

A Gift That Grows



“Train up a child in the way he should go; and when he is old, he will not depart from it.”

Proverbs 22:6

Now is a great time to encourage grandparents to support Jewish day schools.

Thanks to recent federal tax legislation, grandparents throughout the country may be able to use their IRA to make gifts to any day school of their choosing, or establish endowment funds at local federations to benefit day schools. And schools have a unique opportunity to connect with their students' grandparents to raise awareness about the benefits of using retirement assets to support Jewish education.

A provision in the Pension Protection Act (PPA) of 2006—set to expire December 31, 2007—allows any taxpayer age 70½ or older to make a direct distribution of up to \$100,000 per year to a qualifying charity from his or her IRA, without triggering tax consequences. The Partnership for Excellence in Jewish Education (PEJE) and UJC/the Federations of North America are collaborating with Jewish day schools to help them take full advantage of this limited-time opportunity. We have created a strategy for reaching out to grandparents, and we hope you will join us in this effort.

By teaming the federation's expertise addressing complex tax issues with a day school's personal connection to the grandparents of their students, we can take advantage of the IRA rollover legislation to strengthen day schools. In fact, some schools have already worked with their community's federation to benefit from this opportunity. UJC and PEJE will provide a full range of communications tools to help you engage grandparents in this effort.

For grandparents, making a gift to a day school from an IRA is more than tzedakah, it's smart tax planning!

Under the PPA, an eligible owner of an IRA can give as much as \$100,000 from an IRA to charitable organizations in 2007 without recognizing any income on the distribution. This change is helpful in two ways:

- Seniors can avoid Federal income tax on that generally applies to IRA minimum distributions
- Tax-free rollover can enhance other tax planning strategies that can help minimize income and estate taxes

In your conversations with grandparents about this issue, we suggest you encourage them to make tax-free distributions up to \$100,000 through the IRA Rollover, but you can also mention other ways they can use retirement assets to support the school, even after the IRA Rollover provision expires. For example:

- They can name the school as the beneficiary of an IRA after death, given the tax inefficiencies of bequeathing IRA assets to their heirs.
- They can use the IRA required minimum distribution to fund payment of premiums for an insurance policy that would name the school as its beneficiary.

How does the IRA Rollover Work?

Taxpayers age 70½ and older are required to take annual distributions from their IRAs. The distributions are generally included in the taxpayers' adjusted gross income, and can increase Federal taxes owed. The IRA Rollover permits taxpayers to make distributions directly to qualifying charitable organizations from their IRAs without including them as part of their adjusted gross income, and, consequently, without paying taxes on them. The rollover provision is scheduled to expire on December 31, 2007.

Distribution Limit: A donor's total combined IRA tax-free rollover distribution cannot exceed \$100,000 in any one year.

Eligible Charities: Distributions from an IRA must go directly to a public charity. However, distributions to donor-advised funds, supporting organizations and private foundations, except in narrow circumstances, do not qualify for this tax-free treatment.

Eligible Retirement Accounts: Distributions can only be made from traditional IRAs. Charitable donations from 403(b) plans, 401(k) plans, pension plans, and other retirement plans are ineligible for the tax-free treatment. However, it may be possible to establish a new IRA and rollover some assets from other qualified retirement plans into the new IRA.

To find out more, please contact the Endowment Director of your local Jewish federation, who is looking forward to working closely with you to make the most of this window of opportunity to engage with grandparents in order to enhance our schools and ensure a vibrant Jewish future. And please visit our website at www.ujc.org/irarollover



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