

FOUNDATION ADVISOR



Welcome to our first edition of the Foundation Advisor, our new semi-annual publication just for Professional Advisors.

We appreciate your feedback. Please call or send us an email to tell us your thoughts on this newsletter. If you have suggestions for future articles, please let us know.

Special points of interest:

- IRA Charitable Rollovers allowed
- Fall Professional Advisor's Seminar
- Your Resource for Charitable Giving

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PRESIDENT BUSH SIGNS IRA CHARITABLE ROLLOVER

On August 17, 2006, President Bush signed the Pension Protection Act of 2006 (PPA 2006). After two decades of efforts by a coalition of charities, Section 1201 of that bill permits current gift IRA charitable rollovers.

Rollovers during 2006 or 2007 may be made in any amount up to \$100,000 and shall be called "qualified charitable distributions."

IRA rollovers must be made to public charities by IRA owners age 70 1/2 and older. Designated charitable purposes, field of interest, or organizational endowment fund gifts are permitted, but IRA rollovers may not be made to private foundations, donor advised funds, supporting organizations or to deferred gift plans.

Only regular and Roth IRAs qualify for the rollover.

Donors with other qualified retirement plans may be able to roll them over to an IRA and then use the IRA rollover to make a gift.

The IRA rollover is effective immediately. IRA owners should contact their IRA custodian to direct transfers to qualified public charities. The specific transfer and reporting forms will be determined by the IRA custodian and the Treasury. The good news is that the "qualified charitable distribution" will be similar to non-charitable IRA rollovers in that the distribution will not be included in the donor's federal taxable income.

Since the distribution is not included in the donor's taxable income, there is no charitable income tax deduction for the IRA rollover, thus simplifying the donor's tax return and saving some tax.

An added bonus is that an IRA rollover by December 31 of this year will qualify for all or part of the IRA owner's minimum distribution for 2006.

Under what circumstances will the IRA Charitable rollover most likely benefit the donor?

1. Standard Deduction Donors (who cannot itemize): The donor will avoid taking the qualified charitable distribution into income. The IRA rollover for all or part of the required distribution will benefit charity, as well as result in lower taxable income for the standard deduction taxpayer.
2. Social Security IRA Donor: The taxpayer may be taking an IRA required minimum distribution (RMD) that

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PROFESSIONAL ADVISOR SEMINAR

The Fairfield County Foundation will be hosting our 3rd Annual Professional Advisor's seminar this fall at the Lancaster Country Club.

October 26, 2006

8:00 a.m.—11:45 a.m.

Speaker: **Marc Carmichael, JD**

Topic: **Value-Added Charitable Gift Planning.**

Approved for 3.0 CLE credit hours for attorneys, and 3.5 CPE credit hours for CPAs. The seminar registration fee is \$35/person. You may r.s.v.p. now, via phone, fax or email.



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IRA CHARITABLE ROLLOVER continued...

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increases income to a level that 85% of his/her social security is taxable. By using the IRA charitable rollover, his/her income may be lower and could reduce the % of Social Security that is taxable.

3. Donors Subject to Income Limitations: Taxpayers who itemize deductions and whose charitable contributions will be reduced by the itemized deduction reduction or by the percentage of income

limitation may benefit by these special rules.

4. Donors in Ohio and other states that tax based on the Federal AGI may recognize state tax benefits of a charitable rollover.

Donors will need to work with their professional advisors to determine the effect of these new rules on their specific tax situation.

Can an individual make a qualified charitable rollover to a split interest gift? No. Charitable lead trusts and

charitable remainder trusts are examples of giving vehicles that are not eligible to receive a qualified charitable distribution. Further, because an individual may not receive a benefit in return for an IRA distribution, a contribution in return for a charitable gift annuity would not be eligible for the tax-free treatment.

If you need more information on how to make a **qualified charitable distribution** to the Fairfield County Foundation from an IRA, please call us.

*"We make a living
by what we get,
we make a life
by what we give."*

Sir Winston Churchill

YOUR RESOURCE FOR CHARITABLE GIVING

At the Fairfield County Foundation, we understand the vital role played by professional advisors in helping individuals evaluate their philanthropic plans – and in making those plans come true.

Many people have a strong desire to "give back to their community," but have given little thought to how this might be accomplished.

As a professional advisor, you are in a unique position. You can help the community preserve and expand its philanthropic resources, and at the same time, help your clients achieve personal goals and dreams. Through planned giving that integrates philanthropy with overall financial and estate planning, you can ensure that your clients are receiving the full benefit of their contributions while supporting the charities of their choice.

Often, one of your greatest opportunities to assist your clients in maximizing the personal benefits of giving occurs when they are making other major business, personal, and financial decisions, such as estate planning, writing or updating a will, sale of a business or other major asset, retirement planning, and at times of a financial windfall. The most important step you can take to help your clients is simply to **ask the question: "Are there any charitable interests or community interests you'd like to consider?"** If you don't initiate the topic, your client may never know the opportunity exists. You don't have to be an expert in planned giving to provide these opportunities to your clients.

The Fairfield County Foundation enables the philanthropically minded to secure the maximum tax deduction, involve family members, focus grantmaking, and obtain visibility for their giving.

The Foundation is both permanent and flexible, thus assuring donors that the spirit of their gifts will endure.

Although the Fairfield County Foundation is a public charity, it does not promote any one charitable cause. Instead, its mission is to build and hold a permanent and growing endowment for the community's changing needs. Through this unique mission, the Foundation can help your clients achieve goals in ways not available through other organizations.

Our role is to be a resource for information about charitable giving, and a philanthropic partner for you and your clients. Gifts through the Fairfield County Foundation can provide a true win-win situation for professional advisors, their clients, and the community.

Note: Solutions differ from case to case. This newsletter does not constitute professional financial, tax, or legal advice.

If you would like a copy of our Professional Advisor's Manual, please call us, or visit the Professional Advisor's section of our website.
www.fairfieldcountyfoundation.org