

# RETIREMENT PLAN ASSETS

GIFT PLANNING AT THE



UVA HEALTH SYSTEM

## Maximizing a Tax-Free Gift of Retirement Plan Assets

For many individuals, a retirement plan is an important building block for future financial security. Many people enjoy significant growth in their accounts over time, comfortably benefiting from years of the assets' tax-deferred growth in an expanding market.

Usually, an account is not completely exhausted during an individual's lifetime. As a result, any assets remaining in the account when the individual dies will be subject to income and, in many cases, estate taxes.

In some situations, this exposure can result in a combined tax of more than 70%, potentially leaving only about 30% of your plan assets to heirs. Even if your estate is not large enough to be subject to estate tax, and even if you name your spouse as the beneficiary of your account (thus avoiding estate tax), **income tax will always be owed** on the assets.

Faced with this tax dilemma, many friends and alumni of the University of Virginia Health System are using their retirement plans to establish special

philanthropic legacies. By gifting your retirement plan to the UVA Health System, you will avoid income and estate tax altogether, and 100% of the value of the account will be transferred to the Health System **tax-free** for the purposes you designate. Not only will you maximize the impact of each dollar in your plan, but you will maximize your impact on the UVA Health System school, center, or program you wish to benefit.

### Make a Bequest of Retirement Plan Assets

Making a "bequest" (a gift at the end of your life) of your retirement assets is easy. You simply need to request a new beneficiary designation form from your plan administrator and add the UVA Health System as your beneficiary.

You may designate a specific portion or all of your plan assets to benefit the Health System or one of its schools, centers, or programs. Or, as is often the case with larger qualified plans, you may wish to establish an endowed scholarship or professorship that will be administered in perpetuity. You will need to complete the form with the name and tax identification number of your beneficiary. For example, if you want to designate your account for the unrestricted use of the Health System, you should designate the "University of Virginia Health Foundation" (tax i.d. # 41-2097394) as your beneficiary. Or, you may be a UVA

### EXAMPLE

John has a \$1 million IRA, which is part of his \$4 million estate (including his life insurance). If John dies in 2008, leaving his IRA to his son Bill, the following estimated tax consequences will apply:

IRA value:	\$ 1,000,000
Federal estate tax:	\$ 450,000
Federal income tax:	\$ 192,500
<b>Total tax:</b>	<b>\$ 642,500</b>
<b>Bill receives:</b>	<b>\$ 357,500</b>

If instead John names the UVA Health System as his IRA beneficiary, no tax will be owed, and \$1,000,000 will be applied for the purposes he designates:

IRA value:	\$ 1,000,000
Federal estate tax:	\$ 0
Federal income tax:	\$ 0
<b>Total tax:</b>	<b>\$ 0</b>
<b>UVA Health System receives:</b>	<b>\$ 1,000,000</b>

medical graduate or faculty member and choose to support the UVA School of Medicine by naming the "University of Virginia Medical School Foundation" (tax i.d. # 23-7173411) as your beneficiary. Note that if you are married, your spouse may have to consent to your designation.





Because any designation of your retirement plan for the UVA Health System needs to fit into your overall estate plan, please consult with your professional advisers and UVA Health System Development Office before completing your designation.

to make an outright gift to the UVA Health System, to establish a charitable gift annuity, or even to create a charitable trust. You will be eligible to claim a charitable income tax deduction based on the value of your contribution.

### ***What About a Current Gift of My Retirement Plan Assets?***

Although current law requires that you pay income tax on any plan withdrawals during your lifetime (even if you immediately donate the assets to a charity), sometimes those assets can provide a welcome opportunity for philanthropic support even if you must first pay income tax on the amounts withdrawn.

In particular, if you are already required to take *minimum required distributions* from your account, and you don't need that "mandatory" income for your own support, you can use those distributions

#### **Whom Do I Contact?**

To learn more about making your beneficiary designation or establishing an endowment with your plan assets, or if you have questions about how you might make a current gift of your plan withdrawals, please contact the Office of Gift Planning, P.O. Box 400807, Charlottesville, VA 22904-4807; send us an email at [giftplanning@virginia.edu](mailto:giftplanning@virginia.edu); or call (434) 924-7306 or (800) 688-9882. You can also find more information about other planned gifts on the Gift Planning Web site at [www.virginia.edu/giftplanning](http://www.virginia.edu/giftplanning).

The University of Virginia does not provide legal or tax advice. We recommend that you seek your own legal and tax advice in connection with gift and planning matters. To ensure compliance with certain IRS requirements, we disclose to you that this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.



### ***The University of Virginia Cornerstone Society— Letting Us Say Thank You***

The Cornerstone Society recognizes alumni and friends who have made planned gifts to the University through wills, living trusts, or retirement plans; life insurance; pooled income fund gifts, gift annuities and charitable remainder trusts or lead trusts.

The Cornerstone Society takes its name from the cornerstone of Pavilion VII laid in 1817 at a ceremony attended by James Madison, James Monroe and Thomas Jefferson. Just as the cornerstone of Pavilion VII provided the foundation for the University's first building, our Cornerstone Society members are laying the groundwork for the University's future.

