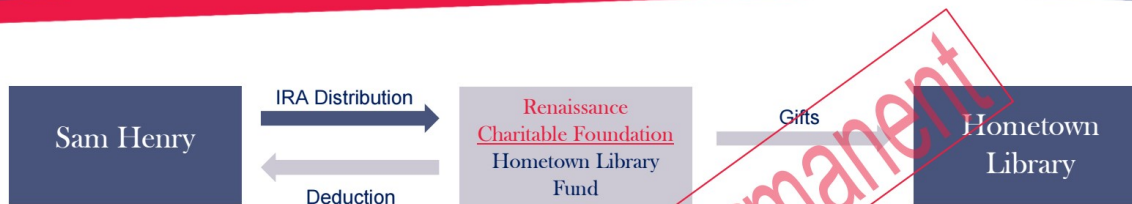


DONOR STORY: Sam Henry

IRA Rollover to Benefit Charity



Sam Henry turned 72 this year and must take a required distribution from his IRA. Currently his IRA is valued at \$950,000 so he must withdraw a little over \$35,000 this year. The distribution will not only increase the income taxes he owes on his Social Security benefits but also will increase the likelihood he won't be able to deduct his medical expenses this year.

After discussing options with his financial advisor, he was interested to learn that recent Tax Acts permit rollovers from IRAs directly to most charities without recognition of income. Sam does not need his IRA distribution this year and would like to create a legacy with his hometown to ensure its cultural future.

A permissible rollover recipient is a Restricted Fund at Renaissance Charitable Foundation, which may make grants to one charity, such as the Library in Sam's hometown. Armed with this information, Sam instructs his IRA provider to make a \$40,000 direct rollover to Renaissance Charitable Foundation to create the Hometown Library Fund. This Restricted Fund will make annual grants to the Hometown Library. In order to ensure that the library will continue to receive grants for many years, the fund will distribute 4 percent of its value each year. To qualify as a Restricted Fund, Sam cannot retain any power to provide grant distribution or investment advice.

Sam is pleased to support his hometown library and to resolve the tax problems that would have been created by his required IRA distribution.

Benefits of Henry IRA Rollover	
Required Minimum Distribution	\$36,000
Income Tax Deduction	\$0
IRA Rollover Included in Income	\$0
Charitable Benefit	\$40,000

Charitable IRA Rollovers

Recent Tax Acts allow rollovers from IRAs directly to most charities without recognition of the income when all of the following situations exist:

- The donor must be age 70 ½ or on or before the date of the rollover
- A maximum of \$100,000 may be rolled over to charity each year
- The charity must be a public charity that is not a donor-advised fund, private foundation or supporting organization
- The distribution must be a direct IRA-to-charity transfer
- The entire distribution must otherwise qualify as a deductible contribution (e.g., no benefits returned to the donor)
- The exclusion from gross income only applies to distributions that would include gross income
- Rollovers from SEPs and SIMPLEs do not qualify

Assumptions:

- For 2015 & 2016, persons over 65 may deduct medical expenses if they exceed 7.5% of Adjusted Gross Income.
- 85% of Social Security Benefits are subject to income tax when a single taxpayer's AGI is over \$34,000.

This example is hypothetical and for educational use only. The situations, tax rates or return numbers do not represent any actual clients or investments. There is no assurance that the rates depicted can or will be achieved. Actual results will vary. Please consult with legal and tax counsel about the suitability.

Visit www.rcgf.org or call (866) 803-0389 to write your own donor story!

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