you to significant risk. The plans are heavily regulated and subject to changes in legislation that affect the minimum distribution rules, taxation of distributions, spousal rights, etc. A 1986 law, for example, levied a 15% "excess" accumulation tax on retirement plans; it was later repealed. The distributions from these plans are generally taxed at high ordinary income tax rates, creating a predicament if you are expecting to be in a high income tax bracket during retirement or are concerned about having to pay taxes on your social security benefits. The recently lowered capital gain tax rates also increase the relative benefits of non-retirement plan investing. Some charitable life income arrangements can offer similar tax benefits for retirement saving, yet reduce many of the hassles and costs (as described in the previous strategy). These charitable plans may also offer distributions that are partially tax-free or taxed at lower rates, and you may be able to gain greater control over the timing of distributions – while supporting the Gregorian University Foundation.

Do NOT designate retirement funds to a Charitable Lead Trust or Pooled Income Fund

These particular charitable vehicles, while highly beneficial in many instances, do not allow you to avoid the income taxes due on retirement plan distributions.

How can the Gregorian University Foundation be of assistance?

Charitable planning is a highly specialized skill. We have staff specialists and resources available to support both your investigation and implementation of gift planning techniques. Our services are professional, confidential, collaborative and provided without cost or obligation. We encourage you to call on us to assist you, your family and advisors in exploring charitable opportunities in estate and financial planning.

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