Outright Gifts of Retirement Assets

If you are over 59 ½ years of age, you might consider an outright gift from your IRA or 401(k) or 403(b) plan. While the withdrawal will typically be a taxable event, your charitable deduction would offset the taxable income, provided you itemize your deductions and can claim the full deduction in the year you make the gift.

A Tax-wise Way to Give

Did you know you can create a legacy at Carnegie Mellon University without changing your will or parting with any assets now? You can designate Carnegie Mellon as a beneficiary of your retirement accounts and benefit from one of most tax-wise ways to support the university you care about.

Making a gift of retirement plan assets, IRA’s, 401(k), 403(b), and other qualified plans, is easy to do.
You do not need to modify your will or living trust. You can name Carnegie Mellon as the sole beneficiary or as one of several. This allows you to make a gift while still providing for family members or other loved ones. At your passing, that portion of remaining funds will be paid to the Carnegie Mellon in a lump sum, totally tax-free. In the meantime, the funds remain available to you should you need them to meet your own needs, and, if family circumstances change, you can adjust the portion allocated to Carnegie Mellon.

**Besides tax savings, a gift of retirement assets has other advantages:**

- It is easy to arrange. You simply request a beneficiary designation form from your plan administrator. There is no need to change your will or living trust.
- You can designate Carnegie Mellon University as beneficiary of whatever portion you choose. For example, it might be 10 percent or 35 percent of the account. If you have otherwise provided for heirs, you could leave the entire balance to Carnegie Mellon.
- The gift is revocable. You retain full control of your retirement funds should you need them, and you can change beneficiaries at any time.

**Example of Using an IRA to Make an Estate Gift to Carnegie Mellon**

Your total estate is valued at $500,000 and you wish to give half to your daughter and half to CMU. Your estate is comprised of an IRA valued at $250,000 and $250,000 in other general assets.

**Option 1**

Give $250,000 from your general estate assets to Carnegie Mellon and the IRA to your daughter.

In this scenario, both of your beneficiaries would receive $250,000, but your daughter would pay approximately $87,500 in income taxes, assuming that her combined state and federal tax rate is 35%. This gives $250,000 to CMU and a net of $162,500 to your daughter.

**Option 2**

Give your IRA to CMU and $250,000 from your general estate assets to your daughter.

In this scenario, your daughter would not pay any income taxes and both of your beneficiaries would net $250,000 from your estate.

General rule: Upon death, it is better to make charitable gifts with IRAs and qualified retirement funds and give other assets such as cash, securities, and real estate to heirs.
Taxation of retirement plan assets

Retirement assets are considered ‘non-probate assets’ and generally pass outside of the will or living trust. However, they are still considered to be a part of an individual’s estate and the fair market value of these assets, along with all other estate assets, will be subject to possible state and federal estate taxes.

Every dollar your heirs (other than your spouse) receive from retirement accounts would be subject to income tax (unless the distribution derives from a Roth IRA). Depending on the size of the estate, retirement funds, like other estate assets, may be subject to estate tax. However, distributions from retirement accounts to a charity are subject to neither income tax nor estate tax.

“There’s a sense of pride in being part of the university’s philanthropic community.”
— Janel Miller (E’80, ‘84)

NEXT STEPS:
To receive further information and assistance on gifts of retirement plan assets, or to learn more about how your gift can help Carnegie Mellon University, please contact our Office of Gift Planning.

- call (412) 268-5346
- email askjoebull@andrew.cmu.edu

* The only exceptions to possible double-taxation are distributions from a Roth IRA or distributions attributable to contributions of after-tax dollars to other types of IRAs. Because everyone’s situation is different, we encourage you to seek professional legal, estate planning, and financial advice before deciding on a course of action. This information does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice.