



Making a Charitable Gift from Your Retirement Account

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.

For your charitable giving, tax-qualified retirement plans, Individual Retirement Accounts (IRAs) and the newer Roth IRAs all represent wonderful charitable opportunities; the Roth IRA is discussed separately below.

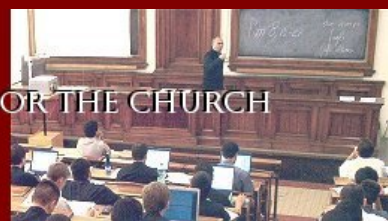
Why are tax-qualified retirement plans often called “tax traps”?

Although tax-qualified retirement plans and IRAs are important and effective vehicles for accumulating retirement savings, that rosy picture changes once you have retired. Distributions from the accounts are generally taxed as ordinary income. Required minimum distributions increase each year after age 70½, forcing you to shrink your tax-advantaged account and pay taxes – even if you don’t need the income at that time. The income taxes on distributions continue for a spouse or heirs who inherit your retirement accounts. Required distributions and associated taxes for your heirs may be forced during their peak wage-earning years. Because retirement assets are subject to estate and generation-skipping taxes for transfers to non-spousal heirs, the combination of these transfer taxes and the income taxes can exceed 80%!

What are the financial benefits of making an estate gift through my tax-qualified retirement account or IRA?

Designating a qualified charity as the beneficiary of a retirement account causes the charitable gift to be deductible for estate tax purposes. Also, heirs may prefer to receive assets that are less highly taxed as income, leaving the retirement assets instead to charity. A tax-exempt charity will not have to pay the income taxes otherwise due and will therefore enjoy the full value of the gift. You may prefer to designate retirement assets to a charitable life income arrangement (such as a charitable remainder trust) that will pay income to your heirs and eventually benefit the Foundation. Your arrangement can be customized to provide a guaranteed income for life, accumulate over time (both income and assets), or provide flexibility in the timing and amount of distributions to the beneficiaries. In many instances, your heirs may prefer the charitable plan over “stretching” the retirement account over time.

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What are the financial benefits of making a *lifetime* gift from my tax-qualified retirement account or IRA?

Generally, an income tax charitable deduction is available for the charitable gift, offsetting the income taxes generated by the distribution. Required distributions after age 70½ can create an unwanted tax burden. It can make sense to use these required distributions to fund charitable gifts and earn income tax deductions. Employer stock in your retirement plan presents a special opportunity, as described further in our fact sheet entitled “Additional Charitable Planning Strategies for Retirement Plans and IRAs.”

What are the financial benefits of making a lifetime or estate gift through my Roth IRA?

Distributions from a Roth IRA are generally not taxed. You may fully benefit from the available charitable tax deductions for gifts from a Roth IRA. These assets are also a great source for funding a Charitable Remainder Trust and securing an income stream for yourself and/or others.

How do I make a gift from a retirement plan or IRA?

For lifetime gifts, request a distribution form from your plan administrator or IRA custodian and simply request the desired distribution amount. The gift can be sent directly to Cornell or through you first. For estate gifts, please remember that these assets are directed by a separate beneficiary designation form, not by your Will. It is generally not recommended that you list the estate as the beneficiary of retirement plan assets, or that you use these assets to satisfy a specific monetary bequest in your Will; this may have adverse tax and other cost implications. Simply request the appropriate form for changing or adding a beneficiary and indicate Gregorian University Foundation in New York as the beneficiary. The tax ID number is You can further designate the gift to a specific purpose at one of the institutes of the Gregorian University Consortium through a letter of intent that you send to our office in New York City.



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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