

Pension Protection Act Allows For IRA Distributions to Charity Through Tax Year 2007

For most of our working lives many of us have focused our investment efforts on our tax advantaged retirement plans. Will we have enough funds to continue our life-style in our “golden years?” For those of us lucky enough to say yes to this question the federal government has a time-limited opportunity to allow fully deductible donations to qualified charitable organizations using appreciated funds in our Individual Retirement Accounts, or IRAs, without tax consequences.

Potential donors aged 70 1/2 or older may transfer up to \$100,000 from their IRA to a qualified charity such as your community foundation. It is easy to direct the trustee of your IRA to make the contribution on your behalf by providing them with the name, address, and tax ID number of the qualified organization. For example, gifts to the Homer Foundation may be made by giving the trustee of your IRA the Homer Foundation’s name, address, and our EIN, #92-0139183.

A charitable distribution from an IRA accomplishes the following:

- 1) Money held in your IRA, which would normally be taxed at your tax rate upon withdrawal, may be directed to the qualified charity with no tax consequences.
- 2) The total amount of the donation is immediately deductible from your income taxes.
- 3) The charity benefits from your donation of funds pre-tax for maximum benefit.
- 4) Making the gift now, as opposed to giving via bequest in your will, enables you to experience the joy of making a major gift in your lifetime.

This treatment is similar to the treatment of any appreciated asset. When a donor gives an asset with a low cost basis, he or she gets an immediate 100% write off and avoids any capital gains or income taxes on the growth of the asset. This approach gives the maximum benefit of appreciated funds to the qualified charity and reduces the donor’s taxes all in the same transaction. In addition, experts estimate heirs may receive only 25% to 30% of IRA assets that pass through large estates, making IRA charitable transfers a wise decision, leaving your heirs other assets that have a more favorable tax treatment.

The Homer Foundation currently manages 37 different funds, the income from which is used to support various nonprofits and charitable activities in the greater Homer area. In addition, the recently inaugurated Aquila Fund is an endowment fund for the support of the Homer Foundation itself. Charitable distributions from IRAs may be directed to an existing fund at the Homer Foundation, or used to establish a new fund with a \$10,000 minimum donation. (**Note:** gifts to donor advised funds do not qualify for the charitable distribution from an IRA.) The Homer Foundation can make your charitable IRA transfer easy, flexible, and effective, helping you achieve your personal *and* financial goals.

The IRA charitable distribution is time-limited and applies only to distributions made during taxable year 2007 unless Congress chooses to extend or broaden the law at that time. If you or someone you know would be interested in pursuing the idea of an IRA charitable distribution further, or would like additional information on the Homer Foundation, please contact Joy Steward at 907.235.0541.

HF Helps Make Husband’s Last Wish a Reality

Liz Johnson has been through a lot lately. Her husband of 45 years, A.W. “Bill” Johnson, passed away February 21st at South Peninsula Hospital Long Term Care Unit after a very lengthy illness. Prior to Bill’s incapacitation from the illness, he and Liz had talked about finding a way to leave a legacy. Bill & Liz were both teachers, and they loved their students, referring to them as their extended family. They talked about setting up a scholarship fund that would help kids with financial need go to college. And since they were both teachers, they decided they wanted to help those kids that

would choose teaching as a career.

That was over six years ago, but throughout his illness Liz never forgot her husband’s wish. She just wasn’t sure how to make it happen. She thought she would have to set up an organization to administer such a fund. She didn’t feel she was up to the task, and she was afraid legal fees would consume most of what was left. Then one day she read in the local paper about the Drew Scalzi Memorial Maritime Scholarship Fund administered by the Homer Foundation. Next she learned Curt Olson, a member of her congregation, was actually on the board of the Homer Foundation. She began to have hope. “I was so emotionally relieved after meeting with Curt,” Liz said, “to learn that somebody with my limited income could fulfill my husband’s wishes, and that the fund would be responsibly taken care of.”

The rest was easy. Curt made an appointment for Liz to meet with Joy Steward, the director of the Homer Foundation. Steward drew up the documents to establish the A.W. “Bill” Johnson Teacher Education Fund and walked Liz through the process of setting up the criteria for the scholarship. Liz was thrilled to learn that the Foundation does not charge fees for setting up or administering permanent funds.

The A.W. “Bill” Johnson Teacher Education Scholarship Fund has already been the recipient of memorial gifts from family and friends, and now Liz is setting up a bequest to ensure that a portion of her estate will go to the fund as well. Liz is grateful that she can now direct other interested individuals to send their tax-deductible memorial gifts to the Homer Foundation for addition to the scholarship fund.

According to Homer Foundation director Joy Steward, gifts may be designated to the A.W. “Bill” Johnson Teacher Education Scholarship Fund in any amount, at any time, now or in the future. Contact Joy Steward at the Homer Foundation for more information, via phone at 907-235-0541, or via email at jsteward@homerfund.org.



Liz Johnson meets with Homer Foundation board member Curt Olson.

Ten reasons people give through community foundations:

- one** We are a local organization with deep roots in the community.
- two** We have broad expertise regarding community issues and needs.
- three** We provide highly personalized service tailored to each individual's charitable and financial interests.
- four** We help people invest in the causes they care about most.
- five** We accept a wide variety of assets and can facilitate even the most complex forms of giving.
- six** We partner with professional advisors to create highly effective approaches to charitable giving.
- seven** We offer maximum tax advantage for most gifts under federal law
- eight** We multiply the impact of gift dollars by pooling them with other gifts and grants
- nine** We build endowment funds that benefit the community forever and help create personal legacies.
- ten** We are a community leader, coordinating resources to create positive change.

The Homer Foundation - your community foundation. Connect with us on the web at www.homerfund.org

Connecting generosity with community need on the southern Kenai Peninsula since 1991.

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THE HOMER FOUNDATION NEWSLETTER: Real People. Real Stories. Real Impact.

July 2007

Homer Area Youth Shoot for the Stars and Receive \$14,500 in Homer Foundation Scholarship Awards

May is scholarship month at the Homer Foundation! Imagine processing 55 scholarship applications, scheduling seven review committee meetings with 34 committee members, attending an awards assembly, sending award letters as well as notifying alternates, completing Letters of Agreement, and cutting and mailing checks to institutions. Overseeing this due diligence and tracking is all part of the management process that provides for permanent scholarship funds with no fees attached.

"...I am honored that I was chosen to receive a scholarship established by Stan Eller. Mr. Eller's excellent teaching played a huge role in my interest in the sciences."

Rachel Bornheimer
2007 recipient
Homer Community Science Scholarship

Scholarship Funds growing fund type at the Homer Foundation with four new funds established this year.

The growth in scholarship funds at the Homer Foundation illustrates the extreme generosity of our community and the value it places on our youth and their education.

The Foundation currently manages seven different academic scholarship funds with a new one on the way (see story page 2). The Foundation works closely with each donor to establish a fund and develop criteria that meets the donor's intent and at the same time fits within the Foundation's and the IRS guidelines for scholarship funds.

The following list highlights the diversity of the scholarship funds available through the Homer Foundation and recognizes the recipients of the 2007 awards:

- Homer Community Science Scholarship Fund: Life Sciences - Nyssa Baechler, \$500**
- Homer Community Science Scholarship Fund: Life Sciences - Rachel Bornheimer, \$500**
- Homer Community Science Scholarship Fund: Life Sciences - Kathryn McCarron, \$500**
- Alain and Daniel Rieser Scholarship (Tin Roof Fund): Foreign Language/Culture - Colin McArthur, \$2500**
- Diane Wambach "Shoot for the Stars" Scholarship: General - Sigrid Colman, \$1000**
- Drew Scalzi Memorial Maritime Scholarship Fund: Maritime Families/Industries - Eryka Gavenus, \$1000**
- Health Care Providers Scholarship Fund: Health Care Fields - Katelin Arsenaault, \$2000**
- Non-Fiction Writing Scholarship (Tin Roof Fund): Non-Fiction Writing - Kristen Vantrease, \$2500**
- South Peninsula Professional Services Scholarship Fund: General - Aurora Lambert, \$4000**

Want to help support youth and education in our community? Anyone may add to these funds, at any time, in any amount, or consider starting a named scholarship fund to support your personal area of interest.