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Contact: Sheila Cover
Communications Officer
697-6224 or scover@cfhendersoncounty.org

New Pension Law Also Provides for Charity
Provision Allows for Tax-free Charitable Transfers from IRAs

Hendersonville, N.C., August 17, 2006 – Since 1974, millions of Americans have saved billions of pre-tax dollars in Individual Retirement Accounts (IRAs). Thanks to continued savings and investment returns, an estimated \$3.6 trillion is currently invested in IRAs, and the total continues to grow. Today, 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 can be a win-win—for people who have charitable interests and would give from their IRA without a tax penalty,” said McCray V. Benson, President/CEO, Community Foundation of Henderson County.

Thanks to decades of deliberate saving and favorable investment returns, a substantial share of today’s retirees has more money in their IRAs. This is only a two-year demonstration period, if effective it could continue in the future. Many 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,” Benson said. “Experts estimate heirs will receive less than 25% of most IRA assets that pass through estates.”

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A provision in the new federal Pension Protection Act of 2006, signed by President Bush today, creates a new option: gifting IRA assets directly to charity during one's lifetime. 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.

Since 1983, the Community Foundation has helped donors create permanent endowments that support nonprofit organizations and causes through grants to improve healthcare and educational opportunities, protect the environment, strengthen the arts, provide services to people in need and much more. In the past year, with the help of caring donors, the Community Foundation awarded more than \$2.3 million in grants and scholarships.

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