PENSION PROTECTION ACT OF 2006
CHARITABLE IRA ROLLOVER PROVISION

What is it?
On August 17, 2006, President Bush signed into law new tax incentives for charitable gifts. The IRA Charitable Rollover provision allows individuals to make distributions from their IRA accounts directly to the Western Carolina University Foundation without recognizing the distribution as income.

Key points of the provision:

• You must be at least 70 1/2 years old at the time of the charitable distribution.
• You may distribute up to $100,000 per year, for tax years 2006 and 2007.
• Distributions must be made directly from the trustee/administrator of your IRA to a qualifying public charity (you cannot receive the distribution prior to gifting to the charity).
• Distributions cannot be made to donor-advised funds or “supporting organizations” (careful planning is required because many foundations are classified as supporting organizations).
• Gifts must be made outright to the charity (they cannot be used to fund income-producing gifts such as charitable remainder trusts or charitable gift annuities).
• No charitable deduction is allowed, since this provision allows you to exclude the distribution from income (in effect, the deduction was taken when the funds were put into the IRA).

Who might benefit?

• Individuals who have accumulated IRA assets that may not be needed to support their retirement lifestyle, but who are required to take distributions each year. A qualified charitable distribution can partially or completely satisfy annual minimum distribution requirements, without having to be recognized as income.
• Individuals who have made, or are contemplating making, charitable gifts that exceed 50% of their adjusted gross income (the maximum amount of deduction allowed for cash gifts). A qualified charitable distribution is not subject to the 50% AGI (Adjusted Gross Income) limitation because no charitable deduction is permitted.
• Individuals who own an assortment of smaller IRA accounts that while not substantial in relation to financial needs, nevertheless require owners to keep up with minimum distribution requirements each year. These smaller accounts can be given in their entirety (provided the total amount for all accounts does not exceed $100,000) as a qualified charitable distribution.
• Individuals who do not itemize deductions on their federal income tax returns. Many prefer claiming the standard deduction and filing a less complicated return. Making a qualified charitable distribution will not require individuals to itemize, so there will be no need to change their tax preparation preferences.
**Did you know?**

Retirement plan accounts are one of the most highly taxed assets that a person can give to their heirs at death—sometimes taxed as much as 70%. Consequently, these accounts are among the most inefficient assets to pass to family and loved ones, but they are one of the most tax-efficient assets to give to Western. Not only could you benefit from making an outright distribution now from your IRA, by naming Western as the beneficiary of your retirement account, you could avoid excessive future taxation of this asset. And since changing the beneficiary of your account is normally quite simple, any new laws related to estate and IRA taxation that would create the need to make further changes related to beneficiary designations should not be difficult to implement.

**How can I make a qualified charitable distribution?**

In order for the distribution from your IRA to meet the criteria as a qualified charitable distribution, the funds must be transferred directly from the plan administrator of your IRA to the WCU Foundation. You are required to contact the plan administrator to request the transfer, and we can provide you with a simple form to give to your plan administrator:

*We ask that you inform Western directly of the distribution we should expect from your plan administrator. At that time, you can designate how the funds will be used. For your records, we will provide you with a letter acknowledging the amount of the distribution and the date it was received.*

**Contact us/more information**

We urge you to consult your professional advisors regarding this new charitable IRA rollover opportunity. To help ensure that your gift meets all requirements as a qualified charitable distribution, please contact the Office of Planned Giving. The staff can also assist you with any questions regarding making Western a beneficiary of your retirement plan. For additional information on gifts of retirement plan assets, or including Western in your estate plan, please contact our staff members:

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<th>Jim Manring</th>
<th>Terri McDermot</th>
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<tr>
<td>Director of Planned Giving</td>
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<td>Direct: (828) 227-3049</td>
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<td>Email: <a href="mailto:manring@wcu.edu">manring@wcu.edu</a></td>
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Toll Free: (800) 492-8496

This information is not intended to be considered legal or tax advice. For advice regarding all matters associated with charitable giving, please consult an attorney and/or a professional tax advisor.