A Retirement Planning Quiz for You

Take this quiz to test your knowledge about giving through IRAs and other retirement plans.

1. Funds contributed to traditional IRAs and other qualified retirement plans are not taxed in the year they are contributed. □ True □ False

2. The amounts in IRAs and other qualified retirement plans grow tax free until the time of their withdrawal. □ True □ False

3. Making charitable gifts today from IRAs and certain other retirement-fund assets can be a convenient and tax-favored giving option. □ True □ False

4. Amounts remaining in tax-qualified retirement plans at death could be subject to both estate and income taxes. □ True □ False

5. Using retirement-fund assets to make charitable gifts from one’s estate can result in more assets and income taxes. □ True □ False

6. More than one charitable recipient can be named to receive retirement-fund assets. □ True □ False

HOW DID YOU DO?
The answer to each of these statements is true. If you answered false to any questions, there is no need to worry. However, you may wish to check with your advisors about your retirement goals and how to meet them in the most effective manner.

Need more information?
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Mission Trip Leads to Legacy Gift
Make tax-favored gifts today
Reduce taxes on retirement-fund withdrawals
Leave more to heirs in the future

Making the Most of Retirement Funds
In today’s world of fluctuating investment values, increased healthcare costs, and longer life expectations, planning for and managing assets in retirement is a topic that is on the minds of many. These discussions can sometimes overlook the ways thoughtful and careful planning can bring enhanced financial security to you and your loved ones while you also support your charitable interests. Through careful planning, you may find that retirement funds can provide an untapped source, or a new “pocket,” from which to make charitable gifts now in future years. Read on for more information about the benefits of making charitable gifts from retirement-plan assets.

FOR MORE INFORMATION, or use the enclosed reply card.

MAKING THE MOST OF RETIREMENT FUNDS

Student enrollment at Lasu Refugee Camp in Yei, South Sudan soared in March 2012. This was after UMCOR and partner U.S. Department of State Bureau of Populations, Refugees, and Migration supplied funding to build permanent classrooms and desks.

Upon returning from their first mission trip in 1998, Bob and Helen Paulson knew for certain their lives were forever transformed. They had witnessed firsthand the positive impact of missionaries extending Christ’s love to an impoverished people. As a result, they pledged immediately to secure a brighter future for all God’s children by making a carefully planned charitable bequest.

Given their modest financial means, Bob and Helen never imagined they would have the potential to give generously to the caring ministries they had witnessed in Africa. But they passionately pursued their goal. They were excited to discover that by funding gifts with tax-deferred retirement-plan assets, they could significantly increase what they give now and simultaneously leave a substantial legacy of mission support for future generations.

Nearly 14 years have passed since their life-changing trip, but Bob’s and Helen’s passion for mission and joy of giving are just as evident today.

Bob and Helen said they chose Global Ministries and UMCOR as priority recipients of their charitable gifts, because “as lifelong United Methodists, we see these closely allied mission units to be the complete package.” The Paulsons feel that by “working together, Global Ministries and UMCOR thoroughly evaluate all global mission needs, and respond by sending the very best personnel available to manage these issues—maintaining a presence until any additional problems are identified and controlled.”

MISSION Matters
Caring and Sharing through UMCOR and Global Ministries’ Advance

Fall 2012

Global Ministries • The United Methodist Church

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Bob and Helen Paulson

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A Primer on Popular Savings Methods

Every 60 seconds, a child in Africa loses a battle against malaria, a preventable disease. Through the Imagine No Malaria campaign of The United Methodist Church, thousands of community health workers go door-to-door teaching families how to avoid the disease and also provide them with insecticide-treated mosquito nets.

Each person’s retirement plans call for different arrangements. Let’s look at some of the more popular options available to provide income in retirement years in addition to Social Security.

Individual Retirement Plan

Virtually anyone who earns wages can set aside money in a tax-favored Individual Retirement Account (IRA) to fund retirement. It is also possible to set aside additional amounts for a non-wage-earning spouse. There are also other plans that are similar in scope to IRAs, but that may provide greater benefits for self-employed people. Any money in an IRA that is not used during your lifetime can be left to friends, relatives or charitable causes, much like other assets.

Employer-provided plans

Many companies offer employees the opportunity to take part in retirement programs. These plans are designed to provide a certain level of retirement income or to build a fund based on a percentage of an employee’s compensation. In either event, if you are entitled to benefits under such a plan, make certain you have indicated who should receive your benefits if you do not use them all.

Avoid double taxation

Because they are included as part of the taxable estate at death, the assets in retirement plans can be subject to estate taxes that could consume a large percentage of your loved one’s inheritance. But that’s not all. When heirs receive the balance of qualified plans after payment of estate taxes, income tax—up to 35 percent or more—can be due on remaining amounts. Thus, the combination of income and estate taxes on retirement assets could, in some cases, add up to 65 percent or more of their value.

Redirect funds

Because of this, it may be wise to use all or a portion of your retirement assets to make a gift through your estate to a charitable interest, thus totally eliminating the tax on these funds. Other assets that are not subject to income tax when received, such as life insurance proceeds, can be left to heirs instead.

Charitable gifts from retirement-fund assets can be among the easiest gifts to arrange. We will be pleased to provide more information about making gifts in this manner.

Making Gifts From Retirement Plans

If you have reached the age when withdrawals from retirement accounts are permitted without penalty, it may be convenient to make immediate charitable gifts from those withdrawals.

Including charitable interests to receive gifts from what remains in your retirement plans can be as simple as completing a Change of Beneficiary form. This can be done when a new account is opened or at a future date. Seek the advice of your professional advisor(s) when considering these types of gifts.

Benefit From Gifts Now…and Later

If you have accumulated retirement funds in amounts you believe will be adequate to meet your future needs, it may be wise to plan using a portion of these funds to make charitable gifts now and in the future. That is because retirement accounts may otherwise be among your most heavily taxed assets during your lifetime and as part of your estate.

Making Gifts Today

Funds contributed to qualified retirement accounts are not taxed at the time of contribution and they are allowed to grow over the years free of income tax. These funds are, however, taxable at your maximum rate when withdrawn during your lifetime, and are included with any assets that are taxed in your estate.

If you are over the age of 59½ and can remove funds from your IRA and certain other retirement accounts with no early-withdrawal penalties, you may wish to consider using tax-favored retirement funds to make all or a portion of your charitable gifts.

Such amounts are reportable as income when withdrawn, but if you use them to make charitable gifts you are entitled to an income tax charitable deduction that can fully eliminate tax on the withdrawn funds.

This allows you to make your gifts using funds that will never be subject to federal income tax or taxed under the laws of most states.

Other assets for heirs

Other assets that will not be subject to income tax when received, such as investment accounts, life insurance proceeds, and real estate, can be left to heirs instead.

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More Information

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The Rev. Jae Hyoung Choi (second from left) is a United Methodist missionary serving in Korea, Choi’s work with the seminary’s Center for Geocentric Ministries focuses on the interrelationship between land, justice, and ecology. Here he examines with others the interrelationship between land, justice, and ecology.
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