

SACRED HEART CHURCH, Fresno, CA.

WHITEHOUSE NEWS on The Pension Protection Act/Effective until December 31, 2007

President Bush Signed The Pension Protection Act Of 2006, The Most Sweeping Reform Of America's Pension Laws In Over 30 Years. Last year, President Bush asked Congress to strengthen protections for the pensions American workers rely on, and Congress responded by passing this bipartisan bill.

* Every American Has An Interest In Fixing The Pension System. The Federal government has created an insurance system for businesses offering private pensions, and the insurance is funded by premiums collected from these employers. When some businesses fail to fund their pension plans and are unable to meet obligations to their employees, it puts a strain on the entire pension system. If there is not enough money in the system to cover all the extra costs, American taxpayers could be called on to make up the shortfall.

This Legislation Improves The Pension System And Expands Opportunities To Build Retirement Nest Eggs

The Pension Protection Act Strengthens The Federal Pension Insurance System. The legislation:

- * Requires companies that under-fund their pension plans to pay additional premiums;
- * Extends a requirement that companies that terminate their pensions provide extra funding for the pension insurance system;
- * Requires that companies measure the obligations of their pension plans more accurately;
- * Closes loopholes that allow under-funded plans to skip pension payments;
- * Raises caps on the amount that employers can put into their pension plans, so they can add more money during good times and build a cushion that can keep their pensions solvent in lean times; and
- * Prevents companies with under-funded pension plans from digging the hole deeper by promising extra benefits to their workers without paying for those promises up front.

President Bush Has Sent A Clear Message To Businesses Across America That They Must Keep Their Promises To Workers. Businesses that offer a private pension plan to their employees have a duty to set aside enough money now, so their workers get what they have been promised when they retire.

The Pension Protection Act Also Contains Provisions To Help American Workers Who Save For Retirement Through Defined Contribution Plans, Like IRAs And 401(k)s. Defined contribution plans are helping Americans build a society of ownership and financial independence, and this legislation makes it easier for workers to participate in these plans. The legislation:

- * Removes barriers that prevent companies from automatically enrolling their employees in defined contribution plans;
- * Ensures that workers have more information about the performance of their accounts;
- * Provides greater access to professional advice about investing for retirement;
- * Gives workers greater control over how their accounts are invested; and
- * Makes permanent the higher contribution limits for IRAs and 401(k)s that were passed in 2001, enabling more workers to build larger retirement nest eggs.

To Ensure A More Secure Retirement For All Americans, We Must Also Prepare For The Impact Of The Baby Boom Generation's Retirement On Entitlement Programs Like Social Security And Medicare. Entitlement programs are projected to grow faster than the economy, faster than the population, and faster than the rate of inflation. If we fail to act, Social Security, Medicare, and Medicaid will be almost 60 percent of the entire Federal budget in the year 2030. President Bush continues to call on Congress to meet its duty to reform these programs so we can ensure a secure retirement for all Americans.

To read the 393 page Pension Protection Act log onto:
U.S. Department of Labor/Employee Benefits/Security Administration
<http://www.dol.gov/EBSA/pensionreform.html>

Pension Protection Act

Charitable Donations From an IRA No Longer Taxable

For those wishing to make charitable donations from their IRA accounts, dealing with the resulting tax issues just got a lot easier. In August, Congress passed, and President Bush signed, the Pension Protection Act of 2006. Touted as the most significant overhaul of the pension system in the past 30 years, one provision of the law changes how charitable donations are taxed.

Previously, those wishing to make charitable donations using money in their IRA accounts were required to withdraw funds from their IRA and pay income tax on the withdrawal before they could take a charitable donation deduction on their annual tax returns. But under the new law, so long as the donation is transferred directly from an IRA or rollover IRA account to an eligible public charity, the donor doesn't have to pay any income tax on the withdrawal at all. As far as the federal government is concerned, money donated to the charity simply is not income. (But note that the transfer is no longer eligible for the charitable tax deduction, either.)

It remains to be seen, however, whether such withdrawals for charitable purposes will count toward an individual's minimum IRA distribution requirements for the year. If the qualifying donations do not count toward the distribution amounts, then donors will be required to withdraw more funds from their IRA accounts, and these funds will be subject to income tax. Unfortunately, the law is not clear on this issue.

Other requirements of the new charitable donation rule are clearer. They include:

- * The donor must be 70 1/2 years old.
- * There is a \$100,000 annual limit on donations.
- * The donations may only be made from an IRA or rollover IRA account. Donations from other retirement accounts, such as a 401(k), do not qualify.
- * The organization receiving the donation must be a qualifying public charity. Donations to private foundations, supporting organizations, trusts established for both charitable and non-charitable purposes, or other funds over which the donor may have some advisory control do not qualify.
- * The transfer must be made directly from the IRA account to the qualifying organization. This is ordinarily done by instructing the brokerage firm holding the IRA to make the transfer. If the donor receives the funds from the IRA and then donates them to charity, they will be subject to the income tax.

IRA holders can take advantage of the charitable donations provision until it expires on December 31, 2007.

The most likely big donors are senior citizens who have significant savings, financial planners say. Some examples of taxpayers who could take advantage of the tax break:

- Well-off retirees with low taxable income— a great way to give more to charity,"
- Retirees who want to donate money from their individual retirement accounts. Ordinarily, when you withdraw money from an IRA, the money is taxed at your ordinary income tax rate. You can turn around and give the money to charity. But your deduction is limited to 50% of your adjusted gross income.

But under this one-time provision, you can deduct the entire contribution, wiping out most or all of the taxes on the IRA withdrawal.

Don't try this if you're under 59 1/2, because the law doesn't waive the 10% penalty on early withdrawals. And depending on where you live, you may owe state taxes, says Mark Joseph, a financial planner at Sentinel Wealth Management in Reston, Va.

Consult a tax professional before making a large IRA contribution.

Donating IRA funds to charity may appeal to retirees in their 70s and 80s who don't expect to outlive their retirement savings. Rather than arranging for charities to inherit the money, the provision allows these individuals to make contributions while they're still alive, Isdale says. "You get to see it happen," she says. "I get to see the kids who have scholarships paid for out of my IRA."

Resources & Websites to get more information:

<http://www.whitehouse.gov/news/releases/2006/08/20060817.html>

<http://www.dol.gov/EBSA/pensionreform.html>

<http://www.elderlawanswers.com/resources/article.asp?id=5707>

http://www.usatoday.com/money/perfi/taxes/2005-12-01-charitable-contributions_x.htm