



Retirement Plans

At a Glance—Benefits of gifting from retirement plans

- One of the easiest ways to give a gift
- Doesn't require any changes to a will or trust

Retirement and pension plans are critical elements of financial and gift planning. Some common plans are 401k, 403b and traditional IRA accounts. Simply, they are funds that have accumulated tax-free. When funds are withdrawn, such as when you take a distribution or when your heirs receive distributions, funds are taxed at the current income rate of the recipient.

Some assets are more beneficial to give to heirs and others are more beneficial to donate to charity. Since funds from these retirement plans are taxed as they are withdrawn, your heirs will incur the tax at their current income rate. If the beneficiary of the retirement plan is a charity, the charity will not pay taxes on the funds.

Since the Evangelical Lutheran Church in America is tax-exempt, you can use your retirement plan to make a significant charitable gift to support the work of the church. Following your death, that designated portion of the funds will be paid to the ELCA in a lump sum, totally tax-free. The balance is paid to beneficiaries.

Giving from your retirement plan is easy because you don't have to change your will or trust. You simply make a recognized 501(c)(3), like the ELCA, the beneficiary of the plan. You can give the whole amount held in a specific account or a percentage. A beneficiary designation form is available from your plan's custodian (investment management company). However, if you are updating your will or trust, you may take the opportunity to include your designations.

Although beneficiary designations are relatively simple to establish or change, appropriate distribution of relevant funds requires careful planning. Please consult with your ELCA gift planning professional and your legal advisor.

The examples and information provided are for illustrative and educational purposes only and should not be considered tax or legal advice. Please consult with your tax or legal advisor about proceeding with your gift plan.

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