

Naming Charitable Beneficiaries

To leave your IRA or other retirement plan outright to the RMS upon death, simply fill out the plan's beneficiary designation form. If your estate is the beneficiary of your plan, an alternative is to include in your will, codicil, trust, amendment, or endowment fund specific language directing your personal representative to make charitable gifts using assets most likely to incur taxes if given to non-charitable beneficiaries. An attorney should be consulted to provide the required wording. If you are married and your spouse approves naming the RMS as beneficiary, he or she must sign a waiver of rights to the retirement plan benefits. On the other hand, if you want your spouse to be the primary beneficiary, consider naming the RMS, or other organizations, as the contingent beneficiary - in case your spouse doesn't survive you (or for some reason, the RMS should not be able to accept the gift(s)).

A little known term you may want to investigate is income in respect of a decedent, or IRD. A IRD is taxable income earned during a lifetime, not received before death, never included on an income tax return, and may be in the form of an IRA or 403(b) plan, accrued interest on certificates of deposit and savings bonds, nonqualified stock options, deferred payments of capital gains, or other earned income but not acquired. At death, most retirement plans are subject to an estate tax, as well as an income tax. The maximum federal estate tax rate, at present, is 46 percent, thereby consuming nearly half of a retirement plan's value. Add in federal income taxes, potential state death taxes, and state income taxes, the total tax bill on IRD assets could exceed 65 percent. Much of this IRD tax burden can be reduced, if not eliminated, through a carefully planned charitable gift. For every dollar which is donated to the RMS, the cost to the heirs is approximately 35 cents – a good value by any standard. Leaving your IRD to the RMS at your death not only allow your heirs to avoid both estate and income taxes on these assets, but allows the certainty that 100 percent of your bequest supports the RMS mission and objectives. A word of caution, avoid making a donation of IRD assets during your lifetime. Doing so would be the same as receiving the asset yourself – along with the tax burden accompanying it. Instead, change the beneficiary designation on your retirement plan to the RMS.

The IRS has simplified distributions from an IRA during the owner's lifetime and permit a designated beneficiary of the assets to be named as late as the end of the year following the owner's death. If you are considering donating your IRA to the RMS at your death, be sure to consult with your professional advisors concerning the status of these regulations.