UNIVERSITY OF THE CUMBERLANDS

Make the Most of Your Retirement Plan Assets

Avoid Taxation and Support Our Work

Did you know that if you leave your retirement accounts to your loved ones, a significant amount could be taxed? The good news is that you can reduce or eliminate income taxes 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. But giving the account balance to loved ones exposes them to federal income taxes on the funds. Your retirement dollars can be seriously depleted by this taxation.

Do More With Your Retirement Account

Consider giving retirement plan assets to our organization while giving other assets that are not as heavily taxed to loved ones. As a nonprofit organization, we are tax-exempt, so we can use 100% of your retirement plan assets. After your lifetime, 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 us.

> **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

Example: *Bill is considering adding a charitable gift in 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 IRA, that asset will pass free of any income tax obligation. His children will benefit from this change* *because, rather than getting the IRA 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

Under the new retirement plan rules, most non-spousal retirement plan beneficiaries now have to withdraw the entire account within 10 years. If you prefer that your non-spousal beneficiaries receive their entire retirement plan proceeds over a lifetime, consider naming a charitable gift annuity or a charitable remainder trust as the beneficiary.

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 percentage to us with the remainder going to 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 percentage to be paid to us before the division of the rest among them.

Need more information? We would be happy to answer any questions regarding charitable giving that you may have. Feel free to contact us at no obligation.

Contact Us

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