

IRAs at Covenant Trust Company



What types of IRAs does Covenant Trust Company (CTC) manage?

Covenant Trust Company serves as trustee for both Traditional IRAs and Roth IRAs.

Does CTC accept transfers and rollovers into IRAs?

Yes. CTC will accept funds rolled over from a Qualified Plan such as a 401(k) or 403(b), or a transfer from an existing IRA.

Is there a minimum amount?

No.

Is there a maximum amount?

No.

Does CTC manage funds for self-directed IRAs?

Most individuals who use CTC as trustee of their IRA do so in order to take advantage of having someone else manage their investments. Covenant Trust Company does accept self-directed IRAs; however these accounts are charged the same fee as fully managed IRAs.

What are the advantages of having CTC serve as trustee of my IRA?

- As trustee of your IRA(s), CTC provides professional investment of IRA assets. CTC acts as a fiduciary for you, with the obligation to invest your money in only the very best products we can and to act only in your best interest.
- CTC is prudent in its investment approach. Our objective is to seek positive, long-term results at a risk level appropriate to your objectives. We are committed to servicing each account with individualized attention. Based on a questionnaire dealing with your goals, needs and risk profile, a portfolio allocation for your managed IRA is tailored for your particular situation.
- One or more IRAs can serve as part of your overall legacy plan, and provide options for using charitable beneficiaries with your IRA to offset other taxation issues.
- At the appropriate time, CTC will provide information on your Required Minimum Distribution (RMD).

Why should I consider naming a charity as beneficiary of my IRA?

When you name one or more charities as the beneficiary of your IRA (or Qualified Plans) *the charity(ies) pay no income tax when they receive distribution of the assets.*

If you name your spouse or other individuals as beneficiary, the income tax will have to be paid, unless they in turn name one or more charities to receive the assets at their death. If they do not name any charities, then their estate or non-charitable beneficiaries **will** have to pay the income tax.

What is the fee for having CTC manage an IRA account?

Fees can be billed directly to the IRA on a quarterly basis. You may ask to receive a bill and pay separately if you wish. Fees are charged on the market value of the assets as follows:

First \$1,000,000.....1 percent per year

Next \$2,000,000 8 tenths of 1 percent per year

Next \$7,000,000 6 tenths of 1 percent per year

\$10,000,000 and over By proposal

- Fee calculation will be based on the aggregate of all fee-based CTC accounts within a family.
- Fees are subject to change.
- There may be a per-transaction fee for special services such as electronic wiring of funds to a bank.

How do I get the process started?

- Contact our IRA Administrator, Christine Peterson, at 800-483-2177 or 847-583-3242; or via the IRA section of our website, www.CovenantTrust.com. You may also contact a CTC Financial Services Representative in your area—a directory is on our website.
- If this is to be a direct rollover or transfer, you will be asked to send a copy of the latest statement from the assets you will be using to fund this IRA.

What happens next?

Once we have received your information, we will prepare an IRA Simplifier form and send it to you for signature. For Direct Rollovers and transfers, we will review the statement copy to verify the assets are eligible for transfer.

Where can I find more information about retirement planning?

See “Planning Your Retirement” at www.CovenantTrust.com

Information contained in this brochure is for purposes of information and education only, and is not intended as either tax or legal advice. Consult your personal tax and/or legal advisor for specific information.



IRA Qualified Charitable Distributions



What is a QCD?

In December 2015, the U.S. Congress passed and President Obama signed into law the PATH Act of 2015 (Protecting Americans From Tax Hikes) which made Qualified Charitable Distributions permanent.

A Qualified Charitable Distribution (QCD) allows individual taxpayers older than 70½ years to donate up to \$100,000 to eligible charities including colleges, universities, independent private schools, and ministries from their IRA tax-free.* This donation typically goes straight from the IRA to the charity.

How does a QCD offer advantages over taking an IRA distribution and then contributing all or a portion of the proceeds to charity?

For Traditional IRA owners who must take a required minimum distribution (RMD) from their IRA each year, the QCD provision is an opportunity to meet their RMD requirement while minimizing the effect on their taxable income; since the money goes directly to the charity, distributions made in this manner are not considered taxable income. Thus, by transferring part or all of your RMD to charity, you can effectively reduce your income tax while supporting your favorite charities.

Remember: If you make a tax-free transfer to a charity, you can't take a charitable deduction for that contribution, too.

Is the age requirement flexible?

No. Only individuals who are actually 70½ may make a QCD. A QCD done prior to the date a person turns 70½ doesn't meet QCD requirements.

Can a QCD be made to any organization?

It is important to note that not every organization dedicated to philanthropic purposes will receive qualified charitable organization status, and therefore gifts to those organizations may not be deductible even if they are tax-exempt organizations. Some organizations that do not qualify for a charitable income tax deduction (of an individual) include private (grant-making) foundations, Donor Advised Funds and 509(a)(3) organization—or a 'supporting organization.

If you are unsure if your donation qualifies for the QCD, or if you have any other questions about IRAs or charitable giving, contact your local Financial Services Representative. Also, please contact your tax advisor for information on how these ideas pertain to your individual situation.

Does this work with a ROTH IRA also?

Because ROTH IRAs do not have RMDs and distributions are not taxable anyway, in most cases, it would not make sense to use a ROTH IRA for a QCD. According to one source, "The only reason Congress included Roth IRAs as one of the two types of IRAs from which QCDs could be made was that in the case of certain contributions to a Roth by a donor, if the contribution was made less than five years before a distribution is taken, the amount distributed can be subject to a penalty tax. That tax is avoided if a QCD is made."**

*Source: "IRA Charitable Rollover Is Now Permanent" -- Charity Navigator Blog

**PG Calc, February 2014

What about other types of retirement accounts?

A QCD can be made from any IRA or individual retirement annuity except for the following:

- Simplified Retirement Account
- Simplified Employee Pension

The maximum amount is \$100,000. Is there a minimum amount?

At Covenant Trust Company, there is no minimum amount for an annual QCD per charity, but for a monthly distribution there is a \$100 minimum.

What is the process?

If you decide to make a QCD from your IRA, contact your local Financial Services Representative or call CTC Senior IRA Administrator, Christine Peterson. A form must be completed regarding the amount of the gift and information about the receiving organization. Once this form has been signed and sent to CTC, a check will be written in that amount to the organization. This check is typically sent directly to the charity, but you may request to have it sent to you so that you can forward it with a personal letter if desired.

NOTE: Failure to obtain a contribution acknowledgement from the charity that received the donation will invalidate the terms of a QCD.

This Act is now a permanent part of the U.S. tax code and is part of a larger package on other tax extenders. As the QCD provision now has no expiration date, IRA owners have the ability to plan for the RMDs accordingly. Your IRA is meant to be a source of income for you during retirement, but that doesn't mean it can only be used to support your needs. Just because you're retired doesn't mean you can't give to your favorite charities. So if you have an IRA, consider using the QCD provision to reach your charitable goals.

Contact Information

Christine Peterson 847.583.3242
Senior IRA Administrator

A.J. Gomez 847.583.3240
Assistant Trust and IRA Administrator

Toll-free 800.483.2177

See our website for a directory of Financial Services Representatives.
CovenantTrust.com

Information contained in this brochure is for purposes of information and education only, and is not intended as either tax or legal advice. Consult your personal tax and/or legal advisor for specific information.

