



American Endowment Foundation Offers a Way To Take the Tax Bite Out of Roth IRA Conversions

HUDSON, OH, April 13, 2010 – Changes in the 2010 federal tax regulations give investors greater freedom to convert a traditional IRA to a Roth IRA. Unfortunately for investors, funds converted to a Roth account are treated as ordinary income for taxes purposes. Amounts contributed to a Donor Advised Fund (DAF) at American Endowment Foundation (AEF) can be used to offset this increased tax liability.

AEF is an IRS recognized public charity and leading independent sponsor of Donor Advised Funds (www.aefonline.org). AEF is not affiliated with a financial institution or other charity. Because of this independence, AEF allows donors to recommend their trusted financial advisors to manage investments in the donor's DAF. For example, if a donor utilizes an investment manager and is pleased with his or her performance, the advisor can continue managing the assets in the DAF. AEF works with all investment custodians. Donors can also recommend investments in their DAF.

“A Roth conversion offers many long-term benefits, including tax free growth of invested assets, no minimum required distributions and tax free withdrawals. Unfortunately for investors, the funds converted from a traditional to a Roth IRA are taxed as ordinary income,” explains Phil Tobin, Chairman of AEF. “By making tax-deductible charitable contributions to a Donor Advised Fund in the same year as the conversion, investors can reduce or even eliminate the increased tax liability resulting from the Roth conversion.” See AEF's website for additional tax benefits.

“A key benefit of contributing to a DAF is that investors can reduce the tax bite associated with the conversion and have the time to make grants to charities on a flexible time table,” notes Tobin. Additional DAF tax benefits include: no estate tax, no capital gains taxes, and assets can grow tax free. The net result is a tax free investment environment for the client's retirement assets and charitable assets.”

If this sounds like an option available only to the wealthy, it isn't. Donors can open a DAF at AEF with a minimum \$10,000 contribution. Linking the Roth conversion and the DAF offers a simple, tax wise solution for both the management of family wealth and the practice of family philanthropy.

About AEF

Founded as an IRS recognized public charity in 1993, AEF has received over \$300 million in contributions from over 900 donors. On the recommendations of its donors, AEF has distributed over \$100 million in grants to date. Charity Navigator, the leading evaluator of charities in the country, list AEF as the second highest ranking charity in the country among those charities awarded their 4-star rating for eight or more years.

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