Have you ever considered

the tax consequences associated with your retirement accounts? You are continually encouraged to "save for retirement". In fact, Uncle Sam encourages this principle by allowing money to grow tax-free in qualified retirement plans such as IRAs (Individual Retirement Accounts). Even though these types of accounts receive tax-free growth, taxes are due once your money is withdrawn. The real question is to what extent will your IRA be taxed?

BARTLESVILLE COMMUNITY FOUNDATION

United Way
Bartlesville Regional United Way

To learn more about how Bartlesville Community Foundation and Bartlesville Regional United Way can assist you in simplifying your giving, creating your legacy, and supporting your community, please contact:

Shawn Crawford
208 East 4th Street » Bartlesville, OK 74003

918-337-2287

shawn.crawford@bartlesvillecf.org

www.bartlesvillecf.org

Dollars & Sense of IRA Giving

BARTLESVILLE COMMUNITY FOUNDATION
THE POWER OF TOGETHER

United Way
Bartlesville Regional United Way

How is My IRA Taxed When I am Living?

Too Early While you are living the amount you withdraw will be taxed to you as ordinary income. However, if you take money from your IRA before you are 59 ½ years old, you will not only pay the tax but also a 10% penalty.

Too Late If you do not begin taking money from your IRA by the time you are 70 ½ years, you pay a 50% penalty.

Too Little If you miscalculate your required minimum distribution, then you pay a 50% penalty.

Too Much This tax was repealed several years ago and you paid a 15% penalty for having too much in your retirement account. Although Uncle Sam took this penalty away, "what Uncle Sam giveth, he may taketh away."

What Happens When I Pass Away?

To add insult to injury, after you pass away, taxes on your retirement accounts to a beneficiary do not go away, unless it is your spouse.

When the beneficiary is not your spouse, they must pay income tax on the entire IRA. IRAs, 401(k)s, deferred compensation plans, and other qualified plans are subject to this tax. Unfortunately, depending upon the size of your retirement plan, this tax (along with estate taxes) could reduce the amount passing to your beneficiary by up to 75%.

Here are several strategies that can eliminate all the taxes on your retirement accounts when transferring them to a beneficiary.

Charitable Gifts of IRAs

Although IRA gifts while living are not recommended, gifts of IRAs to charitable organizations at death can be beneficial. Your beneficiaries must pay tax on the IRA, but a "tax-exempt" charitable organization does not. By making your favorite charity a beneficiary of the IRA, you save your heirs tax dollars and support your charity.

IRA Rollover to Charity

For those donors who are 70 ½ and older, there is an opportunity to make a gift to charity, through your IRA, from your Required Minimum Distribution, and have it removed from your taxable income. The gift must be sent from your IRA Plan Administrator, you may not receive all or part of your Required Minimum Distribution and then make a gift to charity, your gift will not be eligible for the Rollover.

Charitable Remainder Trusts

Another solution to the IRA tax problem is to use the IRA balance at your death (or your spouse's death) to fund a Charitable Remainder Trust. A Charitable Remainder Trust is a tax-exempt trust that does not pay income tax, but does pay your beneficiaries income for a term of years. After the term of years, the remaining balance of the trust is paid to your favorite charitable organization.