Retirement Plans

There are several types of retirement plans that take advantage of the tax incentives enacted by Congress that are known as qualified plans. They include Traditional and Roth Individual Retirement Accounts (IRA's). There are a number of employer-sponsored qualified plans, with which you may be familiar such as: 401(K), 403(b), Keogh, SIMPLE, SEP and SARSEP plans.

According to Government estimates the various plans mentioned above are estimated to exceed $6 trillion. Since your retirement plan could be one of your larger assets it is important not to overlook it when estimating the value of your estate, which could subject the estate to taxes that could have been avoided through careful planning.

Retirement fund property is considered one of the least tax friendly assets to bequeath to your children. If you are planning to make your children beneficiaries of your retirement plan and to leave a gift to charity from other assets in your estate, the reverse would be more tax-effective. By making a gift to charity from your retirement assets, you will be able to leave more of your estate to your heirs. This is because even though retirement assets are included in one's taxable estate, whether they are intended for charity or heirs; they are deductible from one's estate if they are designated as a charitable gift.

There are two ways to make gifts to charities from your retirement plans:

- **Deferred:** You can name a charity beneficiary to receive all or a part of the balance that remains in the qualified retirement account upon the death of an individual and/or surviving spouse. This type gift generally by-passes probate court and is delivered quickly to the charity. Generally, filling out a change-of-beneficiary form is all it takes to name a charity beneficiary. However, you should be sure to check with your plan administrator for specifics.
- **Immediate:** If you are over 59 ½ years of age, you are allowed to make withdrawals without penalty. At age 70 you are required to make minimum withdrawals. Withdrawals are considered taxable income, but if you donate your withdrawal to a qualified charity you may take a corresponding charitable deduction on your tax return. With proper planning the withdrawal and donation may cancel each other out. This means that these funds will leave your estate without being subject to income, gift or estate taxes.

You will need to complete a Designation of Beneficiary Form within your retirement plan, and note that consent from your spouse may also be required.

If you have any additional questions contact Hank Miles, at CLC at 615-661-5989 or email hmiles@clchq.org.

"Have you included CLC in your will or trust?"