BURNS & LEVINSON LLP

If You Will®

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SHORT TAKES ON ESTATES, TAXES AND TRUSTS

MAXIMIZE YOUR CHARITABLE GIFT WITH YOUR IRA

By Christine Fletcher, Partner - Private Client Group

Valentine's Day is a great time to count your blessings and make good on your charitable intentions. Why not provide for your loved ones while also providing for a charity that is near and dear to your heart? Clients with an Individual Retirement Arrangement ("IRA") can do just that. Typically, clients name individuals such as spouses and children as beneficiaries of their traditional IRA. However, did you know that you can also name a charitable remainder trust as the beneficiary of your traditional IRA?

Here's how it works. When you pass away, the charitable remainder trust can pay a fixed income amount yearly to a beneficiary of your choosing such as a spouse or a child for his or her lifetime. Then on the death of the beneficiary, the remaining monies will be paid to a charity of your choice.

The trust is income tax exempt because of the charitable component (although some or all of the yearly payment to the beneficiary counts as taxable income). There is also a partial estate tax deduction based on the life expectancy of the beneficiary, which particularly works well if your beneficiary is over age 50.

If you want to provide greater income amounts for your loved ones, this can be done through other estate planning tools such as trusts, outright bequests and Roth IRAs. An ideal plan would name your spouse as the beneficiary of your Roth IRA and a charitable remainder trust as the beneficiary of your traditional IRA, while your children receive taxable accounts and other assets either outright or in trust.

If you like the idea of a charitable remainder trust, but do not have a traditional IRA, not to worry, you can fund a charitable remainder trust with other assets as well. You can also fund a charitable remainder trust during your lifetime.

Funding a Charitable Remainder Trust During Your Lifetime

You might also wish to use a charitable remainder trust to provide for someone with an income stream during your lifetime, such as a life partner. If so, you could fund the trust immediately, providing an income stream to your partner for his or her lifetime, and leaving the remainder to your favorite cause.

With the right planning, you can defer or even avoid capital gains taxes that would otherwise be due on the sale of greatly appreciated assets (such as stocks you hold in a taxable account).

Charitable Options

There are endless possibilities for charitable giving - universities, libraries, museums, cancer research, fighting poverty, veterans organizations and so many other worthy causes. Now is the time to follow your heart. There is room enough to provide both for your loved ones and the worthy causes you cherish.

WHO NEEDS ESTATE PLANNING?

For many people, the value of an estate plan will far exceed its cost due to tax savings. Furthermore, estate planning is not just for individuals who have a net worth in excess of state or federal exemptions (currently set at $1 million for MA, and $5.34 million for the U.S., but subject to change). The following people can greatly benefit from estate planning with experienced legal counsel:

- Individuals or couples who have dependents or beneficiaries with special needs.
- Adoptive parents, who need to make special provisions for inheritance that differ from state law provisions applicable to those without a legally enforceable plan.
- Other non-traditional families, such as those of unmarried couples or domestic partners.
- Married persons who have previous spouses or children from a prior marriage.
- Those who have special charitable goals.
- Those who have ownership shares in a closely held business that could suffer grave disruption from an inheritance battle or significant death taxes on their estates. Such people can benefit from a well-structured agreement providing for life insurance on key owners in amounts adequate to fund the purchase of the decedent's shares, according to valuations set by agreement.

FOR MORE INFORMATION:

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