

# RETIREMENT PLAN ASSETS

## AND CHARITABLE GIVING AT THE UNIVERSITY OF FLORIDA

While a record number of people today participate in tax-favored retirement plans, too few have considered the ultimate distribution of such assets and their tax consequences at that time. Utilizing retirement assets to support one or more of your interests at UF also may be an attractive alternative to having a large percentage of a retirement account needlessly lost to taxes.

### Using Your Retirement Plan Assets To Make A Deferred Charitable Gift

- ▶ A qualified retirement plan or an Individual Retirement Account (IRA) may be used to make a charitable gift to UF. It also provides favorable income tax treatment because you pay no income tax on the contributed funds or on their growth in value when they are held in the plan. Instead, you pay income tax when you withdraw the funds.
- ▶ Individual accounts in profit-sharing plans, money-purchase pension plans, 401(k) plans and traditional IRAs, as well as Social Security benefits, cannot be used as charitable gifts during your life without first counting the money as income, with the exception of the Charitable IRA Rollover (outlined on the back).
- ▶ Qualified plans are classified either as defined benefit plans or as defined contribution plans. The latter, by far the most popular plan today, is highly suitable for charitable gifts in your will or estate plans because there often is an undistributed balance still in the plan. You may direct that this balance be transferred to UF upon your death.
- ▶ Defined benefit plans typically are not suitable for charitable giving because they pay a specific income benefit to a retiree that ends at the beneficiary's death. Consequently, the undistributed portion cannot be transferred to charity.

### How To Make A Deferred Gift of Retirement Assets

To make a gift using your retirement plan assets, simply contact your plan administrator and request a Change of Beneficiary Designation form to sign. If you are married, your spouse must waive his or her right to survivor benefits from the plan (though this is not the case for IRAs). When you designate the UF Foundation as a beneficiary, you have the flexibility to indicate a specific amount or a percentage amount. Benefits of giving retirement assets:

- ▶ For many people, retirement assets may comprise the largest component of their estates, even though taxes can actually deplete much of what the retirement plan has accumulated. You may reduce taxes and leave more for both family members and UF by creatively using retirement assets to make gifts. Retirement assets also will be subject to income taxes when distributed to heirs.
- ▶ Therefore, you may want to consider leaving other assets to your family, and using retirement assets to support the area of your choice at UF. This allows you to reduce your tax liability on your retirement assets, and by leaving other assets such as appreciated securities to family members, your beneficiaries receive a stepped-up basis to the fair market value of the property at your death.

Example: An 80-year-old widow has \$500,000 in her IRA and \$500,000 in stocks with her local financial planner. Her original investment (basis) in her stocks is \$175,000 and has a current value of \$500,000. She wants to equally divide her estate between her daughter and UF. The following chart illustrates the widow's benefits of leaving the stocks to her daughter and naming the University of Florida Foundation Inc. as a beneficiary of her IRA. In this example, the daughter inherits her mother's stocks valued at the date of her mother's date of death, not the original \$175,000. This is referred to as the "step up" basis.

## Giving Retirement Assets

Type of Asset	Daughter Would Receive	University Would Receive
Stocks (qualifies for “step up” basis, with no income or capital gains tax for the daughter)	\$500,000	\$500,000
IRA (An asset that will be taxable to the daughter)	\$275,000*	\$500,000
Income tax liability if daughter is given the stocks and the university is given the IRA	\$0	\$0

\*Using a marginal federal tax rate of 35% and state income tax of 10%.

Since the university is income tax exempt, it will not pay tax on the IRA proceeds. If the daughter had inherited the IRA instead of the stocks, she could pay as much as \$225,000 between federal and state income tax. The SECURE Act and SECURE 2.0 Act may further diminish heirs' proceeds.

## Individual Retirement Account (IRA) Rollover Option

Due to recently enacted legislation, you may be able to make a gift to UF with a distribution from your Individual Retirement Account (IRA), and take advantage of tax savings. Under the “Protecting Americans from Tax Hikes Act” of 2015, Americans over the age of 70½ can distribute up to \$111,000 in a calendar year from an IRA to UF or other charities tax-free. This gift may count toward the minimum required distribution, but is not included in your income for income tax purposes.\*\* Although you are not entitled to a charitable deduction for the distribution, the gift can benefit UF immediately. This provision is commonly referred to as the “IRA Charitable Rollover” and is now permanent law.

## How the IRA Charitable Rollover Works

- ▶ You must be 70½ or older at the time of distribution.
- ▶ You may distribute any amount up to \$111,000 in a calendar year to charity, as long it is completed by December 31 of the year in which you intend to make the charitable distribution.\*\*
- ▶ Your IRA administrator must make the distribution directly to the charity
- ▶ If you make a gift to UF from your IRA, please contact the Office of Gift Planning about how you would like your gift to be used at UF. We can provide the necessary paperwork to facilitate your gift, as well.

Certain restrictions and requirements must be followed when making this type of gift. If you have questions, please contact UF's Office of Gift Planning. You should also consult with your tax advisor to discuss your particular situation including any impact of your state's tax laws.

## The Opportunity

A gift of retirement assets to the University of Florida may reduce or eliminate taxes and, at the same time, help you better provide for family members. The UF Foundation is happy to work with you and your financial advisors to ensure your gift creates the impact you desire, while helping you meet your personal and financial goals.

### CONTACT

- ▶ Office of Estate & Gift Planning  
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*The UF Foundation (federal tax ID number 59-0974739) is a Florida nonprofit organization exempted from federal income tax as a 501(c)(3) publicly supported charity. The UF Foundation does not provide legal, tax or financial advice. When considering planning matters, seek the advice of your own legal, tax or financial professionals.*

\*\*The Consolidated Appropriations Act of 2023 (Act) increased the age for required minimum distributions from retirement plans.

The Act increased the age retirees must begin taking taxable withdrawals to age 73 in 2023 and age 75 by 2033, up from age 72 under the previous law. IRA owners can still make a qualified charitable distribution (QCD) starting at age 70½. Additionally, the maximum annual QCD amount will increase to account for inflation.