

GIFTS OF RETIREMENT PLAN ASSETS



Retirement plan assets provide financial security

While Social Security is the financial foundation for most retirees, your monthly benefit payments may be insufficient to maintain your desired lifestyle in retirement. If so, you are likely planning to use your retirement savings to close the gap between your Social Security payments and your medical and living expenses. What about the assets that remain in these accounts at your passing? Many estate planning professionals recommend designating these funds for charitable gifts. With savvy estate planning, you can use your retirement accounts to support the Medical University of South Carolina Foundation, while at the same time minimizing the burdensome taxes your loved ones would otherwise pay.

The taxes imposed on retirement accounts

There are many types of retirement accounts – IRA, 401(k), 403(b), Keogh, others. What most have in common is that income taxes were never paid on the funds contributed to these accounts. (The exception is the Roth IRA and other Roth retirement accounts.) The IRS ultimately must be paid, however. This happens when you withdraw funds from these accounts. Likewise, loved ones who inherit these accounts are required to pay taxes when they withdraw funds from them. Should they withdraw all assets in one tax year, as is often the case, the income taxes due can result in much of the account assets being eaten up in taxes. The good news is there is a way to minimize this tax burden on loved ones, and to support the Medical University of South Carolina Foundation at the same time.

Supporting the Medical University of South Carolina Foundation and minimizing taxes due from loved ones

You have the option – and are encouraged – to name beneficiaries for any assets remaining in your retirement accounts at your passing. If you have

named charities to receive gifts from your will or trust, a simple restructuring of your estate plan can result in a potentially significant tax savings for your loved ones.

Step 1: Remove the charitable gifts from your will or trust that you will make from your retirement plans instead. By removing these gifts from your will or trust you will allow more assets to pass to loved ones free of income taxes.

Step 2: Name your favorite charities, including the Medical University of South Carolina Foundation, as beneficiaries of all or a portion of your retirement accounts. The Medical University of South Carolina Foundation is tax exempt, which means we will pay no income taxes on the gifts we receive from your accounts. Even if you have named loved ones to receive a portion of these accounts, you will have minimized the tax liability to heirs by doing your charitable giving from these accounts.

Make a tax-free gift with an IRA charitable rollover

If you are 70 ½ or older, consider this unique opportunity to make lifetime tax-free charitable gifts to the Medical University of South Carolina Foundation from your traditional IRA account [401(k) and 403(b) accounts are not eligible]. Your gift must be transferred directly from your IRA custodian to the Medical University of South Carolina Foundation. This IRA charitable rollover, known by tax professionals as a Qualified Charitable Distribution (QCD), will not be included in your taxable income and will count toward your required minimum distribution. A QCD is the most tax efficient way to make a gift to the Medical University of South Carolina Foundation. You can give up to \$100,000 per year this way.

We are here to assist

If you have questions please contact our Office of Planned Giving at 843-792-9562, or by sending an email to CoxL@musc.edu.