



SCHWAB CHARITABLE™

News Release

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SCHWAB CHARITABLE SHOWS PHILANTHROPY CAN HELP OFFSET TAXES ON ROTH IRA CONVERSIONS

Millions Of Americans Eligible To Convert Traditional Retirement Accounts To Popular Roth Plans

SAN FRANCISCO, June 15, 2010 — [Schwab Charitable](#), one of the nation's largest and fastest growing national donor-advised fund organizations, has issued a brief on the benefits of using charitable giving to help reduce taxes resulting from Roth IRA Conversions.

The brief—[“How Charitable Giving Can Help Reduce Taxes Resulting from Roth IRA Conversions”](#)—includes guidance on determining whether converting to a Roth IRA makes sense for specific situations, and suggests ways a charitable gift can be used to reduce the income taxes resulting from the conversion when it does.

In January, the IRS eliminated certain income caps associated with Roth IRAs, effectively allowing millions of higher income earners to convert assets held in traditional, SEP-, or SIMPLE IRAs, or a 401(k) from a former employer to a Roth IRA.

“Since a Roth IRA Conversion essentially accelerates the payment of future taxes in return for tax-free income later, it can make sense to offset some of the immediate impact with a charitable donation,” says Kim Wright-Violich, president of Schwab Charitable. “Given the choice, many would prefer to donate more to charity to have a lower tax bill”.

Generally, the deductibility limit for charitable gifts to most charities is 50% of Adjusted Gross Income (AGI) for gifts of cash and 30% of AGI for gifts of appreciated securities. Gifts of appreciated securities held for more than a year carry the additional benefit of avoiding capital gains taxes on their eventual sale.

Those wishing to make larger than normal charitable gifts this year may benefit from opening a Charitable Gift Account with a donor-advised fund sponsor. Such accounts allow donors to make an irrevocable charitable contribution and receive an immediate tax deduction while spreading decisions about grant recommendations to desired charities over time. Depending on the specific sponsoring organization, an individual can contribute gifts of cash, appreciated securities, C- and S-corp stock, and real estate. The donor-advised fund sponsor handles all the administrative details, granting, and due diligence on the account.

“The tradeoffs associated with converting to a Roth IRA can be a complex,” says Wright-Violich. Donor-advised funds are a great way to take a bite out of the associated tax bill while also supporting philanthropic causes that are important to you.”

About Schwab Charitable

Created as a national donor-advised fund with a mission to increase charitable giving nationwide, Schwab Charitable has raised over \$4 billion and has facilitated more than \$1.8 billion grants to charity since inception. Schwab Charitable is the tenth largest fundraising charity in the United States and the largest in the State of California. For more information about Schwab Charitable or the Schwab Charitable Double Give Program, visit www.schwabcharitable.org.

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