

Retirement Accounts

For many people, their largest asset may be their retirement plan: a 401(k), 403(b), IRA, Keogh, or other qualified account. When you plan the distribution of your estate, it may seem natural to designate a child or other relative as the successor beneficiary of your account after your death and make a legacy gift to Children's Hospital of the King's Daughters in another manner.

Did you know the IRS considers the balance left in your retirement account at death to be **untaxed income** so income tax is imposed **in addition** to potential estate tax on the retirement account balance?

The result of this double taxation? For estates fully subject to the estate tax, up to 70% of the value of the retirement plan may be consumed in taxes before your child, relative or friend receives the gift. Designating CHKD as your beneficiary may be a better option.

Example

Here's how it could work if you don't make any changes. Suppose the balance remaining in your IRA at your death is \$500,000, that your estate is subject to 49% federal estate tax, and that your heir is in the 35% income tax bracket:

| | |
|---------------------|-------------|
| IRA value | \$500,000 |
| Less 49% estate tax | (\$245,000) |
| Transfer to heir | \$255,000 |
| Less 35% income tax | (\$89,250) |
| Net to heir | \$165,750 |
| Total tax % | 67% |

The beneficiary of your retirement account will only receive 33% of account's value at your death.

When you choose to designate CHKD as the beneficiary of your retirement plan, the impact of your estate gift is much greater and your heirs are not subject to income tax. The entire balance of the account will help provide critical care for children at Children's Hospital of The King's Daughters instead of being used to pay taxes. Your heirs may be provided for by different assets that will not cause them a significant tax burden.

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In summary, a gift of your retirement plan to CHKD may be for you if:

- You hold a 401(k), IRA, or other retirement plan.
- You want to ensure the most tax-efficient distribution of the assets in your estate.
- You prefer to make a gift to CHKD through your estate plan.
- You want to balance your giving between providing for your family and for CHKD.

To name CHKD as a beneficiary of your retirement plan, simply fill out a Beneficiary Designation form with your retirement plan provider and notify CHKD of your intent. Use “Children’s Hospital of The King’s Daughters,” 601 Children’s Lane, Norfolk, VA 23507 and Federal Tax ID #54-0506321 when completing your Beneficiary Designation form.

All donors who make planned gifts to Children’s Hospital of The King’s Daughters qualify for membership in *The Beth Duke Legacy Society*, our special group of donors who have committed to remembering CHKD as part of their legacy. For more information, please contact our office at 757-668-7070.

This information is taken from sources believed to be reliable, but is not guaranteed as to completeness or accuracy. You are urged to seek the advice of your financial planner, attorney and/or tax advisor to make certain a contemplated gift fits well into your overall circumstances and planning.