

Retirement Plan Gifts

Many Americans have taken advantage of tax incentives provided by Congress to encourage saving for retirement through contributions to Individual Retirement Accounts (IRAs), 401(k)s and similar plans.

In addition to income tax savings at the time contributions are made to such plans, the assets in the plans then build tax free over time for future enjoyment.

Amounts held in tax-favored retirement plans are typically not subject to income tax until they are actually withdrawn from the plan by the plan owner or surviving heirs.

Retirement Plan Estate Gifts May Avoid Double Taxation

You may want to consider including charitable gifts as part of your plans for the future distribution of any balances remaining in your retirement plans at the end of your lifetime. Because they are included as part of one's estate at death, the assets in tax-favored retirement plans such as an IRA, 401(k), SEP, and similar plans can be subject to federal and/or state estate taxes.

In addition, when heirs receive the balance of retirement plans after payment of estate taxes of up to 40% or more, income tax will also be due—up to 39.6% or more—depending on state income taxes and other factors. Thus, the combination of income and estate taxes that could eventually be levied on retirement accounts may, in some cases, amount to the bulk of an account's value.

Rather than allowing for the possibility that retirement assets may be reduced by a combination of estate and income taxes, you can direct that such assets be used to fund charitable gifts from your estate. This can actually result in more assets being received by loved ones than if retirement assets were left to family and charitable gifts were made from other funds

Making Gifts Today

You may also find that your retirement plan can also at times be a convenient "pocket" from which to make charitable gifts to Oregon Health & Science University Foundation each year.

If you are over the age of 59½, and can make withdrawals from your traditional IRA or other tax-favored retirement plan without triggering an early withdrawal penalty, you may wish to make withdrawals from retirement plans in amounts sufficient to fund all or a portion of your charitable gifts.

Although you will be required to report the income on your tax return, when you itemize your deductions, you are allowed a corresponding charitable deduction for your cash gifts up to 50% of your adjusted gross income (AGI).

If you are able to deduct the full amount of the gift/withdrawal, this can amount to a "wash" for federal tax purposes and ensure these funds will, in effect, never be subject to gift, income, or estate taxes. Even taxpayers in the highest income tax brackets where itemized deductions may be limited can find this strategy attractive.

Watch for special provisions

Legislation is pending in Congress that would renew special opportunities for gifts from traditional and Roth IRA funds for persons over age 70 ½. Provisions that expired at the end of 2014 allowed for non-taxable gifts to be given directly to qualified charitable interests. Check here or with your tax advisors for the latest information regarding the status of this legislation.

You should seek assistance from your accountant or other advisor when determining the optimum amount to give from retirement plan accounts under federal and state tax laws.

Our Tax ID # is 23-7083114. If you have any questions please contact the [Gift Planning department](#).

See questions & answers about [retirement plans](#)

See advisor content about [giving through retirement plans](#)

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