

## The Magic of IRAs As Sources of Charitable Gifts; Especially before 2008!

Individual Retirement Accounts (IRAs) were created by Congress to allow for pre-tax contributions to individual retirement accounts that grow, tax free until tapped at retirement. They have mandatory withdrawal provisions beginning at age 70½. Any money remaining in your IRA at death is subject to both estate tax, if applicable, and income tax payable at your heirs' income tax rate or rates. As a result of these significant tax cost of using an IRA to pass money to ones heirs, many people designate the residual (the amount left in the IRA after your death) in their IRAs or other retirement plans to charities. This is accomplished by the simple act of naming the charity as a remainder beneficiary on the beneficiary form available from whatever institution is holding your IRA. The charity or charities you name will get the distribution of the percentage of your IRA that you designate for them quickly upon your death, without the sometimes prolonged wait for your estate to be probated and distributions approved by the probate court. In addition, the charities do not pay any income tax on the gift you have bestowed on them.

For the calendar years 2006 and 2007 only, people over 70½ may also make gifts directly from their IRAs to a charitable organization. For people required to take mandatory withdrawals larger than they really need, this provision makes tax-free contributions of up to \$100,000 possible. It remains in effect through 2007 and creates a way to give from an IRA during one's lifetime.