

THE PSI UPSILON FOUNDATION

FREQUENTLY ASKED QUESTIONS ABOUT CHARITABLE ROLLOVERS

What is a charitable IRA rollover?

The charitable IRA rollover, or qualified charitable distribution (QCD), is a special provision allowing certain donors to exclude from taxable income, and count toward their required minimum distribution, certain transfers of Individual Retirement Account (IRA) assets that are made directly to public charities, including The Psi Upsilon Foundation.

Since it was first made available in 2006, many Psi Upsilon donors age 70 1/2 or older have used this popular option to support the Psi U's educational mission with tax-wise gifts ranging from \$100 to \$100,000.

How does this help me?

A charitable IRA rollover makes it easier to use IRA assets, during lifetime, to make charitable gifts.

Why will lifetime IRA gifts be easier?

Under current law, withdrawals from traditional IRAs and certain Roth IRAs are taxed as income, even if they are immediately directed to a charity. The donor receives a tax deduction for his or her donation, but various other federal, and sometimes state, tax rules can prevent the deduction from fully offsetting this taxable income. As a result, many donors have chosen not to use IRA assets for lifetime gifts. The charitable IRA rollover eliminates this problem.

What gifts qualify for a charitable IRA rollover?

A gift that qualifies, technically termed a "qualified charitable distribution," is:

- Made by a donor age 70 1/2 or older
- Transferred from a traditional or Roth IRA directly to a permissible public charity, such as The Psi Upsilon Foundation
- Completed during the applicable tax year

Is there a limit on the amount that can be given?

Yes, there is a limit. An individual taxpayer's total charitable IRA rollover gifts cannot exceed \$100,000 per tax year.

What about the required minimum distribution?

If you have not already taken your required minimum distribution in a given year, a qualifying rollover gift can count toward satisfying this requirement.

Is an income tax deduction also available?

No. The gift would be excluded from income, so providing a deduction in addition to that exclusion would create an inappropriate double tax benefit.

Why are Roth IRAs included? Aren't withdrawals from a Roth IRA tax-free?

Withdrawals from a Roth IRA may be tax-free only if the account has been open for longer than five years or if certain other conditions apply. Otherwise, withdrawals are taxed as if they came from a traditional IRA. Therefore, certain Roth IRAs could benefit from a charitable IRA rollover.

Can other retirement plans, such as 401(k) and 403(b) accounts, be used?

No. However, it may be possible to make a tax-free transfer from such other accounts to an IRA, from which a charitable rollover can then be made.

Can a gift be made to any charity?

No. Excluded are:

- Donor advised funds
- Supporting organizations
- Private foundations

Who can benefit from using the charitable IRA rollover to make a gift?

- Persons with significant assets in an IRA
- Persons making gifts that are large, relative to their income. (Because a charitable rollover is not included in taxable income, it does not count against the usual percentage limitations on using charitable deductions.)
- Persons having so few deductions that they choose not to itemize

Can a rollover gift be used to pay my pledged support to Psi Upsilon?

Yes. You can honor your gift pledge to Psi Upsilon with one or more qualified charitable IRA rollover transfers of up to \$100,000 per person, per calendar year. You can direct your IRA provider to transfer your charitable gift to the Psi Upsilon Foundation quarterly, annually, or other timing that works for you. Simply have your provider indicate that the transfer is a gift from you.

Can a rollover gift be used to fund a charitable remainder trust or charitable gift annuity?

No. The donor can receive no benefits in return for the gift. This includes life income plan payments.

Are there any benefits that a donor can receive?

The only permissible benefits from a charitable IRA rollover gift are those that would not reduce the tax deduction for which the donor would have otherwise qualified. At Psi Upsilon, a charitable IRA rollover gift is allowed to count toward naming opportunities and toward recognition society memberships such as the Founders' Society and Order of the Owl.

What if a withdrawal does not meet the requirements of a charitable IRA rollover?

It simply will be included in taxable income as other IRA withdrawals currently are.

Is the charitable IRA rollover right for everyone?

While this is a great option, other types of gifts may provide donors with more tax benefits. As with any gift planning question, donors should consult their tax professionals for specific advice.

Can I still make a gift with an IRA beneficiary designation?

Absolutely! Whether or not you choose to make a charitable IRA rollover gift, you can still designate the Psi Upsilon Foundation as a beneficiary to receive IRA assets after your lifetime. The lifetime charitable IRA rollover is simply another option for donors who would like to see their philanthropy at work now.

If I made a charitable IRA rollover gift in other tax years, can I do this again for the current tax year?

Yes. The current law extends the charitable IRA rollover provision indefinitely allowing individuals to make qualifying gifts every tax year.

More questions?

Contact Mark Williams, President and CEO of The Psi Upsilon Foundation at 317-571-1833 ext. 101 or maw@psiu.org.