

IDEAS FOR GIVING

Your IRA: Taxes or Charity?

Transfer IRA assets
to charity tax-free.



Now in their 80s, Ken and Julia Ball have accumulated more than \$1 million in their IRAs. At this age, they must receive distributions. Because they don't need the money, the Balls opt to receive the minimum payout, which is heavily taxed. "We were going to keep doing things this way, and use whatever was left over in our IRAs to make a gift to the art museum," said Ken. "But we are missing the joy of giving back during our lifetimes."

Their estate planning attorney recognized an opportunity. By transferring \$100,000 from each of their IRAs to the local community foundation in 2010, the Balls could establish a Designated Fund to support the museum without paying tax and do so during their lifetimes. They plan another \$200,000 in charitable transfers in 2011.

"We were so happy to find out that we could give a portion of our IRAs to charity without losing anything to taxes," says Julia. "Plus, because we can do so right now, the art museum doesn't have to wait until we're gone to get a steady stream of income from our fund."

The art museum's director was elated. She let the Balls know their fund will help the museum bring art into the lives of local people in this and future generations.

Lasting gift. Through a designated fund, the Balls have helped their local museum sustain and grow. In addition to endowment, the museum now has access to the community foundation's planned giving and investment management services, which may encourage more donors to establish endowed funds.

Tax advantage. The Balls knew that—due to potentially heavy taxes on their estate and income taxes paid by their beneficiaries—IRAs may not be the best assets to leave to their heirs. In the past, their financial advisors had suggested that retirement funds, therefore, be designated with the community foundation as charitable beneficiary. New legislation allows the Balls to transfer up to \$100,000 to charity from each of their IRAs in 2010, and up to another \$200,000 in 2011—tax-free.



The Erie
Community
Foundation

Growing a brighter future.

There's so much more we'd like you to know. Your community foundation provides personalized service and a variety of giving vehicles. We welcome the opportunity to work with you and your advisor to fulfill your unique charitable objectives. This story represents a composite illustration drawn from the actual stories of many of the thousands of people who give through their community foundations.