Manchester University

Creating a LEGACY

IN THIS ISSUE: CHARITABLE GIFT ANNUITIES CHARITABLE REMAINDER TRUSTS July 2016

One Couple's Way of Giving and Saving

Over the years, Firebaugh has been a common name at Manchester. Florence Hauger '32x Firebaugh attended Manchester and in her footsteps came her two sons, Morris Firebaugh '59 and Doug Firebaugh '62. The next generation included Doug's two daughters, Michele Firebaugh '86 and Dena Firebaugh '91 Guth. They all brought different gifts to campus and shared them with the world in a variety of ways.

Doug and his wife, Audrey, met through the Church of the Brethren and married when Doug was still attending Manchester. He was a math and chemistry major and taught chemistry and astronomy at Freeport High School in Illinois for more than 30 years. During his career, he encouraged countless promising students to attend Manchester, which, in part, earned him the Manchester University Alumni Service Award in 1972 and the Alumni Honor Award in 1985. He was a member of Manchester's Board of Trustees from 1987 to 1996.

His talent and service reached beyond the University and his classroom. In the fall of 2014, the observatory he helped build and directed for 32 years was named the "Doug Firebaugh Observatory" by the the Planetary Studies Foundation in Freeport.

Doug and Audrey have been dedicated donors to Manchester University and have included Manchester in their estate plan.

Last year, they also chose in invest in a Charitable Gift Annuity (CGA) at the University. With a CGA, the Firebaughs contributed through appreciated assets and, based on their age, will receive fixed payments each year for life. Whatever funds are left when they both pass away is donated to Manchester. What made this contribution option most appealing to them was that they receive financial security while still giving back to Manchester University.

"Going to Manchester was a life enriching experience for several members of our family," stated Doug. "Over the years we have seen or heard of many other Manchester students whose lives were changed as their interests and outlooks expanded, going on to successful careers and to lives of service for others. We are thankful to be able to help today's young people see new possibilities and recognize their full potential due to their Manchester experience."

GIVING AND SAVING FOR

YOUR FAMILY

Many people believe they have to decide between keeping their money, giving to family or supporting their valued charitable causes. In reality, there are financial vehicles that allow you to do all three! A charitable gift annuity (CGA) and charitable remainder trust (CRT) are perfect examples.

Charitable Gift Annuity

- A charitable gift annuity is a contract between you and Manchester University. You make a financial contribution to Manchester through a gift of cash, stock, or other appreciated assets. In exchange, Manchester signs an annuity contract that promises to make fixed payments to you for your lifetime at a rate that is the same today as it is tomorrow.
- While stock investments follow the flow of the market and CD payout rates are near record lows, the payout rate of a CGA is fixed and never changes – regardless of what the economy does.
- The payout rate is based on your age and a portion of each payment may be tax free.
- You will receive a charitable income tax deduction for a portion of the initial contribution given and, if your gift is funded with stock or other appreciated property, a portion of your income will be taxed at lower capital gains rates.
- You can create an annuity that will pay income to you alone or to you and another person. It could be for you and a spouse, another family member or even a friend. The payment rate is based on the combination of the two ages and the payments are fixed for life.
- You also receive the satisfaction of knowing you will be helping Manchester educate students of ability and conviction.

If you want a calculation that shows you what your payment rate and tax benefits might be, please contact Manchester University Office of Advancement at 260-982-5218 or arkreps@manchester.edu.

Charitable Remainder Trust

- A charitable remainder trust permits you to make a gift of your appreciated property and receive payments for life, two lives or a term of years.
- The trust will sell your property tax-free and then reinvest the proceeds from the sale of your asset, typically in an income-producing portfolio of stocks and bonds. In most cases, the goal is to invest for growth. Assuming the trust return exceeds what is paid out, the trust may grow, in which case your income would increase over time.
- A CRT allows for either a fixed annuity amount or a trust amount that changes every year.
- By establishing a CRT, you can bypass capital gains tax, and you receive a charitable income tax deduction in the year the trust is created.

Example:

Consider a $200,000 asset that had been producing 2% income ($4,000 each year). Thanks to the CRT, the full $200,000 is invested to generate a higher return, perhaps providing a 6 percent income stream or $12,000 annually. For a husband and wife, both 65 years of age with a 25-year life expectancy, this adds up to an increase in income of more than $200,000 over the life of the donors (an increase of $8,000 x 25 years). Upon the passing of both husband and wife, the remaining value in the trust will help further the mission of Manchester University.

Visit plannedgiving.manchester.edu to learn more about your giving options.

Office of Advancement | 604 E. College Ave. | North Manchester, IN 46962
888-257-2586 | plannedgiving.manchester.edu

SAVVY LIVING

By: Jim Miller

Dear Savvy Living,

Can you give me the details on required IRA and 401(k) distributions? I turned 70 this year and want to be clear on what I'm required to do and when I'll have to do it.

Here's what you should know about required retirement account distributions along with some tips to help you avoid extra taxes and penalties.

RMD RULES

Beginning at age 70½, the IRS requires all seniors that own tax-deferred retirement accounts—like traditional IRAs, SEP IRAs, SIMPLE IRAs, SARSEPs, 401(k)s, 403(b)s and 457s—to take annual required minimum distributions (RMDs) and pay taxes on those withdrawals. Distributions are taxed as income at your ordinary income tax rate.

There are two exceptions. Owners of Roth IRAs are not required to take a distribution, unless the Roth is inherited. And if you continue to work beyond age 70½, and you don't own 5% or more of the company you work for, you can delay withdrawals from your employer's retirement plan until after you retire. But if you have other non-work-related accounts, such as a traditional IRA or a 401(k) from a previous employer, you are still required to take RMDs from them at age 70½, even if you're still working.

RMD DEADLINES

Generally, you must take your distribution every year by December 31. First timers can choose to delay taking their distribution until April 1 of the year following the year they turn 70½. But be careful about delaying, because if you delay your first distribution, it may push you into a higher tax bracket because you must take your next distribution by December 31 of the same year.

Be aware that you can always withdraw more than the required amount, but if you don't take out the minimum, you'll be hit with a 50% penalty on the amount that you failed to withdraw, along with the income tax you owe on it.

DISTRIBUTION AMOUNTS

Your RMD is calculated by dividing your tax-deferred retirement account balance as of December 31 of the previous year by an IRS estimate of your life expectancy.

IRA withdrawals must be calculated for each IRA you own. 403(b) accounts also allow you to total the RMDs and take them from any account or combination of accounts.

With 401(k) plans, you must calculate the RMD for each plan and withdraw the appropriate amount from each account.

To calculate the size of your RMD, you can use the worksheets on the IRS website – see irs.gov/Retirement-Plans and click on "Required Minimum Distributions." Or, contact your IRA custodian or retirement plan administrator who can do the calculations for you.

For more information, call the IRS at 800-829-3676 and ask them to mail you a free copy of the "Distributions from Individual Retirement Arrangements" (Publication 590-B), or see irs.gov/pub/irs-pdf/p590b.pdf.

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