

## DEAR BROTHERS AND SISTERS,

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- A **Charitable Lead Trust** allows you to set aside assets during your working years that produce charitable gifts and then returns the assets to you or your family at a future point in time. Significant tax savings are available depending on the type of trust used.
- Other tools and strategies are available that can aid Moravians in retirement planning.

And, as important as these tools can be in aiding Moravians, they have the added benefit of supporting your church and/or favorite ministry.

If you would like more information after reading and reviewing this issue of *Giving & Receiving*,

please complete the enclosed card and return it in the confidential envelope provided. I will be delighted to send you our new publication "Questions & Answers About Retirement Plans." Or, if you would prefer to explore how the Foundation can help you, please feel free to return the response card, visit our website at [www.mmfa.info](http://www.mmfa.info) and look for the link to *GiftLegacy*, and/or call me at 888.722.7923. Our publications and services are free, confidential, and without any obligation.

I hope to hear from you.

Paul D. McLaughlin  
President

# GIVING & RECEIVING

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## DEAR BROTHERS AND SISTERS,

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Most of us are looking forward to retirement after years of working, raising our kids, and balancing the demands of work, family, and leisure—with leisure always seeming to get short-changed. Some, however, are not looking forward to retirement. One friend of mine often says, "Gee, when I look at how quickly my retired friends have aged and begun to experience health problems—I'm going to keep on working!" The reality is, unless something unforeseen hits us, retirement is a fact of life!

Retirement in America has changed. We are living longer. Many take up second careers to fill the void created by the loss of their job. Often, these folks are doing what they want to be doing, not what they have to do. Others take up hobbies that they dreamed about doing. Still others turn their attention to volunteering. And others just want to kick back and enjoy life. Whatever people do in their retirement years, to whatever extent possible, they should have an intention or plan.

Clearly, our finances will play a huge part in what we do in retirement. I might want to travel the world, but can only afford a bus pass. Needless to say, I would be disappointed. But we all want, and need, to have adequate income

to enjoy life and deal with the unforeseen—even if we live well into our 80s and 90s.

However, you might be asking, "What does my retirement and retirement planning have to do with the work of the Foundation?"

In fact, the Moravian Ministries Foundation has many tools to aid Moravians in planning for and enjoying their retirement years. For example:

- A **Deferred Gift Annuity** allows you to set aside assets during your working years and, at a future date, such as upon retirement, begin receiving generous fixed payments for life. Additionally, you receive a current income tax deduction for the charitable gift that may aid you in your working years.
- A **Charitable Remainder Trust** can allow you to set aside assets and receive an income tax deduction while you, and possibly your family, receive annual payments based upon the value of the assets in the trust.

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**Planning can help meet several goals.**



**Paul D. McLaughlin** has served as President of the Foundation since its beginning and focuses his work primarily on *GiftLegacy* in addition to sharing responsibilities in the Common Fund. Prior to joining the Foundation, Paul was Vice President of Advancement with Albright Care Services in Lewisburg, Pennsylvania. In addition to a Bachelor's and Master's degree, Paul has also completed studies, as well as taught, at the College of William and Mary's National Planned Giving Institute. He and his wife, Susan, live in Winston-Salem, North Carolina. Paul can be reached by phone or via email at [Paul@mmfa.info](mailto:Paul@mmfa.info).



**Chi-Chi Z. Messick** joined the Foundation in 2000 as Vice President and focuses her work on the Common Fund and Morning Star Campaign Services. Chi-Chi earned her Bachelor's degree at Salem College and has attended the College of William and Mary's National Planned Giving Institute. She also brings to the Foundation her previous experience working as Assistant Director of Institutional Advancement at Salem College and serving as Director of Development for WFDD, the public radio station at Wake Forest University. Chi-Chi and her husband, Jack, live in Winston-Salem, North Carolina. Chi-Chi can be reached by phone or via email at [chichi@mmfa.info](mailto:chichi@mmfa.info).

## A CONVENIENT WAY TO GIVE

*Retirement plan assets  
can provide tax-wise  
charitable gifts.*

Many people already rely on retirement income from one or more sources, or they plan to do so in the future. These sources might include IRAs, an employer-sponsored retirement plan, annuities with insurance companies, and other investments.

If you have accumulated such funds and believe they are more than will be necessary for your retirement, it may be wise from a tax planning standpoint to make a charitable gift to your church and/or favorite ministry using a portion of these unneeded funds. Funds contributed to qualified retirement accounts, for example, are not taxed at the time of contribution, and they grow free of income tax. These funds are, however, fully taxable when withdrawn.

If you are over the age of 59½, you may wish to use amounts withdrawn from tax-favored retirement accounts to make 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 eliminate tax on the withdrawn funds. State tax, Social Security, and other factors should be taken into account. Check with your tax advisor if you think this might be a good option for you to consider.

### *Giving what's left*

You may also wish to include your church or favorite agency as a beneficiary to receive all or a portion of assets remaining in

your retirement accounts when you no longer need them.

You simply stipulate whether you wish for the entire balance, a specific amount, or a percentage of the account balance to become a charitable gift. Keep in mind that you can provide that a gift be made only if your other beneficiaries have predeceased you. By doing so, you can assure that the future of your heirs is not jeopardized in any way. Special tax benefits also exist when you give in this manner. See page 3 for more information.

### *How to proceed*

To make charitable gifts through your retirement plans today, or as part of your future plans, consult the administrator of your plan. This may be a financial institution (such as a bank or a life insurance or investment company) or the coordinator of your employer's retirement plan.

Designating a Moravian church or agency as the final beneficiary of your retirement plan can be as easy as completing a simple Change of Beneficiary form.

### *For more information*

As always, discuss all matters that can affect your financial future with your professional advisors before changing your plans. They can advise you about different factors that may affect you and help you explore the available gift options.

We will be pleased to provide additional information about ways to include your Moravian church or favorite agency in your plans.

There are many tax benefits associated with IRAs and similar retirement planning opportunities. Generous income tax deductions are allowed for amounts contributed to such plans. Over time, the funds also build up on a tax-free basis.

When it comes time to withdraw funds from retirement accounts, however, these funds are fully taxable. For most people, a portion of IRAs and certain other retirement accounts must be withdrawn beginning at age 70½, regardless of whether the funds are needed for living expenses. As noted on page 2, such funds can be a good choice to fund tax-deductible charitable gifts.

### *Possible multiple taxation*

One thing many people do not realize is that any amounts remaining at death in a qualified plan, such as a conventional IRA or 401(k), may be subject to heavy taxation. Not only can these funds be subject to estate taxes, but retirement assets will also be subject to income tax.

**Example:** Mrs. Smith has accumulated \$650,000 in her IRA and has directed that her nieces will split whatever remains in the account when she passes away. When added to the value of her home, investment accounts, and other assets, Mrs. Smith's total assets are more than she can pass to her loved ones free of estate tax. As a result, the funds remaining in her IRA could be subject to a maximum federal estate tax rate as high as 45% in 2007. Additionally, her nieces will have to pay income tax on the amount they receive net of the estate tax that is paid. They

could pay federal tax at rates up to 35% on the amounts they receive. Because of this "double taxation," there could be a relatively small percentage of each dollar left for her nieces.

### *A better plan*

Assuming Mrs. Smith would also like to make charitable gifts as part of her plans, it may make sense for her to fund these gifts using all or a portion of her IRA proceeds. She could then direct that other assets be left to her family.

In that case, the charitable portion of her IRA passes to her Moravian church or agency free of tax. The amounts left to her nieces could still be subject to estate tax, but unlike funds received from Mrs. Smith's IRA, her nieces would not face an additional income tax on the amount they received. This simple change could result in an increase in the amount inherited by her family.

Remember, too, that even if Mrs. Smith's estate were not subject to estate tax, it would still be preferable to make gifts from her IRA to charity at death and leave her nieces other assets that would not be subject to income tax.

## A WORD ABOUT ROLLOVER IRAS

If you leave IRA funds in a lump sum to your spouse, who then rolls the money over to his or her IRA, it may make sense for your spouse to arrange for your church or favorite ministry to receive all or part of the money remaining in the rollover IRA at their death. Amounts left in such a manner avoid both the estate tax and income tax, regardless of the size of the estate.

## RETIREMENT PLAN GIFTS MAKE GOOD TAX SENSE

*Put your IRA to work  
for you.*

The purpose of this publication is to provide general gift, estate, and financial planning information. It is not intended as legal, accounting, or other professional advice. For assistance in planning charitable gifts with tax and other financial implications, the services of appropriate advisors should be obtained. Consult an attorney for advice if your plans require revision of a will or other legal document. Tax deductions vary based on applicable federal discount rates, which can change on a monthly basis. Some opportunities may not be available in all states. ©2007 RFSCO, Inc. All Rights Reserved. N2TA2X-07