

# The Charitable Giver

A publication of the ELCA Regional Gift Planning Office

September 2006

## 2006 Pension Protection Act: Great News From Congress!

By Jeremy Bouman

On Thursday, August 3rd, 2006, the U.S. Senate passed the Pension Protection ACT of 2006. President Bush is expected to sign the bill into law by the end of August. This legislation primarily focuses on pension matters, but also includes various charitable giving incentives and reform measures.

Of particular interest is the portion of the bill that relates to tax-free withdrawals from certain retirement accounts to fund charitable gifts.

### *Here's the skinny:*

You are looking for a creative way to make a gift to your church or your favorite ELCA charities. Perhaps it is time for your year end giving and you are also weighing the tax implications of the gift. Maybe you are considering a gift to a capital campaign, a gift to an endowment, or a gift a bit larger than usual. You hear about the Pension Protection ACT and consider an Individual Retirement Account (IRA) charitable rollover.

### *What is an IRA charitable rollover?*

An IRA charitable rollover is a qualified charitable distribution from a traditional or Roth IRA of an individual who is 70 1/2 or older to an eligible charitable organization.

So, if you are older than 70 1/2, you can make a tax-free rollover to charity. The maximum rollover is \$100,000 per year. This means as a donor, you may exclude up to \$100,000 from your gross income for each tax year for qualified charitable distributions from IRAs. The gift must be made in a way that

would otherwise be fully deductible. The provision is effective for 2006 and 2007 only.

### *What else do I need to know?*

The amount given from an IRA charitable rollover must be given as an outright gift. You cannot give it to a charity to create a charitable gift annuity, charitable remainder trust, or other gift that would result in a charitable deduction of less than 100%. Distributions from 401(k) and other non IRA retirement plans do not qualify.

**New  
Legislation  
Favors  
Charitable  
IRA Rollovers**

### *How will charitable distributions impact the minimum requirement distributions from a taxpayer's IRA?*

Shortly after an individual reaches the age 70 1/2, he or she is generally required to receive distributions from his/her traditional IRA. Distributions from an IRA to a charity will receive the same treatment as a distribution to the individual taxpayer for the purposes of minimum required distributions.

How do I make this qualified charitable distribution, this charitable IRA rollover?

You will direct your IRA trustee to make the contribution directly. Check with your IRA trustee or advisor on details regarding how to distribute this gift. Do not take the distribution yourself and subsequently write a check to charity.

### *How do I learn more?*

*This information is for educational purposes to help you make the most informed decisions regarding your charitable giving. For more information on the*

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charitable provisions of the Pension Protection ACT or to discuss your own personal situation, please contact the Delaware-Maryland Synod Planned Giving Office on 410-230-2868.

***In summary:***

- ***Must be older than 70 1/2***
- ***You can make an IRA rollover to charity***
- ***Must be a traditional or Roth IRA***
- ***No tax is paid on money distributed to one or***

***more qualified charities***

- ***Maximum rollover is \$100,000***
- ***Gift must be made outright***
- ***Gift not reported as part of Adjusted Gross Income (AGI) and does not have to be deducted on tax return***
- ***Provision is effective for 2006 and 2007 only***

*(Article includes researched insights from the Council on Foundations, the Sharpe Group, Crescendo Gifflaw and the Pension Protection ACT 2006 bill)*

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## Here Are This Month's 'Verses to Consider'

### The Parable of the Rich Fool

Someone in the crowd said to him, "Teacher, tell my brother to divide the inheritance with me."

Jesus replied, "Man, who appointed me a judge or an arbiter between you?" Then he said to them, "Watch out! Be on your guard against all kinds of greed; a man's life does not consist in the abundance of his possessions."

And he told them this parable: "The ground of a certain rich man produced a good crop. He thought to himself, 'What shall I do? I have no place to store my crops.'

"Then he said, 'This is what I'll do. I will tear down my barns and build bigger ones, and there I will store all my grain and my goods. And I'll say to myself, 'You have plenty of good things laid up for many years. Take life easy; eat, drink and be merry.'"

"But God said to him, 'You fool! This very night your life will be demanded from you. Then who will get what you have prepared for yourself?'

"This is how it will be with anyone who stores up things for himself but is not rich toward God."

Luke 12: 13– 21

**Don't miss the sample Christian's Will preamble on page 3!**

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This issue of The Charitable Giver is provided by the Lutheran Community Consortium and a grant from Thrivent Financial for Lutherans. Please include this issue of The Charitable Giver in your congregation's newsletter or bulletin. *Editor:* Jeremy Bouman, Planned Giving Counselor, ELCA Regional Gift Planning Office, Baltimore.

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**Carroll Lutheran Village**

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University of Delaware; University of Maryland

**Lutheran Volunteer Corps**

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**The National Lutheran Home**

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## Can I Witness to My Faith in My Estate Planning?

A preamble to a Christian's Will provides a significant opportunity to share your faith with family and friends...remember this may be the last document they read about you, their loved one.

Through this personal statement of your faith, a significant message will be delivered to those who love and know you best.

This message of faith comes at a time of grief and loss and serves as a reminder, to your loved ones, to place their trust in Jesus Christ as you have.

Together with your attorney as you prepare your Will/Estate Plan, give prayerful consideration to adding a Christian Preamble such as the one below.

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I \_\_\_\_\_, of the city of \_\_\_\_\_, County of \_\_\_\_\_, and State of \_\_\_\_\_, being of sound and disposing mind and memory and being under no restraint, do make, declare and publish this my last Will and Testament, hereby revoking all Wills and Codicils heretofore made by me.

In thanksgiving to God for the gift of life, given in Baptism and for the many blessings which God has showered upon me; and in thanksgiving to God for the gifts of faith and hope through Jesus Christ; and In thanksgiving to God for the gifts of nurture and love through the church where we have shared faith and fellowship; I know commend my loved ones to grow in the same faith, being true to their own Baptism, knowing that God will continue to provide for them their lifetime; I encourage them to place their faith and trust in our Lord and Savior.

“Now the feast of celebration all of creation sings for joy to the God of life and love and freedom; praise and glory forevermore!” I now therefore.....(and then the particulars of the Will would follow, leaving gifts to family and friends, but also an articulation of the gifts you leave to the various ministries of the church).