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## **Economic Rescue Package Includes Help for Charities**

### *Provision Permits Tax-free Charitable Transfers from IRAs*

Springfield – As part of the Emergency Economic Stabilization Act of 2008, the U.S. House of Representatives passed a two-year extension of Charitable IRA legislation, making it easier for Americans to give to causes they care about. The Charitable IRA provision, first enacted for 2006 and 2007, has the power to help local charities weather the current economic crisis. The extension goes through 2009.

In these financially turbulent times, millions of Americans continue to save pre-tax dollars in individual retirement accounts (IRAs). Thanks to regular investments and long-term returns, an estimated \$4.7 trillion is invested in IRAs. The new law allows taxpayers 70 ½ and older to share the wealth by giving retirement savings directly to charity—and bypassing income tax.

This new law is a boon to local charities that are experiencing the effects of a tough economy. The tax benefit expires December 31, 2009.

“It is a win-win—for people who would rather give to charity than pay taxes and the nonprofit organizations they choose to support,” said John Stremsterfer, Sangamon County Community Foundation executive director.

Thanks to decades of deliberate saving, some of today’s retirees have more money in their IRAs than they need for daily living expenses and long-term care. Charitable individuals and couples have expressed an interest in giving the funds to charity, but income tax must be paid on all withdrawals, which reduces the value of the gift. Others are concerned about designating their children as IRA beneficiaries, since that may draw unintended tax consequences.

“For larger estates, a good portion of IRA wealth goes to estate taxes and income taxes of beneficiaries,” Stremsterfer said.

A provision in the new federal law extends an option: transferring IRA assets directly to charity. By going directly to a qualified public charity such as the Sangamon County Community Foundation, the money is not included in the IRA owner's income and—most important—is not taxed, preserving the full amount for charitable purposes.

During 2008 and 2009 only, holders of traditional IRAs who are at least 70½ years old can make direct charitable transfers up to \$100,000 per year. A single person can transfer \$200,000 free from federal tax; a married couple can transfer up to \$400,000 free from federal tax from separate accounts. Sangamon County Community Foundation can help donors execute the transfers and choose from several charitable fund options for their gift. Donor Advised Funds do not qualify for tax-free IRA transfers.

"This really is a limited-time offer: the window is open now, but it will close at the end of 2009," said Stremsterfer. "For anyone interested in establishing a permanent legacy in this community, this is the opportunity of a lifetime to make the gift of a lifetime."

*Through philanthropic services, strategic grantmaking and community leadership, Sangamon County Community Foundation "connects people who care with causes that matter."*

## **SIDEBAR**

### **Gift of a Lifetime: Shopping for Charity**

These days, having more retirement money than you need is a great problem to have, and one that's now easier to solve. But generous IRA donors still face multiple options for their gifts: Support the entire community? Underwrite a special cause? Shore up a favorite charity? Here are three top charitable fund picks of John Stremsterfer, Sangamon County Community Foundation executive director.

#### ***SCCF Unrestricted Fund—Meeting ever-changing community needs.***

IRA transfers to the **SCCF Unrestricted Fund**, the community grantmaking fund, address a broad range of current and future needs. Sangamon County Community Foundation evaluates all aspects of community well-being—arts and culture, community development, education, environment, health and human services—and awards strategic grants to select projects and programs.

*Stremsterfer: "For people who care deeply about this community and its people, this fund is an excellent way to address our most pressing needs, today and tomorrow."*

#### ***Field of Interest Fund—Connecting personal values to high-impact opportunities.***

IRA transfers to Field of Interest Funds allow donors to target gifts to causes important to them: arts, education, historic preservation, youth welfare and more. Sangamon County Community Foundation awards grants to community organizations and programs addressing the donor's specific interest area.

Currently there are two unique opportunities to have gifts to field of interest funds MATCHED dollar-for-dollar at the Sangamon County Community Foundation. Contributions to the **Access to Recreation Endowment Fund** will be *doubled* and will enhance, expand and create new accessible recreational opportunities for people with disabilities. Gifts to the **Communityworks Endowment Fund** will be *doubled* and will be used to support workforce development, education, and land use. The Communityworks Endowment Fund is currently focusing on the new education and workforce initiative for Sangamon County - the **Continuum of Learning**.

*Stremsterfer: "For those who are particularly passionate about a single cause, Field of Interest Funds provide strategic, lasting support—even as needs change over time."*

**Designated Fund—Helping local organizations sustain and grow.**

IRA transfers to Designated Funds allow donors to support the good work of a specific nonprofit organization—an animal shelter, museum or any qualifying nonprofit charitable organization.

*Stremsterfer: “For people who want to help secure the future of their favorite charities, our endowed Designated Funds give nonprofits a steady stream of income, plus planned giving and investment management services.”*

**Sources:**

John Stremsterfer, Sangamon County Community Foundation executive director, (217) 789-4431

**IRA MARKET SHARES BY HOLDER, 2003-2007**

(\$ billions, amounts outstanding, end of year)

By holder	2003	2004	2005	2006	2007
Commercial banking	\$166.1	\$168.0	\$175.3	\$202.0	\$210.7
Saving institutions	54.8	53.7	53.8	57.6	71.2
Credit unions	46.8	47.7	49.3	53.2	58.2
Life insurance companies	338.4	347.0	381.0	406.0	435.0
Money market mutual funds	163.0	148.0	157.0	189.0	234.0
Mutual funds	1,093.0	1,277.0	1,433.0	1,698.0	1,907.0
Other self-directed accounts	1,130.9	1,257.7	1,402.6	1,614.2	1,830.9
<b>Total</b>	<b>\$2,993.0</b>	<b>\$3,299.1</b>	<b>\$3,652.0</b>	<b>\$4,220.0</b>	<b>\$4,747.0</b>
Source: Board of Governors of the Federal Reserve System, June 5, 2008.					

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