

Bequests of Pensions and IRAs:

Qualified retirement plans, such as defined-benefit pension plans, profit sharing plans, 401(k) and 403(b) plans, employee stock ownership plans (ESOPs), Keogh accounts, and individual retirement accounts (IRAs), receive favorable income tax treatment while funds remain in the plan. Except for the ROTH IRA, you pay income taxes upon the distribution of fund assets during your lifetime and on undistributed fund assets at your death.

Retirement funds that remain undistributed at your death are included in your gross estate. The beneficiaries of undistributed retirement plan assets are generally subject to income taxes on those amounts known as “income in respect of a decedent.” These taxes, combined with estate taxes, can reduce the amount distributed to a non-charitable beneficiary by as much as 70%. If you plan to make a charitable gift anyway, instead of using other assets in your estate, such as cash or securities, use your undistributed retirement assets to make the charitable gift at your death. You will avoid the income tax due on the undistributed retirement assets and obtain an estate tax charitable deduction on the full amount of the gift.

Important: Please do not change your will, trusts or beneficiary designations without first consulting with a person who is knowledgeable about the relevant areas of estate planning and taxation. St. Mary’s Food Bank does not provide legal or tax advice, but we do have trained staff who can work with you and your professional advisors to help you achieve your charitable objectives.

All communications are held in confidence.