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For many investors their retirement account is their largest asset, possibly worth even more than their home.

When you designate beneficiaries on your retirement accounts remember the tax status of the account continues for the recipients.

So, a tax deferred account may present tax liabilities for e.g. your children while a tax exempt Roth IRA may not.

Guess which they'd rather inherit.

If you like the idea of passing on some of your assets to charities your tax deferred accounts could be an excellent choice.

If you name a qualified charity as one of your beneficiaries the organization, unlike persons, would not have to pay taxes on their portion.

But what if you don't want to give all your retirement account money to charities? You may be concerned your spouse could run out of money if you die early.

You could in this case make your spouse the primary beneficiary and charities part contingent beneficiaries, maybe together with your children or other family members.

This way, you and your spouse can draw from the money while alive and only after both are gone would some funds go to the charities.

One client wanted the possibility of his wife having the flexibility to decide on his death whether or not to make bequests effective.

They set up two IRAs, a large and a small. Both have his wife as 100% primary beneficiary but the smaller has charities as contingent beneficiaries.

This way, if the client dies first his wife could choose, if she feels the larger IRA is enough to meet her own needs, to disclaim the smaller IRA.

This way she'd enjoy seeing some IRA money go to charities while she's alive.

Thanks to the flexibility of IRAs, if you wish to pass the account on to both children and charities you can assign specific percentages to each.

If you have two children you could for example dedicate 45% to each and 10% to charities.

I hope you live a long and happy life, and how neat if some of your earthly belongings could go to support your favorite organizations for decades to come. Which organizations would they be?

Good luck.

Jorgen Vik, CFP®

CERTIFIED FINANCIAL PLANNER™

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