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MONTHLY jVOICE

SERVING THE
JEWISH COMMUNITY
OF DELAWARE & THE
BRANDYWINE VALLEY

EDUCATION & TECHNOLOGY

21ST CENTURY LEARNING AND JUDAISM:
Emphasizing the Connection

WE JEWS
Little known Jewish inventions

SIX IDEAS ABOUT THE FUTURE OF JEWISH EDUCATION AND ENGAGEMENT

Jewish Federation
OF DELAWARE

FED FOCUS

IRAs MAKE PERFECT LEGACY GIFTS

By Jordon Rosen, *CPA, MST, Accredited Estate Planner (Distinguished)*

Individual Retirement Accounts (IRAs) are a great way to save for retirement.

This is especially true if your employer does not sponsor a retirement plan such as a 401K or 403B plan. Annual contributions to traditional IRAs can be fully or partially deductible depending on your level of income and whether you participate in an employer sponsored plan. Distributions from IRAs can be taxed up to 37% at the federal level, in addition to any state income taxes. Citing the fact that many of us are living longer and working longer, new rules increase the age for beginning required minimum distributions (RMDs) from 70 ½ to 72. Also, beginning in 2022, the Uniform Lifetime Table and the Single Life Table have been adjusted to reflect longer lifespans, resulting in lower annual RMDs, which allow more funds to accumulate in the retirement account.

While an IRA or employer 401K can provide a comfortable retirement fund for the owner, it can create a big tax problem for your heirs. With the exception of accounts left to a spouse, a disabled individual, a minor child or someone whose age is not more than 10 years different than you (e.g., maybe a sibling), inherited retirement accounts can no longer be taken over the life expectancy of the designated beneficiary, but instead, must be completely distributed within 10 years of the death of the owner.

For further information on **Creating a Jewish Legacy,** please contact Wendy Berger, Senior Vice President/Financial Resource Development at Wendy@ShalomDel.org.

This means that a $1 million IRA, taken ratably over 10 years, would add $100,000 of income each year to the beneficiary's taxable income! One solution to this problem is to name Jewish Federation of Delaware as the beneficiary of a portion or all of your IRA or employer retirement account.

Conventional planning has been to leave a charitable organization such as JFD's Fund for the Future a set amount of dollars from your savings or brokerage account and name an individual such as a child or grandchild as beneficiary of your retirement account. The problem here is that the individual will pay tax on distributions from the retirement account, which wouldn't be the case if you named JFD or a constituent agency or synagogue as the beneficiary since they are tax-exempt entities. You can then bequeath the brokerage account to the individual, which is tax-free to them as well. You can accomplish this in two ways. First, you can create a separate IRA account naming the Jewish agency as the beneficiary; this allows you to have different investment strategies for each of your accounts, or second, simply list the organization as an e.g., 25%, 50% or 75% beneficiary of an existing retirement/IRA account.

Creating a legacy that benefits JFD and other local Jewish agencies will have a profound impact on our community's ability to adequately serve and advance Jewish values locally and statewide, well into the future. It also provides relief in future years from the painstaking effort of annual fundraising since you are "paying it forward" by providing future funds. Your legacy gift can be for general purposes or directed toward a particular project/need.