

IRA Charitable Rollover: A Unique Opportunity to Make a Gift of a Lifetime

Since 1974, millions of Americans have saved billions of pre-tax dollars in Individual Retirement Accounts, or IRAs. Legislation passed in 2006 temporarily enabled certain Americans to share the wealth of their retirement savings by giving retirement savings directly to charity without paying income tax.

The Pension Protection Act of 2006 provisionally allowed people who have reached age 70½ to exclude from their income up to \$100,000 per year in retirement plan assets if it is contributed directly to a qualifying charity. This provision was extended in 2008 for rollovers through the end of 2009. By giving directly to charity, the money is not subject to income tax, preserving the full amount for charitable purposes.

IRA Charitable Rollover Overview

- You must be at least 70½ years of age
- Only assets from IRAs and Roth IRAs are allowed
- Donations are currently allowed through 2009
- Transfer up to \$100,000 tax-free
- Distributions will be counted toward the minimum distribution requirement
- Donations may be made to any public charity or private operating foundation

The newly extended law does not affect bequests of IRA assets to charities. A bequest of retirement plan assets remains an attractive estate planning strategy, especially for larger estates, where experts estimate that 60 percent or more of IRA wealth goes to estate taxes and income taxes of beneficiaries when passed through estates.

Qualified Charitable Distributions

A qualified charitable distribution is any distribution from a traditional, inherited, SEP, SIMPLE or Roth IRA made directly by the IRA administrator to a public charity that would have been taxable if distributed to the plan participant. Distributions will be counted toward the minimum distribution requirement for that year.

Qualified charities under this law are private operating foundations and public charities, including scholarship, designated nonprofit, field of interest and unrestricted endowment funds. It is important to note that donor advised funds, supporting organizations and private non-operating foundations are not currently eligible.

Potential donors are encouraged to consult with their legal and financial advisors to learn if this opportunity is appropriate for them.

Silicon Valley Community Foundation is not engaged in rendering legal or tax advice. This publication is a service to provide general information about charitable gift planning. Potential donors should rely on their own advisors.

Establish a Permanent Legacy

Thanks to the Pension Protection Act of 2006 and the subsequent extension through 2009, generous IRA donors have multiple options to make a difference. As a qualified public charity, Silicon Valley Community Foundation suggests three options:

- **Endowment for the Community:** IRA transfers to the Community Endowment Fund will address a broad range of current and future needs, including arts and culture, community development, education, environment and health and human services. Donations of \$50,000 or more may establish a permanent fund in the name of the donor. This is an ideal choice for people who care deeply about their community and its residents.
- **Field of Interest Fund:** IRA transfers to field of interest funds allow donors to target gifts to causes important to them, including the arts, urban education, neighborhood revitalization, youth welfare, AIDS services and more. Grants are awarded to community organizations and programs addressing the donor's specific interest area. Donations of \$50,000 or more may establish a permanent fund in the donor's name. This is an ideal choice for those who are particularly passionate about a single cause and wish to provide strategic, lasting support—even as needs change over time.
- **Nonprofit Funds:** IRA transfers to nonprofit funds allow donors to support the good work of a designated nonprofit organization, such as a senior center, museum or any qualifying nonprofit charitable organization. This is an ideal choice for people who want to help secure the future of their favorite charity, while also maintain peace of mind that their donation and wishes are protected and preserved in perpetuity.

For more information about the IRA charitable rollover contact the community foundation at donate@siliconvalleycf.org or call 650.450.5444. You can also visit our web site at www.siliconvalleycf.org.