

Charitable IRA

For Immediate Release

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Pension Law Provides for Charity

Provision Allows for Tax-free Charitable Transfers from IRAs

Since 1974, millions of Americans have saved billions of pre-tax dollars in individual retirement accounts (IRAs). Thanks to continued savings and investment returns, an estimated \$3.6 trillion is currently invested in IRAs, and the total continues to grow. In August 2006, a federal law was enacted allowing IRA owners to share the wealth of their retirement savings by giving directly to charity—without first counting it as income and paying income tax.

The law could be a boon to local philanthropy, but only for this year, as this benefit expires December 31, 2007.

“This is a wonderful win-win—for people who would rather give to charity than pay taxes and the nonprofit organizations they choose to support,” said Chris McGuigan, Community Foundation for Muskegon County President.

Thanks to decades of deliberate saving and favorable investment returns, a substantial share of today’s retirees have more money in their IRAs than they’ll ever need. Many have expressed an interest in giving the funds to charity, but income tax must be paid on all withdrawals, which sharply reduces the value of the gift. Others have asked about designating their children as beneficiaries, but that may draw additional tax consequences.

“For larger estates, a good portion of IRA wealth goes to estate taxes and income taxes of beneficiaries,” according to Bob Chapla, VP Development. “Experts estimate heirs may receive only 25% to 30% of IRA assets that pass through estates.”

A provision in the federal Pension Protection Act of 2006 creates a new option: transferring IRA assets directly to charity. By going directly to charity, the money is not included in the IRA owner’s income and—most important—is not taxed, preserving the full amount for charitable purposes. The law covers gifts made this year only.

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In 2007, holders of traditional IRAs who are at least 70½ years old can make direct charitable transfers up to \$100,000 per year. A single person can transfer \$100,000 free from federal tax; a married couple can transfer up to \$200,000 free from federal tax from separate accounts. As a qualified public charity, the Community Foundation for Muskegon County can help donors execute the transfers and choose from several charitable fund options for their gift.

“This really is a limited-time offer: the window is open now, but it will close at the end of 2007 unless Congress extends it,” said McGuigan. “For anyone interested in establishing a permanent legacy in this community, this is the opportunity of a lifetime to make the gift of a lifetime.”

For Lou and Ann Eklund, their gift of a lifetime translated to the Gift of Light. The Eklunds chose to make an IRA charitable distribution to establish a fund that will improve marine safety at the Muskegon County piers. The avid boaters from Norton Shores and founders of Fleet Engineering wanted their philanthropy to connect their personal values and interests with a highly needed and impactful project. Their fund will provide lighting for the south breakwater, life rings on the breakwater and Muskegon Channel wall, and equip the Muskegon County Sheriff Marine Patrol’s volunteer dive team. “Lou and Ann have provided strength to our community, “ said McGuigan. “We are privileged at the foundation to connect them with what they care about.”

Additional information on the Charitable IRA opportunity can be found on the Muskegon Foundation’s web site at www.cffmc.org

IRA MARKET SHARES BY HOLDER, 2001 - 2005

(\$ billions, end of year)

By holder	2001	2002	2003	2004	2005
Commercial banking	\$160.1	\$165.6	\$166.0	\$168.0	\$170.5
Saving institutions	54.6	53.8	55.1	53.7	53.8
Credit unions	39.9	43.3	46.8	47.7	49.3
Life insurance companies	251.0	308.3	338.4	376.0	407.0
Money market mutual funds	172.0	190.0	171.0	153.0	162.0
Mutual funds	961.3	822.0	1,095.0	1,279.0	1,432.0
Other self-directed accounts	980.1	950.0	1,118.6	1,258.7	1,392.4
Total	2,619.0	2,533.0	2,991.0	3,336.0	3,667.0
Source: Board of Governors of the Federal Reserve System					

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