

Donating IRAs to charity

Increase your control and reduce your taxes

If you have a traditional IRA, you already know it can be a powerful vehicle for accumulating tax-deferred savings. But did you know that by donating it to charity at your death, you can avoid paying substantial taxes that would be due?

How it works

Sharing your IRA with charity has many advantages. For example, this type of donation increases the amount available to charity and to children or other beneficiaries of your estate. This type of gift allows your heirs to avoid estate and income tax. This can result in significant tax savings depending on the size of your estate and the amount of income to be reported on the final income tax return.

How to give a gift

Donating a traditional IRA involves a few simple steps:

- Make a charitable gift of your IRA to Mennonite Foundation. A foundation representative will help you divide your gift among as many charities as you like and divide the income among as many beneficiaries as you like.

- You may also want to purchase a life insurance policy to magnify the power of the IRA and diminish the effects of taxation. Donors over age 70 1/2 years of age are required to take a minimum distribution of the IRA each year, so a portion of that distribution can be used to pay premiums. The beneficiaries, through an irrevocable life insurance trust, are the owners of the policy.
- Upon the second spouse's death, benefits of the insurance policy are paid to the beneficiaries and the entire IRA balance goes to named charities tax-free.

A case study on the back of this page illustrates how this works.

What charities receive

Charities depend on the generosity of generous donors like you to keep their missions alive. Donating a traditional IRA by naming Mennonite Foundation as beneficiary increases the amount of money you can give to support them.

Advantages

- **Avoid paying taxes.**
- **Increase your legacy for heirs.**
- **Increase amounts available for charity.**

What you receive

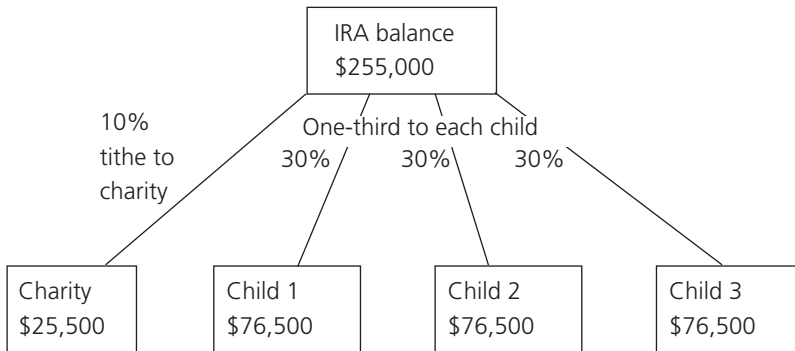
The tax advantages of donating a traditional IRA through Mennonite Foundation allows you to be even more generous to your favorite charities. And the tax savings often allow you to leave an even larger legacy for your heirs.



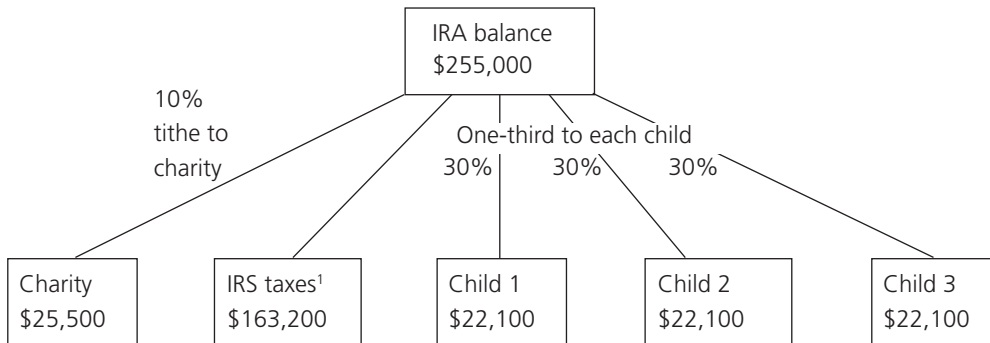
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Case study

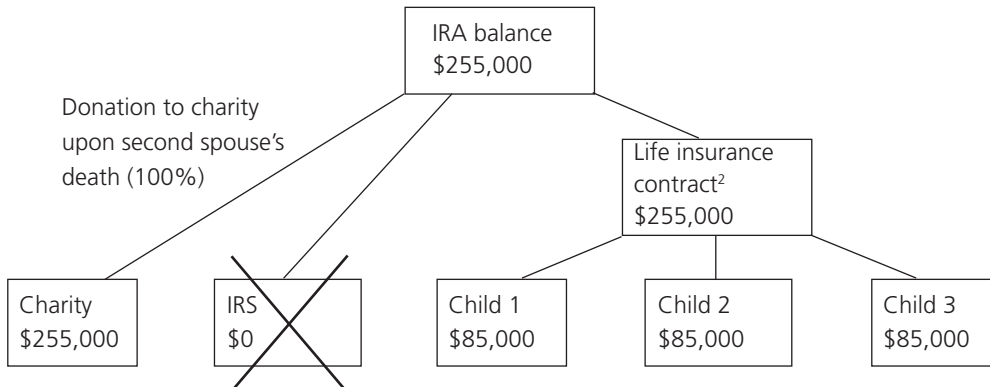
Mr. and Mrs. Jones have three children. The Joneses wish to tithe 10 percent of their estate to charity and divide the remainder among each of their children. Here is how they viewed their IRA distribution:



However, they overlooked the fact that taxes would be due on the funds in their IRA. Here's what the division looked like when including the Internal Revenue Service:



So, they decided to take an alternate route. By donating the IRA to charity, and taking out a life insurance contract, the Joneses removed the IRS from the equation, increased their charitable donation, and the amount for each of their children.



¹ Assumes 50 percent estate tax bracket and 28 percent income tax bracket

² Assumes paid by non-IRA assets or reinvested required minimum distribution. Ownership of the contract is held in name of child, the beneficiaries, or irrevocable life insurance trust.

The example illustrates the effects of taxation when a non-spousal beneficiary is named for an IRA, and the benefits that may be obtained through the proper use of insurance. The figures above are for example purposes only and do not represent actual results.

Act today!

For more information, contact your Mennonite Foundation representative. You can also call us toll free at (800) 348-7468.

We'll show you exactly how making a bequest of an IRA to charity can work for you.