

CAN YOU USE A RETIREMENT PLAN TO FUND A PLANNED GIFT?

Savings plans such as IRAs, 403 (b) and 401(k) are wonderful tools to help us in our retirement years. For many of us though, we would prefer not to tap into those funds until we actually need the money. Unfortunately, there are rules about when we must begin to collect income from these accounts. In order to collect taxes due on these plans, the government requires that people take annual distributions from their plans based upon a formula. These distributions are called *Minimum Required Distributions (MRD)*. Once your annual distribution is made from your plan, then you are taxed on the income. Wouldn't it be great if you could avoid some or all of the taxes due on your *MRD*? Well the good news is that you just might be able to. And at the same time, you can create a charitable gift to help support the work of your congregation. Consider this:

Assume that you are 75 years old and have \$150,000 in your plan. According to the IRS tables, you are required to take a minimum distribution from your plan of \$6,550 and pay tax on that income. At the same time, you have been thinking about how you might be able to create a legacy gift to fund the work of a ministry of your parish in the future. Here is what you can do to minimize your taxes, maximize your income and ultimately benefit your parish. With your \$6,550 we would help you create your own CGA.

You would begin to receive income payments each quarter, totaling \$465 each year with over \$297 each year **being tax-free income** to you.

The effective payout rate for you at age 75 is 10.10%. You would also receive a current year tax deduction of \$2,859, partially offsetting your tax liability on the MRD you had to take. You would continue to receive annual income streams from your own CGA for as long as you live and then the balance would be available to benefit your own parish or diocese. And the best news is that you can do this every year if you like. It isn't just a one-time benefit and each new one will pay a higher payout rate than the previous Charitable Gift Annuity because you will be one year older each time.

If you have to pay tax you might as well pay as little as possible and this is an ideal way to redirect what would have gone to the IRS back to your own parish instead.

Keep this in mind when you do your annual financial assessment this year. It doesn't cost a dime and it avoids taxes and benefits you and your parish. What more could you ask for?

Call the Episcopal Church Foundation at 800-697-2858 and ask for an illustration of a Charitable Gift Annuity (CGA).