



HEARTBEAT

A Publication of Ronald McDonald House Charities® of Metro St. Louis

www.rmhcstl.com

Fall/Winter 2010

PLANNED GIVING: Planned Charitable Giving from Your Retirement Plan



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Your retirement plan, primarily your Individual Retirement Account (IRA), is an investment asset that can be used for Planned Charitable Giving to Ronald McDonald House Charities. Your IRA can be one that you have made contributions to through the years or one that has received a rollover from a retirement plan such as a 401(k) plan. While you can make charitable gifts from a retirement plan other than an IRA, you have more control over your IRA than

you may have your other retirement plans. There are income and estate tax benefits to you and your beneficiaries.

You can make charitable gifts from your IRA by taking a distribution and giving it to charity. The distribution is taxable income and you receive an itemized deduction for the charitable contribution. When taxable income is computed on your Federal tax return, while there may not be a dollar for dollar offset, there is enough of a deduction to achieve your charitable intentions.

When you reach age 70 1/2, you are required by Federal tax law to take a minimum distribution from your retirement plans. There is a minimum, but you can always take more. Because of this requirement, there was a provision in the tax law for those age 70 1/2 or older to give up to \$100,000 tax free to charity. Essentially, the \$100,000 of income was offset dollar for dollar by a \$100,000 charitable deduction, therefore not requiring a taxpayer to report this on his or her Individual tax return. At the present time, this provision is no longer available for 2010, but this could be added to a tax law still to be enacted in 2010.

If you make a charitable bequest of a retirement plan at your death, there are major tax benefits. A retirement plan is included in your estate and is subject to

Federal estate tax. Unless there are changes enacted, there is no estate tax in 2010 but there will be an estate tax in 2011 and in years thereafter. When distributions from your retirement plan are received by your beneficiaries, the distributions are subject to Federal income tax. While there is a provision that gives your beneficiaries an itemized deduction for the estate tax attributable to this distribution, there is still a DOUBLE TAX. One way this can be avoided is to leave a retirement plan to charity. Your estate gets a tax deduction for the charitable bequest and the charity pays no income tax on the distributions.

The use of your retirement plan for planned charitable giving to Ronald McDonald House Charities is particularly appropriate if you have enough other investment assets to fund your retirement. You may not need the required minimum distributions when you reach age 70 1/2 and can reduce or avoid income tax by giving the distribution to charity. You can reduce your estate tax and avoid having your beneficiaries pay income tax on the distributions by leaving all or part of your retirement plan to charity.

If you have any questions, please contact Dan Harbaugh at 314.932.4113 or dharbaugh@rmhcstl.com.



1981 West Pine House Opened ♥ 1996 Park Ave. House Opened ♥ 2003 Long-Term Apartments Opened ♥ 2007 Family Room Opened in St. Louis Children's Hospital
♥ 2008 Family Room Opened in SSM Cardinal Glennon Children's Medical Center ♥ 2010 Family Room Relocates at St. John's Mercy Children's Hospital
♥ September 2010 Ronald McDonald House to Open at St. John's Mercy Children's Hospital