



Toledo
Community
Foundation

Inspiring and Connecting Thoughtful Giving

Toledo Community

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About Your Foundation

Since 1973, **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

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Making the Most of Intergenerational Bequests

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After his late father's 1,400-acre Texas cattle ranch was sold in 2005, George Farmer used his share, plus a later inheritance from his stepmother, to buy and restore an 83-acre private plot within the 3.3 million-acre Gila National Forest in New Mexico.

Farmer, a 70-year-old former personnel consultant, and his wife, Linda Zatopek, a 65-year-old retired lawyer, now live there year-round in a 1,000-square-foot, solar-heated home. With the help of both volunteers and hired hands, they've rebuilt a 1.5-mile perimeter fence to keep out cattle, hand-placed 35 tons of rock for erosion control and replanted native flora, such as false indigo, edible canyon grapes and four-wing saltbush. (They're nurturing another 450 native plants in a greenhouse for planting this spring.)

They plan to open what they've named "Axle Canyon Preserve & Retreat" to paying guests later this year. Visitors can stay in a vintage Airstream trailer for \$200 a week or a new guesthouse for \$395. Since Axle Canyon is off the power grid, with no artificial night light, they hope to attract stargazers, as well as mountain lion watchers and nature lovers. "I think of it as a legacy of my father," Farmer says. "He was very connected to the land and took very good care of it."

The Center for Retirement Research at Boston College estimates that 70% of baby boomer households will receive inheritances. These will total \$8.4 trillion--an average of nearly \$300,000 per inheriting household, with the wealthiest 10% receiving an average of \$1.5 million. Some, like Farmer, will use the windfall to live out a dream. Others will give to charity or their kids, or simply live better. Here are pointers for handling an inheritance.

Keep It Separate

In most states an inheritance is the separate property of the spouse who received it--so long as the heir keeps it separate. So think carefully before you put the money in a joint account with your spouse or use it to make major improvements on a jointly owned home.

"There can be a lot of conflict in that conversation as to how inherited assets should be used," observes Susan Hirshman, a former JPMorgan private banker who runs SHE, a consulting firm focused on finances and women. But an inheritance can also be an opportunity to resolve investment conflicts. One 50-something woman Hirshman advised found her husband's investing style too aggressive. So when she inherited \$600,000, she kept it in a separate, more conservative portfolio. "It's her protection," Hirshman says.

Another advantage to keeping an inheritance separate: It allows you to protect the funds from

your spouse's creditors. On the other hand, if the inheriting spouse is in a high-risk profession--say, an obstetrician--it can make sense to put the money in a joint account or shift it to the other spouse for protection, notes Denise McClain, a financial principal with Lowry Hill in Scottsdale, Ariz.

Stretch Out That IRA

If you inherit an individual retirement account from a parent, you can stretch out withdrawals--and hence tax benefits--over your own life expectancy, so long as you handle the IRA properly. (Withdrawals from a traditional IRA will be subject to income tax; those from a Roth are tax free.) Don't try to take the money out and redeposit it in your own IRA. That's not allowed. Instead, the IRA should be renamed, "John Smith, deceased, inherited IRA for the benefit of John Smith Jr." If several people are named as beneficiaries of the IRA, ask the custodian to split it into separate inherited IRAs.

If you want to move it from one custodian to another, do so in a "trustee-to-trustee" transfer. If you are named a beneficiary and your children are contingent beneficiaries, you may want to "disclaim"--that is, give up--the IRA to the kids if you don't need the money. That's because your children, with their longer life expectancy, can stretch out the tax benefits of the account even longer.

Review Your Own Estate Plan

If you should die tomorrow, what would happen to your inheritance? If you've kept it in a separate account, it's easier to make sure it goes to your own kids, not your second spouse, points out John O. McManus, an estate lawyer in New Providence, N.J. But consider if your own heirs can handle the money outright or if it would be better to have a trustee dole out money to them from a trust, according to parameters you outline.

Meanwhile, if you've inherited a substantial amount, check whether it has pushed you into estate tax territory. You can currently pass on up to \$5 million to nonspousal heirs free of federal estate tax. But 22 states and the District of Columbia impose their own estate or inheritance taxes, often at much lower asset levels. To avoid these taxes you may want to make gifts to the kids while you're alive.

Feed Your Retirement Accounts

While you may want to keep an inheritance separate, remember that money is fungible. If you're working and not contributing the maximum allowed to retirement accounts, consider using some of your inheritance for living expenses and diverting more of your earnings into tax-favored retirement accounts.

Most private employees age 50 and older can contribute a maximum of \$22,000 a year to a 401(k) and \$6,000 to an IRA or Roth IRA. But small-business owners with custom retirement plans and state employees with multiple savings options can defer lots more. Janet Briaud, a financial planner in Bryan, Tex., advises a two-professor couple (state university employees) who are putting \$71,000 a year each into retirement plans while using the wife's \$1 million inheritance for living expenses.

Be Careful With Offshore Money

Briaud's own husband, Jean-Louis Briaud, a civil engineering professor at Texas A&M, inherited more than \$250,000 in France when his father died in 2007. He has kept the money there and used some of it to take a family trip to visit his mom in France. If you keep money abroad, Briaud warns, you must report it on your 1040 and a special annual report to the Treasury or face severe sanctions.

Briaud's husband has left the account separate in part because he's considering donating it for the endowment of a chair in civil engineering to honor his father.

Plan With Your Parents

If possible, talk with your aging parents about their plans for passing on assets. This is crucial when a family business is involved, says Alan Kahn, a CPA and financial planner in Syosset, N. Y. At Kahn's suggestion one client's parents set up a life insurance trust that provided the cash for Kahn's client to buy his difficult brother out of the family business. "He was in control and better able to grow the business, and the brother was able to go on his merry way," says Kahn.

Other families can benefit from planning, too. For example, the beneficiary form on file for an IRA is crucial--if it names an estate, instead of children or grandchildren, as beneficiary, the IRA and its tax benefits can't be stretched out, and a big income tax bill will soon be due.

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