



Making a Gift of Your Tax Bomb

When I ask people, “Do you have an IRA or a 401(k) or a 403(b) or a 457 plan?” almost everyone raises their hand. Many people realize that these tax-advantaged retirement plans are an excellent way to save for retirement while sheltering earned income from current income taxation. However, many do not recognize the tax consequences of making these accounts part of their children’s inheritance. You may have a tax bomb waiting to go off.

Only a spouse or a charitable organization will not have to pay income tax on an inherited IRA or other similar plan. For children and all other people, the funds are treated as taxable income.

An excellent way to avoid this taxation is to use your IRA to make charitable gifts. Your church, for example, will not have to pay any taxes on receipt of funds from your IRA. And, if transferred at your death, you and your estate will not have to pay taxes on this gift either.

This is very easy to do. Simply call the toll-free phone number listed on your investment statement and request a “Change of Beneficiary Form.” You can name the church to receive 10%, 100%, or any percent of the plan. You retain complete use and access to the funds during your lifetime. In this sense, you haven’t given anything away. However, if there is a positive balance in your account when you die, your church will receive whatever percentage you have designated 100% tax free.

The tax bill that you have successfully avoided during your lifetime by having an IRA or similar plan may come to roost with your children unless you take the step of making a charitable organization the ultimate beneficiary of your plan. There is no better way to make a legacy-gift to your church.

If you wish, you may turn your “tax bomb” into a tax-free bequest for Christian mission. This one small step on your part could make a significant difference in lives to be touched by the ministry that your gift will provide.

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