WESTERN MICHIGAN/NORTHERN INDIANA DIVISION | FALL 2007

FRIENDS OF THE ARMY

ESTATE AND FINANCIAL PLANNING IDEAS

DOING THE MOST GOOD℠

Inside this issue:

A Tale of Two Testimonials:
Retirement Account Gifts Can "Do the Most Good"

"Doing the most good" has long characterized the work of The Salvation Army, but that phrase took on special meaning for two friends who saw their retirement accounts as the ideal tool for helping for the Army.

This issue of *Friends of the Army* explores a variety of planning ideas for IRAs and other retirement accounts. We would also be pleased to send you our new booklet, ***Maximize Your IRA***, which will be helpful to anyone who has an IRA or may establish or inherit an IRA in the future.

Francine's 401(k) Plan

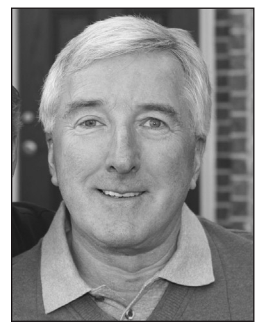
"I wanted to provide for both The Salvation Army and my daughter from my estate, which includes $75,000 in a 401(k) plan," Francine recalled. "My attorney said that the 401(k) could pass into an IRA for my daughter and that payments could be stretched out over her lifetime – all taxable, unfortunately.

"On the other hand, there would be no income tax if I left my daughter my house, stocks and bonds, personal belongings or savings accounts," she continued.

"I decided to leave my 401(k) to the Army, 100% free of income taxes, and leave only non-taxable assets to my daughter," Francine concluded. "That's 'doing the most good' for everyone!"

Note: Estates over $2 million also avoid 45% federal estate taxes on retirement accounts left to the Army.

Tom's IRA



"I reached a milestone this year – age 70½," Tom said ruefully. "That meant I had to start taking minimum payouts from my IRA every year, and for 2007 the amount was going to be about $30,000."

"I've been retired for three years and know that I won't need that money for my living expenses. Furthermore, about $8,000 would be lost to taxes.

"I asked my accountant if I had any other options," Tom continued, "and he said that for 2007, people my age could have IRA funds paid over to charitable organizations and that any gift would count toward my minimum distribution.

"I told my IRA custodian to send a check for the $30,000 to The Salvation Army, and I contacted the Army to let them know. It's extremely satisfying to know that every nickel will be used to help needy people."

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Retirement Accounts – The Perfect Estate Gift

Friends of The Salvation Army have a remarkable opportunity to blend support for the Army with their estate planning – particularly when it comes to disposing of funds remaining in retirement accounts.

Background: Certain assets can result in both income taxes and "death taxes" when they pass to your heirs. Where possible, people should leave this property to a qualified organization such as the Army and give family members assets that will not cause such heavy tax losses. A perfect example is unpaid benefits from retirement savings plans, such as 401(k) plans, 403(b) plans and individual retirement accounts (IRAs). In extreme cases, an heir might keep only 35 cents of every dollar received from a retirement account, after taxes.

How can you make death benefits from an IRA or other retirement account payable to The Salvation Army? Simply contact the custodian of your account for the necessary forms. With the exception of IRAs, your spouse's consent will be needed, if you are married.

It may make sense to name a family member to receive retirement death benefits but make The Salvation Army the contingent or "alternative beneficiary," should that person die before you. You can also give your beneficiary an option to "disclaim" (decline) any benefits in favor of the Army. Many heirs, after looking at the tax consequences, might choose to redirect the account to Army programs and thus avoid all taxes.

Your retirement account can also be transferred to an arrangement that pays a fixed or variable lifetime income to a family member, with later benefit to The Salvation Army. Call us for details.

Deadline Looms for 2007 IRA Gifts

The Pension Protection Act of 2006 enables friends over age 70½ to instruct their IRA custodians to make transfers to The Salvation Army or other qualified organizations with highly favorable tax results. Up to $100,000 can be given in this manner, but only through the end of 2007. No income tax deductions are available for IRA gifts, but IRA donors can still save significant taxes.

Giving through your IRA may:

- ❏ Reduce your taxable income (gifts can take the place of required annual distributions from IRAs)
- ❏ Ease tax penalties that affect itemized deductions, personal exemptions and AMT exemptions
- ❏ Cut taxes on Social Security benefits
- ❏ Erase future tax burdens on your IRA.

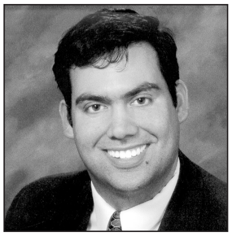
To make an IRA contribution, simply contact your IRA trustee or custodian and notify our office of your plans. We will need to be in contact with your IRA administrator to ensure proper transfer and receipting of your gift.

Several proposals have been made in Congress for permanent extension of the law permitting lifetime gifts from IRAs by people over age 70½, but budget rules may hamper passage. If you qualify to make a 2007 IRA gift, it's probably wise to take advantage of that opportunity now.

Our office of planned giving will learn of any favorable law changes almost immediately, and you should feel free to call us for information on any new opportunities. We also encourage you to make the Army a beneficiary of your retirement account, even if lifetime gifts are not currently an option.

The Life of a Retirement Account

Retirement Account Activity	Tax Significance
Employee makes contributions to an employer's retirement plan (possibly matched by employer), or to a traditional or "Roth" IRA.	All contributions grow tax deferred, and employees may deduct contributions, within certain limits, except for "Roth" IRAs or Roth 401(k) plans.
Employee retires or changes jobs and may either (a) leave retirement savings with the employer (b) transfer retirement plan funds to a "rollover IRA" or the new employer's retirement plan or (c) take distribution of the funds.	Distributions before age 59½ can be subject to a 10% penalty and income tax. Funds may be left to grow tax-deferred in the former employer's plan or in an IRA until age 70½.
Except for "Roth" arrangements, distributions must begin by age 70½, according to minimum distribution tables. No further IRA contributions can be made after age 70½.	Annual distributions will be taxable to the retiree, except for "Roth" arrangements and IRA payments made from nondeductible contributions.
Retiree leaves account at death to beneficiaries named in the IRA or other plan, or through a will or revocable living trust. Heirs may receive a lump sum or elect to have funds transferred to a "rollover IRA" that stretches payments over their lifetimes.	The retiree's beneficiaries and estate may owe combined income taxes and "death taxes" of up to 65% of the remaining balance, unless the beneficiary is a qualified charity, such as The Salvation Army.



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Laur Schaberg
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From Our Office of Gift Planning:

Make the Most of the IRA in Your Life

Dear Friends,

Do you have an individual retirement account? Even if you don't have one now, it's quite possible you may one day inherit an IRA or "roll over" a different retirement plan into an IRA.

IRAs play an important role in the financial lives of millions of workers and retirees, and The Salvation Army has a new booklet available, *Maximize Your IRA*, that describes many of the planning possibilities available to IRA participants.

IRAs come in various shapes and sizes – traditional IRAs, Roth IRAs that provide tax-free payouts and rollover IRAs that are helpful when a person changes jobs or retires from a company with a qualified retirement plan, such as a 401(k).

People who participate in IRAs encounter important questions. What types of investments should I keep in my IRA? What factors enter into my choice of beneficiaries for my IRA? What can I do to minimize income taxes and "death taxes?"

Maximize Your IRA covers these and other topics. The booklet also discusses why your IRA might be the ideal estate planning tool for benefiting The Salvation Army. We'll examine, as well, how your IRA can benefit a surviving spouse or other family members, with eventual benefit to the Army – and good tax savings.

Additionally, for friends who are past the age of 70½, there is now a special opportunity for IRA giving that is available only through the end of 2007. Our booklet details the opportunities for making current gifts through an IRA, up to $100,000, that can save you significant income taxes and help the Army today.

Please call our office or use the enclosed card to send for our new booklet. We look forward to hearing from you!

Sincerely,

Luke Conway

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