Many Americans have some form of retirement plan, be it a 401(k), 403(b), 457 plan or a traditional IRA. Because of compounding interest and tax deferrals, these plans can grow quickly. However, if you die with retirement plan assets in your estate, those assets are subject to taxes as high as 35 percent upon distribution. In contrast, U.S. Figure Skating, a tax-exempt nonprofit organization, may receive the full amount of your assets. To avoid putting the strain of taxes on your heirs, consider designating U.S. Figure Skating as a beneficiary for a percentage of your retirement assets.

**Making U.S. Figure Skating a Retirement Asset Beneficiary: Four Options**

1. Designate U.S. Figure Skating as the primary beneficiary for your benefits. This will allow you to leave your loved ones assets that may be transferred at lower tax rates.

2. Designate a specific amount or percentage of your retirement assets to be paid to U.S. Figure Skating. The remainder of the assets will be distributed among your loved ones.

3. Make U.S. Figure Skating the contingent beneficiary of these assets. In this instance, U.S. Figure Skating will receive the balance only if your primary beneficiary does not survive you.

4. Create a charitable remainder trust for your retirement plan. When you die, your retirement assets will be transferred to the trust. The trust will pay income for life to a designated beneficiary, after whose death the assets will transfer to U.S. Figure Skating.

Updating your retirement plan information is easy and free. Simply contact your retirement plan administrator for a change of beneficiary form. Decide what percentage of your assets you would like U.S. Figure Skating to receive and name U.S. Figure Skating, along with the percentage, on the beneficiary form. If you are married, please note that a surviving spouse is usually entitled to the entire amount of your retirement plan. In this case, the spouse must sign a waiver allowing the gift. Ask your retirement plan administrator if this applies to your plan.

Contact an estate planning attorney before making your estate plan. Please contact Emmaline Repp, Coordinator, Giving Programs, at 719-228-3424 or erepp@usfigureskating.org with questions about supporting U.S. Figure Skating.

U.S. Figure Skating is a non-profit organization and as such, any donations made to U.S. Figure Skating are tax-deductible. U.S. Figure Skating does not provide tax consultation. Please refer all questions to your tax preparer.
How it Works: Example

Edward would like to leave $300,000 to his nephew, Gordon, and $300,000 to U.S. Figure Skating. Edward's assets include an IRA worth $300,000 and appreciated stock, which he purchased for a total cost of $150,000. The stock is now worth $300,000. The capital gains tax rate is 20 percent. Gordon's marginal tax rate is 35 percent.

Option A

Edward leaves the IRA to Gordon. It is subject to income taxes at Gordon's marginal tax rate. The total value of the gift to Gordon totals $195,000.

$300,000 - [.35 x $300,000] = $195,000.

The $300,000 in appreciated stock is donated to U.S. Figure Skating. U.S. Figure Skating is a tax-exempt organization and as such, it is not subject to capital gains tax. Assuming the stock is sold immediately, the total value of the gift to U.S. Figure Skating is $300,000.

Option B

Edward leaves the IRA to U.S. Figure Skating. As a tax-exempt organization, the tax burden is eliminated. The value of the gift to U.S. Figure Skating is the full $300,000.

Edward leaves Gordon $300,000 in appreciated stock. Gordon sells the stock after one year, when it has appreciated in value to $375,000. When Gordon sells the stock, he is required to pay capital gains tax on the $75,000 increase in the stock's value since he received it, rather than the $225,000 total appreciation of the stock over its base value.*

Gordon will pay $15,000 in capital gains tax, for a total gift value of $285,000.

In this scenario, Option B allows Edward to provide his nephew a gift of greater value for the same cost while simultaneously furthering the mission of U.S. Figure Skating.

*When appreciated stock is gifted and eventually sold, the seller must pay capital gains tax only on the appreciation value of the stock since he received it, rather than the cost basis.