Planned Giving

Retirement Plan Gifts

Many people take advantage of tax incentives which encourage saving for retirement through contributions to Individual Retirement Accounts (IRAs), 401(k)s and similar plans.

In addition to income tax savings at the time contributions are made, the assets in the plans then build tax free over time.

Amounts held in tax-favored retirement plans are typically not subject to income tax until they are withdrawn from the plan by the plan owner or surviving heirs.

If You're Over 59 ½

If you are over the age of 59½, and can make withdrawals from your traditional IRA or other tax-favored retirement plan without triggering an early withdrawal penalty, this may be a great avenue to make a charitable gift.

You will be required to report the income on your tax return, but when you itemize your deductions, you are allowed a corresponding charitable deduction for your cash gifts up to 50% of your adjusted gross income (AGI).

When you are able to deduct the full amount of the gift/withdrawal, this can amount to a "wash" for federal tax purposes and ensure these funds won't be subject to gift, income, or estate taxes.

If You're Over 70 ½

If you are over the age of 70 ½, you may wish to take advantage of an additional tax benefit when you make gifts using funds from a traditional or Roth IRA.

It is possible to make charitable gifts directly from IRAs to qualified charities in a total amount up to $100,000 free from federal income taxation. The income tax laws of most states allow tax-free treatment as well. Check with your tax advisor.

This provision applies only to IRAs and not to 401(k)s, 403(b)s and other tax-favored retirement plans.

Retirement Plan Estate Gifts May Avoid Double Taxation

You may want to consider including charitable gifts as part of your plans for the future distribution of any balances remaining in your retirement plans at the end of your lifetime.

Since they are included as part of one's estate at death, the assets in tax-favored retirement plans such as an IRA, 401(k), SEP, and similar plans can be subject to federal and/or state estate taxes.

In addition, when heirs receive the balance of retirement plans after payment of estate taxes of up to 40% or more, income tax will also be due—up to 37% or more—depending on state income taxes and other factors. Thus, the combination of income and estate taxes that could eventually be levied on retirement accounts may, in some cases, approach or exceed 50% of the retirement account's value.

Rather than allowing retirement assets to be reduced by the possible combination of estate and income taxes, you can direct that these funds be used to make charitable gifts from your estate. This can actually result in more being received by loved ones than if retirement assets were left to family and charitable gifts were made from other funds.

To learn more about **Planned Giving,** please contact:
Kathy Rogers, Chief Advancement Officer | kathyrogers@penn-mar.org | 410-343-1069 x 227
Jenn Hobbs, Associate Director of Development | jennhobbs@penn-mar.org | 410-343-1069 x 292

Penn-Mar Human Services
Transforming Life Into Living