

## New Pension Law Also 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. On August 17, 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 new law could be a boon to local philanthropy.

“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.”

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 can sharply reduce 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. In some cases, heirs may receive less than 25% of IRA assets that pass through estates. We advise that donors consult with their professional advisor to assess their own particular tax situation.”

A provision in the new federal Pension Protection Act of 2006, signed by President Bush on August 17, creates this 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 importantly—is not taxed, preserving the full amount for charitable purposes. The law covers all gifts made this year and next.

In 2006 and 2007, holders of traditional and Roth IRAs who are at least 70½ years old can make direct charitable transfers up to \$100,000 per year. As a qualified charity, the Community Foundation of North Central Wisconsin can help donors execute the transfers and choose from several charitable fund options for their gifts that will benefit the nonprofit organization/s of their choice. Gifts to Donor Advised Funds, Supporting Organizations, and private foundations do not qualify for the tax free IRA transfer incentive.

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

Through philanthropic services, strategic investments and community leadership, the Community Foundation of North Central Wisconsin helps people support the causes they care about, now and for generations to come.

IRA MARKET SHARES BY HOLDER, 2001-2005