



**Direct IRA Transfers for U.S. Community Foundations
Local Release**

PRESS RELEASE

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IMMEDIATE RELEASE

New Pension Law Also Provides for Charity
Provision Allows for Tax-free Charitable Transfers from IRAs

Tyler, Texas – Since 1974, millions of Americans have saved billions of pre-tax dollars in Individual Retirement Accounts (IRAs). Thanks to continued savings and investment returns, an estimated \$3.6 trillion is currently invested in IRAs, and the total continues to grow. Today, a federal law was enacted allowing IRA owners to share the wealth of their retirement savings by giving directly to charity—without first counting it as income and paying income tax.

The new law could be a boon to local philanthropy.

“This is a wonderful win-win—for people who would rather give to charity than pay taxes—and the nonprofit organizations they choose to support,” said Kyle Penney, East Texas Communities Foundation President.

Thanks to decades of deliberate saving and favorable investment returns, a substantial share of today’s retirees have more money in their IRAs than they’ll ever need. Many have expressed an interest in giving the funds to charity, but income tax must be paid on all withdrawals, which sharply reduces the value of the gift. Others have asked about designating their children as beneficiaries, but that may draw additional tax consequences.

“For larger estates, a good portion of IRA wealth goes to estate taxes and income taxes of beneficiaries,” Penney said. “In some larger estates, without proper planning, heirs could receive less than 25% of IRA assets. It is our recommendation that individuals who feel this new law might apply to their situation, should contact their professional advisors.”

A provision in the new federal Pension Protection Act of 2006, signed by President Bush today, creates a new option: transferring IRA assets directly to charity. By going directly to charity, the money is not

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included in the IRA owner's income and—most importantly—is not taxed, preserving the full amount for charitable purposes. The law covers all gifts made this year and next.

In 2006 and 2007, holders of traditional and Roth IRAs who are at least 70 ½ years old can make direct charitable transfers up to \$100,000 per year. As a qualified public charity, East Texas Communities Foundation can help donors execute the transfers and choose from several charitable fund options for their gift. Donor Advised Funds do not qualify for tax-free IRA transfers, but the Foundation has several options for IRA owners to make the most of their gift to the non-profit organizations of their choice.

Creating a **Nonprofit Endowment Fund** for an organization allows nonprofits access to endowment building investment expertise, benefits of diversification and economies of scale, relief from administrative burdens and protection that the funds will be used as intended by donors. Setting up a **Scholarship Fund** is an easy and efficient way for donors to help students attain higher education opportunities. ETCF handles all the administrative and investment burdens of the fund and allows donors to be involved in the definition of the scholarship eligibility and selection criteria. An IRA owner could also set up a **Field of Interest Fund** to support work in a chosen area of concern such as education, the environment, arts, youth services, programs for the elderly and other social and cultural areas as determined by the donor. Another simple way for IRA owners to invest in the community is by setting up or adding to an **Unrestricted Funds**, this will allow donors to invest in the future of East Texas. Their unrestricted gifts are placed in the Foundation's Unrestricted Charitable Fund and grants from that fund are made in response to unmet needs each year.

ETCF can work with individuals and their professional advisors to make sure East Texas area charities can benefit from this opportunity.

“This really is a limited-time offer: the window is open now, but it will close in 2007 unless Congress extends it,” said Penney. “For anyone interested in establishing a permanent legacy in this community, this is the opportunity of a lifetime to make the gift of a lifetime.”

Through philanthropic services, strategic investments and community leadership, East Texas Communities Foundation helps people throughout East Texas support the causes they care about, now and for generations to come.

For more information about the East Texas Communities Foundation, please call 903.533.0208 or log on to our website at www.etcf.org

Sources:

Kyle Penney, East Texas Communities Foundation president, (903) 533-0208

IRA MARKET SHARES BY HOLDER, 2001-2005

(\$ billions, end of year)

By holder	2001	2002	2003	2004	2005
Commercial banking	\$160.1	\$165.6	\$166.0	\$168.0	\$170.5
Saving institutions	54.6	53.8	55.1	53.7	53.8
Credit unions	39.9	43.3	46.8	47.7	49.3
Life insurance companies	251.0	308.3	338.4	376.0	407.0
Money market mutual funds	172.0	190.0	171.0	153.0	162.0
Mutual funds	961.3	822.0	1,095.0	1,279.0	1,432.0
Other self-directed accounts	980.1	950.0	1,118.6	1,258.7	1,392.4
Total	2,619.0	2,533.0	2,991.0	3,336.0	3,667.0
Source: Board of Governors of the Federal Reserve System					