

NEW PENSION LAW ALLOWS TAX-FREE ROLLOVER

TO CHARITABLE FUNDS

FOR IMMEDIATE RELEASE

Rule is poised to make major impact on charitable giving

(August 21, 2006) – Since 1974, millions of Americans have saved billions of pre-tax dollars in Individual Retirement Accounts (IRAs). Last week a federal law was enacted allowing IRA owners to share the wealth of their retirement savings by giving directly to charity —without first counting it as income and paying income tax.

The new law could be a boon to local philanthropy. “This is a wonderful win-win for people who would rather give to charity than pay taxes and for the nonprofit organizations they choose to support,” said Spicer Bell, president of the Community Foundation of the Eastern Shore.

Thanks to continued savings and investment returns of the past 30 years, an estimated \$3.6 trillion is currently invested in IRAs, and the total continues to grow. Thanks to decades of deliberate saving and favorable investment returns, a substantial number of today’s retirees have more money in their IRAs than they’ll ever need.

Many retirees with IRAs have expressed an interest in giving the funds to charity, but income tax must be paid on all withdrawals, which sharply reduces the value of the gift. Others have asked about designating their children as beneficiaries, but that may draw additional tax consequences. “For larger estates, a good portion of IRA wealth goes to estate taxes and income taxes of beneficiaries,” Bell said. “Experts estimate heirs will receive less than 25 percent of most IRA assets that pass through estates.”

A provision in the new federal Pension Protection Act of 2006, signed by President Bush on August 21st, creates a new option: transferring IRA assets directly to charity. By going directly to charity, the money is not included in the IRA owner’s income and, most importantly, is not taxed, preserving the full amount for charitable purposes. The law covers all gifts made this year and next.

In 2006 and 2007, holders of traditional and Roth IRAs who are at least 70 ½ years old can make direct charitable transfers up to \$100,000 per year. As a qualified public charity, the Community Foundation of the Eastern Shore can help donors execute the transfers and choose from several charitable fund options for their gift. Donor Advised Funds do not qualify for tax-free IRA transfers.

“This really is a limited-time offer. The window is open now, but it will close in 2007 unless Congress extends it,” said Bell. “For anyone interested in establishing a permanent legacy in this community, this is the opportunity of a lifetime to make the gift of a lifetime.”

The Community Foundation of the Eastern Shore makes grants and provides leadership in five key areas: arts and culture, health and human services, education, historical preservation, and the environment. The Foundation also provides community leadership through local initiatives, charitable partnerships and nonprofit support programs.

CFES has been an effective steward of the community's charitable resources since 1984, inspiring philanthropy in the Maryland counties of Somerset, Wicomico and Worcester. For more information about the Community Foundation of the Eastern Shore, please continue browsing this website, or call the Foundation at 410-742-9911.

TAX-FREE ALTERNATIVES FOR IRA CHARITABLE ROLLOVERS

The new federal pension law allows IRA owners to transfer gifts to charity tax-free, but generous IRA donors still face multiple options for their gift. Here are four types of charitable funds at the Community Foundation of the Eastern Shore that qualify for tax-free transfers from IRAs.

Community Needs Funds: Meeting urgent and ever-changing needs of our community..

Field of Interest Funds: Connecting personal values to high-impact opportunities.

Designated Funds: Helping local nonprofit organizations succeed and grow.

Scholarship Funds: Helping young people in our community fulfill their dreams.

For more information contact either Spicer Bell or Gee Williams at the Community Foundation at 410-742-9911.

**FOR MORE INFORMATION CONTACT:
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