

Gifts *of* Retirement Plan Assets

Thoughtful planning can help you achieve your charitable goals and provide for a secure retirement. Coordinating retirement planning and charitable giving can be especially beneficial if you have accumulated substantial retirement assets and wish to reduce income and estate taxes.

Retirement plan assets include IRAs, 401(k) and 403(b) plans, Keogh plans, and other qualified retirement plans. Current tax laws may result in heavy taxation of assets you withdraw from retirement plans, and estate taxes may consume a substantial portion of your retirement plans after your death. A gift of these assets to the University of Washington may allow you to accomplish a variety of personal goals while reducing or eliminating these taxes.

Lifetime Gifts. Retirement plan assets can be used to make lifetime charitable gifts. If you have adequate income from sources other than your retirement plans or excess income from your other retirement assets, a charitable gift may be ideal.

Generally, funds in qualified retirement plans grow tax-free over time, and income tax is assessed only when you withdraw from the plan. Beginning the year after you turn 70½, you are required to withdraw a minimum amount every year. If you want to make a current gift, you can use your required minimum distribution or withdraw additional funds from the plan, pay income taxes on the amount withdrawn, and use the funds to make a gift to the University of Washington. This outright gift will qualify for an income tax charitable deduction, offsetting some, if not all, of the income tax due. In addition, you will have removed the withdrawn portion from your estate, thereby avoiding eventual payment of estate taxes, if applicable, on that portion while benefiting the University.

The most meaningful benefit of a current lifetime gift is watching it at work. Donors find great satisfaction in seeing how their gifts help students, faculty and particular programs.

Gifts at Death. If you, like many donors, rely on income from your retirement plans during retirement, making a lifetime gift may not be an option. However, a gift of all or a portion of what remains in the plan at your death can fulfill your charitable wishes and significantly reduce estate taxes, if applicable, thereby helping to preserve other assets for your heirs.

Estate Tax. Your retirement plan assets will be included in your taxable estate at death. If any person other than your spouse receives the asset, estate taxes must be paid at the applicable tax rates. Although current tax law exempts a significant amount from federal estate tax, retirement plans often push the estate value beyond the exempt amount.

Income Tax. Additionally, your heirs may owe income tax on distributions from your retirement plan. A large portion of the retirement plan may be dissipated by the combined burden of estate and income taxes.

If the University is named as the beneficiary of your retirement plan, no income tax is paid because the University is tax-exempt. Thus, more of the gift is available to the University than would be available to

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heirs. Although the plan balance is still subject to estate tax, it is offset by the charitable deduction your estate will receive for the gift. If you have both retirement plans and other assets such as stocks, cash or real property, you should consider making charitable bequests from your retirement plan, leaving other assets to heirs.

Retirement plan assets pass according to the beneficiary designation and not under your will or revocable trust. It is important to check with your plan administrator to make sure you are filling out the correct form to name the University as a beneficiary and that your plan permits naming a charity as a beneficiary. If you are married, your spouse must agree to your naming a beneficiary other than himself or herself.

Five Steps to a Retirement Asset Gift

- Obtain a detailed description of your retirement plan, including the plan value and distribution options.
- Ask the plan administrator about limitations or restrictions of the plan and whether it is possible to name the University of Washington as a beneficiary of the plan.
- Talk with our Planned Giving staff and your legal and financial advisors about how you would like to support the University with your retirement plan.
- You name the Board of Regents of the University of Washington as a beneficiary of the plan at your death and provide the University with written instructions regarding the use of your gift.
- The University provides you with appropriate acknowledgement for your future gift.

Retirement assets present a number of attractive opportunities. Through careful planning, you can make gifts to your heirs while minimizing taxes with gifts to the University of Washington. Please contact the Office for Planned Giving if you would like to learn more.

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