

## **ROYAL OAKS OFFICE OF PLANNED GIVING**

### **RETIREMENT ACCOUNTS**

Tax-favored retirement plans such as Individual Retirement Accounts (IRAs), 401(k) plans, 403(b) plans, and Keogh plans have become an increasingly popular way to save money for retirement. Typically these plans offer tax savings at the time the funds are contributed and then the funds build tax-deferred until they are withdrawn.

“The value of a man resides in what he gives and not in what he is capable of receiving.”

---Albert Einstein

Many people choose to designate their loved ones as beneficiaries of retirement plan assets. However, by doing so, your loved ones may see only a small fraction of the gift. This is because your retirement assets may be subject to several types of taxes, including federal and possibly state estate taxes, as well as income taxes, which could conceivably consume 70 percent or more of their value.

You can avoid this heavy taxation by making Royal Oaks a beneficiary of your retirement plan assets and using other less-taxed assets to provide for your loved ones. Naming Royal Oaks as the beneficiary of a retirement account means that Royal Oaks will receive 100 percent of your retirement plan proceeds free of all taxes. Although the proceeds will be included in your gross estate, they will be completely deductible as a charitable gift.

You can also support Royal Oaks during your lifetime by using your retirement plan assets to create a tax “wash” so that you may make annual gifts to Royal Oaks. At age 59 1/2, you can begin making withdrawals from most retirement plans without having to pay an early withdrawal penalty. However, your withdrawals will still be subject to income taxes. By withdrawing amounts each year just sufficient to fund your charitable gifts, the taxes due can be offset by your charitable deductions, which may result in a “wash” for tax purposes.

As always, we suggest that you consult with your independent financial, tax, or legal advisor for specific help with your particular situation, as Royal Oaks does not provide financial, tax, or legal advice.

**For more information, please contact Michelle Westfall at (623) 815-4122.**