Ways of Giving to the

UNIVERSITY OF GEORGIA FOUNDATION®

RETIREMENT PLAN ASSETS

1785

UNIVERSITY OF GEORGIA

RETIREMENT PLAN CHOICES

Cash In on the Value, Without the Taxes

Like many Americans, you are probably aware that the accumulation of assets in your retirement plan can be the basis for a financially secure future. To ensure that your retirement plan assets are put to good use after your lifetime, consider the benefits of using them for a charitable gift.

When left to your heirs, distributions from retirement accounts are exposed to income taxes. Yet these taxes can be eliminated or reduced through a carefully planned charitable gift. That's because when you leave your retirement assets to charity, 100 percent of the funds go to charity—no taxes are taken out.

How Retirement Accounts Are Taxed

Qualified retirement plans are those that receive favorable income tax treatment during your lifetime. No income tax is owed on the funds when contributed into the plan, and no income tax is owed on the earnings and appreciation while still in the plan. You pay taxes on the funds only when you receive distributions from the plan.

Generally, upon your passing, the balance of qualified retirement plans is fully includible in your estate for estate tax purposes. Because the funds in these plans usually represent deferred compensation that has not been subject to income tax, leaving the accounts to heirs means they'll also have to pay income tax on what they receive. Your retirement dollars can be seriously depleted by one or both taxes.

Support Our Future With Your Retirement Account

The simplest way to leave the balance of a retirement account to the university after your lifetime is to list the "University of Georgia Foundation" as the beneficiary on the beneficiary form provided by your plan administrator. Never make a beneficiary change, however, before discussing your desires with your professional advisor.

If you are married, your surviving spouse is generally entitled by law to receive the entire amount in the following qualified plans: money purchase pension, profit-sharing plan, 401(k) plan, stock bonus plan, ESOP, or any defined benefit or annuity plan (though not an IRA). Therefore, there are three options to consider when leaving your retirement plans to us:

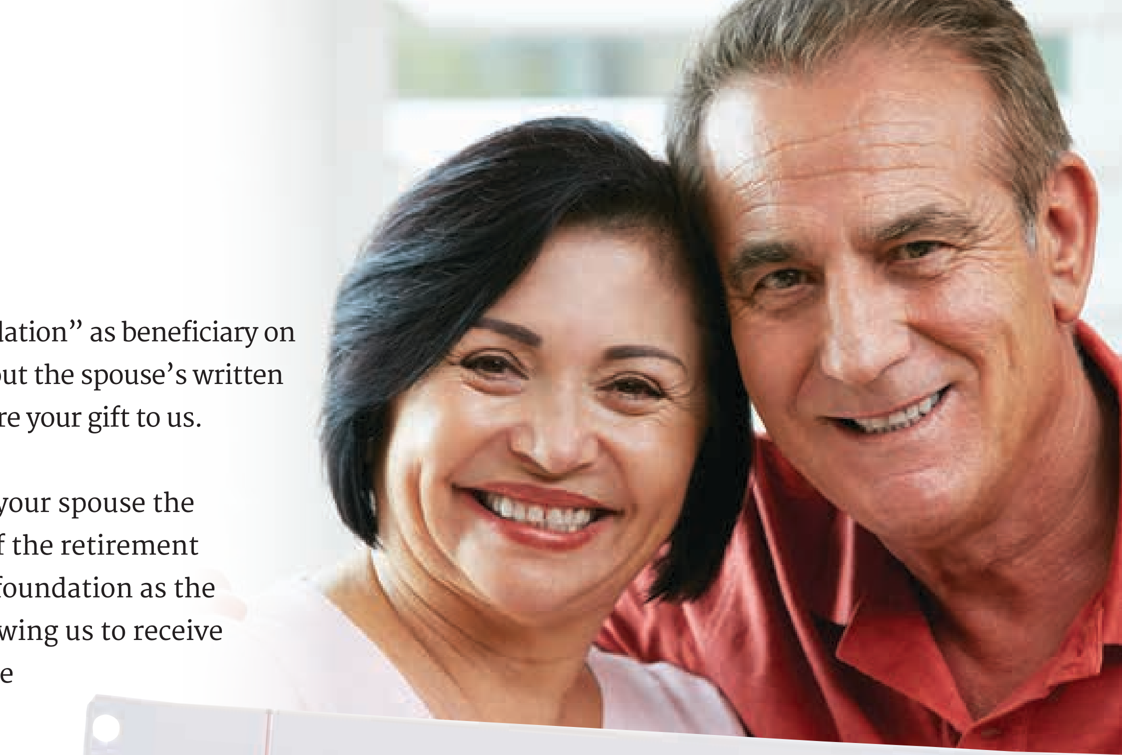
1 In order for the assets to be given to us or any other charity, typically *your spouse must sign a spousal waiver of the benefits.* Designating the "University of Georgia Foundation" as beneficiary on your employer's forms without the spouse's written waiver is not enough to ensure your gift to us.

2 If you prefer to make your spouse the primary beneficiary of the retirement account, you can name the foundation as the contingent beneficiary, allowing us to receive the funds only if your spouse doesn't survive you.

3 If you want your children to benefit from your retirement account, too, you might designate a specific amount to be paid to the foundation before the rest is divided among your children.

Provide Life Income for a Beneficiary

Another tax-smart option is to use your retirement assets to fund a deferred giving plan, such as a charitable remainder trust, after your lifetime. The trust pays income to a



When you designate us as beneficiary of all or part of your retirement plan or IRA, the gifted amount will pass to us free of any income tax liability. See your plan's administrator for the form you will need.

Where Will Your Retirement Account Go?

*Approximate numbers, assuming 33% income tax bracket. Federal estate tax and applicable state income and inheritance taxes could further reduce the amount available to heirs.

beneficiary you select, typically for the person's lifetime. After his or her lifetime, the remaining balance in the trust will support the university.

There are two main types of charitable remainder trusts to choose from:

- A *charitable remainder annuity trust* pays the beneficiary a fixed amount each year. These payments never change and additional assets cannot be added to the trust.
- A *charitable remainder unitrust* pays the beneficiary a variable amount annually. The payments from a unitrust change each year based on the value of the assets in the trust.

The payout from either type of trust must be at least 5 percent of the trust assets.

Seek Professional Guidance

Using funds from your retirement plan account may be the most tax-effective means of making a charitable gift. Because the laws vary depending on when and how you make the gift, and to receive the most tax benefits from your philanthropy, please seek guidance from an attorney and other professionals who are thoroughly versed in this area of tax law.

We are also available to answer questions you may have about how your gift can be put to good use. Simply contact the Office of Gift and Estate Planning at 706-542-8140.

EXAMPLE

Funding a Life Income Gift With a Profit-Sharing Plan

The problem: After participating in her company's profit-sharing plan for many years, Anne estimates that when she passes, the account balance could be at least $200,000. If she names her daughter, Sandy, as the beneficiary, the entire amount would become ordinary, taxable income to Sandy. Depending on Sandy's income tax bracket, federal income taxes alone could deplete over 30 percent of the $200,000.

Anne meets with her estate planning attorney to discuss how she can minimize taxes and make a charitable gift.

The solution: Instead, Anne creates a charitable remainder unitrust and names it as the beneficiary of her profit-sharing plan. She arranges for the unitrust to pay 7 percent of the assets' value to Sandy each year for her life. The net result is a significant income tax deferral, and the entire amount can be invested by the trustee to help make the 7 percent payment.

After Sandy's lifetime, the trust will terminate and the remaining trust assets will be used to support our students and programs.

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OFFICE OF GIFT AND ESTATE PLANNING

394 S. Milledge Avenue | Athens, GA 30602
706-542-8140 | ugalegacy@uga.edu
legacy.uga.edu