

A Tax-Smart Way to Give Through Your IRA



DID YOU KNOW?

Your IRA Is Worth More as a Charitable Gift

Your individual retirement account (IRA) may have bounced around in value over the last few years, but it likely remains one of your biggest assets. If you pass your IRA along to a family member or loved one, that person may incur a substantial tax hit. Leaving your IRA to a charitable organization such as Mayo Clinic is the tax-smart plan for this asset.

An IRA is an excellent vehicle for accumulating assets to use during your retirement. It is not a tax-wise approach for passing down an inheritance.

There is a way, however, to use such accounts to their full advantage: Include charitable giving in your estate plan.

MAKING GIFTS NOW FROM YOUR IRA

If you are between the ages of 59½ and 70½, you can make a charitable gift from an IRA during your lifetime without penalty. If you take distributions from your IRA — even if paid directly to Mayo Clinic — you'll have to report the distribution as taxable income on your tax return in the year of distribution.

The advantage of making a gift to us is that you will be eligible for a charitable income tax deduction, which may offset the income tax triggered by the distribution.

MAKING GIFTS LATER FROM YOUR IRA

Regardless of your age, an IRA can be one of the best assets to use for a charitable gift after your lifetime.

Gifts from your IRA to a loved one upon your passing are usually fully taxable as ordinary income, making IRAs

an exception to the rule that most inheritances are not considered taxable income to the beneficiary. This is not the case, however, when left to a qualified nonprofit such as Mayo Clinic.

If you are planning to make a charitable gift to us after your lifetime, consider leaving your taxable IRA assets to Mayo Clinic so that your family members and friends will receive your other income tax-free assets (including cash, stock and real estate) from your estate. As a tax-exempt organization, Mayo Clinic will not have to pay tax on the IRA, allowing us to keep the full amount of the IRA distribution.

HOW IT WORKS

- You name Mayo Clinic as the beneficiary on the beneficiary designation form from your IRA administrator.
- After your passing, we will receive your gift without owing any taxes, allowing us to put the entire amount toward medical breakthroughs and lifesaving treatments. Your heirs won't have to report any taxable income from the distribution either.

NOTE

Your will does not govern your IRA, so the most important document related to this asset is the beneficiary designation form you receive from your account's administrator.



LEAVING YOUR IRA TO FAMILY AND CHARITY

An advantageous way to donate your IRA assets is to name Mayo Clinic as the beneficiary of a percentage of your IRA assets on your IRA beneficiary designation form.

If you would like to leave a percentage of your IRA to us and the remaining percentage to family members or friends, consult a professional tax advisor to set up this arrangement. There are explicit rules for mandatory distributions from your IRA after your lifetime.

One alternative is to establish a separate IRA for Mayo Clinic. You can take part of your existing IRA and move it into a new IRA, naming us as the beneficiary. The best way to accomplish this is through a “direct rollover” or a “trustee-to-trustee transfer,” which eliminates the 20% withholding tax that normally applies to most IRA distributions.

During your lifetime, the minimum distributions from your IRA are the same, even when Mayo Clinic is named as a beneficiary. After your lifetime, however, the administrator should “cash out” our share of the IRA before Sept. 30 of the year that follows your passing. Then, after we receive our share, only your noncharitable beneficiaries remain. If your spouse is your beneficiary, he or she may be permitted to stretch out distributions over time to defer income taxes. Most non-spousal IRA beneficiaries will have to withdraw the entire account by the end of 10 years after your lifetime.

John wants to treat his two grandchildren, Denise and Matthew, equally. He leaves Denise \$150,000 in stock that he had originally bought for \$50,000, and for Matthew, he designates his \$150,000 IRA.

| | DENISE | MATTHEW* |
|--------------------------------------|-----------|-----------|
| IRA | | \$150,000 |
| Stock | \$150,000 | |
| Taxed as income | \$0 | \$150,000 |
| Net amount to each grandchild | \$150,000 | \$97,500 |

Despite his intentions, John would not treat his two grandchildren equally. Matthew would have less money than Denise after his income tax bill.

*Example assumes that Matthew has a marginal 35% federal income tax rate. If the estate is subject to estate taxes, Matthew would be left with even less.



YOUR NEXT STEP

Talk to a professional tax advisor before you take any action regarding your IRA. If you have questions about making a charitable gift, please feel free to contact our office, at no obligation.

Another Solution for Your IRA

If you are 70½ years old or older, you can take advantage of a simple way to benefit Mayo Clinic and receive tax benefits in return.



THE DETAILS OF MAKING A GIFT

You can give any amount up to \$100,000 per year from your IRA directly to a qualified nonprofit such as ours without having to pay income taxes on the money. This popular gift option is commonly called the IRA charitable rollover, but you may also see it referred to as a qualified charitable distribution, or QCD for short.

Your spouse also can give \$100,000 from his or her own IRA if he or she is 70½ or older. If you are age 72 or older, you can use your gift to satisfy all or part of your required minimum distribution. The gift does not generate taxable income or a tax deduction. You can even transfer the exact amount of your required minimum distribution if you don't wish to receive the taxable amount or pay taxes on it.

To take advantage of this opportunity, contact your IRA administrator to request the transfer. Be sure to have the administrator send the funds electronically or by check made payable to Mayo Clinic.



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