How To Make A Gift To Fair Oaks Presbyterian Church

401(K) TYPE PLANS, PROFIT SHARING, CERTAIN RETIREMENT PLANS

You are probably aware that the accumulation of assets in your retirement plan is the basis for a financially secure future. To preserve your retirement assets after your lifetime, consider the benefits of using them in a totally different way. Retirement accounts are often exposed to income taxes and estate taxes, at a combined marginal rate that could rise to 65 percent or even higher on large, taxable estates. Yet many of these taxes can be avoided or reduced through a carefully planned charitable gift to Fair Oaks Presbyterian Church. Other considerations come into play when deciding on using retirement plan assets for charitable giving. Upon death, your account can pass directly to the Church as your primary beneficiary, or it can be transferred to a deferred giving arrangement that will pay an income for life to a family member, after which the remaining assets pass to the Church. You might even consider a deferred gift that is designed to pay a life income to yourself.

The retirement plans that are the subject of this publication come in many forms: a defined contribution pension plan, money purchase pension, profit-sharing plan, annuity plan, 401(k) or 403(b) plan, stock bonus plan, Employee Stock Ownership Plan (ESOP) or simplified employee pension (usually a SEP-IRA) from your workplace, and Keogh accounts you set up for yourself. Generally, the undistributed balance of qualified retirement plans is fully includable in your gross estate for estate tax purposes. Since the funds in retirement accounts usually represent deferred compensation that has not been subject to income tax, giving the accounts to individual heirs exposes the funds to income taxes. Your retirement dollars can be seriously depleted by this double taxation.

By donating retirement assets, those funds avoid both estate and income taxes, and you can be certain that 100 percent of the balance of your retirement funds will support your objectives for Fair Oaks Presbyterian Church.

How to Donate Your Retirement Account

The simplest way to leave the balance of a retirement account to us after your lifetime is to list the Church as the beneficiary on **the beneficiary form provided by your plan administrator**. Never make a beneficiary change, however, before discussing your desires with your professional advisor. For a Keogh plan you administer personally, notify the custodian in writing and keep a copy with your valuable papers.

If you are married, your surviving spouse is entitled by law to receive the entire amount in these qualified plans: money purchase pension, profit-sharing plan, 401(k) plan, stock bonus plan, ESOP or any annuity plan. In order for the assets to be transferable to the Church, your spouse must execute a written waiver (even though you may designate a charitable organization as beneficiary on your employer's forms). Your spouse can execute one after your death, if necessary. In that case, the document must also include a qualified disclaimer.

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If you prefer to make your spouse the primary beneficiary of the retirement account, you can name the Church as the secondary beneficiary. Perhaps you want your children to benefit from your retirement account, too. In that case, you might designate a specific amount to be paid to the Church, before the division of the rest among your children.

Another tax-benefiting possibility is to transfer retirement assets at death to a tax-exempt deferred giving plan, such as a charitable remainder unitrust or a charitable remainder annuity trust. The trust beneficiary you designate will receive an income for life, either a fixed percentage of the value of the trust assets as revalued annually or a fixed dollar amount. Thereafter, the remaining principal will support the work of Fair Oaks Presbyterian Church. By naming a deferred giving plan as the ultimate beneficiary of your retirement account, income taxes can be deferred over the life of the income beneficiary you designate. This may offer the only income tax deferral opportunity for your heirs if your retirement plan requires an immediate distribution.

Precautions in Making Transfers of Retirement Plan Assets

Being cautious in the way you designate your charitable bequest to Fair Oaks Presbyterian Church will ensure that you are not setting your estate up for some disadvantageous tax consequences.

It is important to consult with a lawyer or other professional estate planner when deciding to make a gift of your retirement plan assets, because the information in this publication is not intended as legal advice. For legal advice, please consult an attorney.