or older, naming a charity as the beneficiary of your retirement plan generally will not accelerate the required minimum yearly distributions to you during your life. At death, if persons other than the surviving spouse or tax-exempt charities are beneficiaries of your retirement funds, these funds are also potentially subject to estate taxes. *Under income tax rates, the total income taxes on retirement plan assets can reduce the value received by heirs up to more than 40 cents on the dollar.*

C. Much of an individual's other assets, such as real estate, taxable investments, and business ownership are not subject to income taxes when distributed. Thus, if you have decided to leave some of your assets to charity upon death, charitable bequests funded with retirement accounts minimize taxes and enable you to pass assets to Lake Junaluska without a prohibitive cost to your heirs relative to the after-tax assets they otherwise would receive.

If you have an IRA, pension and/or profit-sharing plan account balance and you are considering naming Lake Junaluska as a beneficiary, be sure to consult a lawyer or other tax advisor to properly execute that designation.

The Deferred Payment Charitable Gift Annuity

A deferred payment charitable gift annuity offers an attractive way to make a gift to Lake Junaluska now while guaranteeing personal annual income when you retire or at another time of your choosing. If you need tax deductions during your peak earning years and supplemental income when you retire, the deferred payment gift annuity could be a strong option for you. A deferred payment gift annuity would allow you to receive a current income tax deduction for the value of the gift minus the value of your future annuity payments. An example of a deferred payment charitable gift annuity can be found online at lakejunaluska.com/legacycircle in the Planned Giving Resources section.

The Charitable Remainder Unitrust

In a hypothetical example, we find Jon who has just reached retirement age and realizes that several of his investments do not yield the income he desires. Also, since these long-term investments have appreciated significantly in value, he will have to pay a substantial capital gains tax if he sells them.

A possible solution to this dilemma is a charitable remainder unitrust that works like this:
A donor irrevocably transfers cash, securities, or other property to the trustee named in the instrument, establishing the charitable remainder unitrust. The minimum value of the charitable remainder interest at the time of establishment must be at least ten percent of the gift value. Lake Junaluska could serve as trustee or it could be a bank, trust company, some other funds manager, or an individual. The trust agreement provides that the trustee shall pay from the trust to the donor (or his spouse, or another beneficiary designated) an annual payment, usually for the life of the beneficiary(ies). The amount of the payment is determined by applying a fixed percentage (not less than 5%) to the trust assets, as valued each year.

The payout percentage is agreed upon when the trust is established. The annual income from a unitrust fluctuates as the value of the trust assets changes, but the payout percentage remains the same. The donor may add to the trust in future years. The trust assets pass to Lake Junaluska for use in our work when the donor or his/her other beneficiary(ies) passes away. An example of a charitable remainder unitrust can be found online at lakejunaluska.com/legacycircle in the Planned Giving Resources section.

Retirement should be a time in our lives when we can do things such as travel, spend time with our friends and family, and work on behalf of nonprofit organizations that perpetuate our values. If we prepare well for retirement, we can indeed find that it will be the best time of our lives.

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This Estate Planning Newsletter has been prepared as a resource for friends of Lake Junaluska.

Contents

Dear Friends,

As a long-time charitable supporter, you know how time spent at Lake Junaluska can have a profound impact on one's life. You've felt God's presence in early morning walks and found hope in the quiet of the evening. Lake Junaluska is the place you have returned to time and time again to restore your soul; and, it's the place you've told others about when they were in need of renewal. Thank you for sharing Lake Junaluska with others.

Given the opportunity, most of us would like to make a lasting impact on the things we value and hold dear. Because of your deep commitment to the mission and ministry of Lake Junaluska, I want to personally invite you to become a member of the Lake Junaluska Legacy Circle. Established in 2021, the Lake Junaluska Legacy Circle is composed of generous benefactors who have chosen to make a lasting impact and support our long-term success by making a planned gift commitment.

Whether you have already included Lake Junaluska in your estate plans or are in the process of doing so, joining the Lake Junaluska Legacy Circle is simple. Notify us of your planned gift intention through filling out and returning the enclosed reply card. More information can be found online at lakejunaluska.com/legacycircle, including past issues of our estate planning newsletter which serve as a more in-depth resource about different types of planned giving opportunities. We hope you find this information to be helpful as you continue to support causes and organizations like Lake Junaluska that are near and dear to your heart.

Thank you for your deep love of this sacred place.
With gratitude,

Rebecca C Mathis

Rev. Rebecca Mathis
Director of Advancement

Planning for Retirement

Americans are living longer and healthier lives and thoughts about our "golden years" are changing. Retirement is no longer a short stretch at the end of a long working life. Retirement is an opportunity, a new phase, a time to do those things you've always wanted to do, and an opportunity to redefine and refine your priorities. Consider that a retirement that begins at age 65 can easily be fifteen to twenty-plus years in length.

According to the Social Security Administration (life expectancy table), a 65-year-old man will live an average of more than 19 years, and a 65-year-old woman will live an average of more than 21½ years. Many financial experts believe we need to replace at least 70% of pre-retirement income to maintain our lifestyles after we stop working. That means we need to re-think how we save for retirement, how we convert those savings into income-producing assets, and how we spend during retirement.

Most people contemplating retirement understand that Social Security benefits may not be a reliable or a sufficient source of retirement income. Social Security offers an income base, but Social Security income alone will not provide a fully funded retirement program. Therefore, it is important to heed the advice of investment experts to save ten percent (or more) of earnings and take full advantage of tax-deferred retirement opportunities. The key to a comfortable retirement for most people is using tax-advantaged savings plans to significantly supplement Social Security income.

Employed persons may have access to a qualified retirement plan provided by their employer. Many also take advantage of Individual Retirement Accounts (IRA's) — personal retirement funds for people who have earned income. There are two types of IRAs. The first type is the traditional IRA, which allows both deductible and non-deductible contributions. In either case, all earnings accrue tax-deferred, but upon withdrawal will be taxed as ordinary income. Secondly, there is the Roth IRA, in which contributions are not tax deductible but "qualified" withdrawals from the account, including earnings, are not taxable. Annual contribution limits for both types are currently $6,000 per year ($7,000 for individuals aged 50 or older).

A Simplified Employee Pension (SEP) plan is an excellent retirement vehicle for self-employed persons. For those who are not self-employed (and therefore, cannot set up such a plan), an alternative may be your employer's 401(k) or 403(b) plan. These are retirement savings plans that allow the employee to make pretax deductible contributions that grow on a tax-deferred basis.

Retirement planning begins with informed calculation and incorporates aspects of income needed, Social Security benefits, retirement savings and pension benefits, and other savings and investment. Visit the following website to access several retirement resources, including planning calculator options: http://www.ssa.gov/benefits/retirement/.

Charitable Planning Options

Four ideas that combine retirement funding with charitable giving are: 1) donations through IRA contributions, 2) the bequest of all or part of your retirement plan to a nonprofit organization, 3) the deferred payment gift annuity, and 4) the charitable remainder unitrust.

IRA Charitable Rollover

If you are 72 or older, you are required to take a minimum IRA distribution. This is referred to as a Required Minimum Distribution (RMD). Normally, these distributions are subject to income taxes. However, for persons aged 70½ and older, the IRA Charitable Rollover provision allows you to direct the transfer of up to $100,000 to public charitable organizations each year directly from your IRA, without treating the distribution as taxable income. This is referred to as a Qualified Charitable Distribution (QCD).

In order to qualify, contributions must go directly from your IRA to a public charity and be made from traditional IRAs. Donors may receive no goods or services in return for their contributions and must obtain written documentation of their contribution from each recipient charity.

If you took the mandatory distribution from your IRA, it would trigger a tax burden. This is true even if you subsequently donated the distribution you received to a charity. To avoid tax, designate that the charity receives the distribution directly from your IRA. If you have a gift you would like to make, or a pledge payment to fulfill, consider funding that gift with a non-taxable distribution from your IRA.

Bequeath Retirement Plans to Charity

For retired persons with the bulk of their assets in individual retirement accounts, corporate or partnership pension plans, or profit-sharing plan accounts, there is another option. Significant advantages exist in giving or bequeathing funds to charitable institutions such as Lake Junaluska from your retirement assets.

Charitable bequests can be funded with retirement funds by naming Lake Junaluska as a beneficiary.

A. The disposition of IRA's, pension, and profit-sharing plans is not governed by a person's will, but rather by beneficiary designation forms provided by the plan itself. The participant designates on the beneficiary form who she or he wishes to receive the retirement benefits which remain after death. In the absence of a designation, the primary beneficiary is governed by the plan's terms. A nonprofit organization such as Lake Junaluska can be named as beneficiary, with the non-participant spouse's consent. (Spousal consent is not required for an IRA, except in some states.) The designation could take several forms:

- As secondary beneficiary (for example, one's spouse is named primary beneficiary to receive retirement benefits for his or her life, then the institution would receive payments of those benefits, but with the surviving spouse free to change the secondary beneficiary).
- As contingent beneficiary (meaning that the institution would receive the benefits if the employee's spouse predeceases him or her).
- Lake Junaluska could be named as beneficiary for full benefits, for a fraction of the account, or for a stated cash amount.
- If the person is survived by descendants, the designation could be to the surviving spouse first for his or her life and thereafter the balance in the account is divided between Lake Junaluska and those descendants, as well as any other charities the participant desires.

B. There are distinct tax savings in making testamentary charitable gifts using retirement assets compared to probate assets. Unlike other assets, retirement funds are subject to income tax when distributed, unless the funds are paid to tax-exempt charities. Accordingly, a good way to fund a charitable bequest at your death is by means of your retirement plan. If you are 70½

Landscape Manager Melissa Tinsley fills custom planters with greenhouse-grown cuttings to give to Legacy Circle members.

Members of the Lake Junaluska Legacy Circle will receive special recognition and will be honored in a variety of ways, including:

- Recognition on our website, lakejunaluska.com/legacycircle
- Tributes in publications such as the Annual Report
- Invitations to special events at Lake Junaluska
- Custom-made Lake Junaluska Legacy Circle Planter