

The logo for the OBU Legacy Newsletter. It features the text "O·B·U" in a serif font, followed by "legacy" in a large, light green, lowercase sans-serif font, and "newsletter" in a smaller, dark green, lowercase sans-serif font. The background of the logo area is a faded image of a classical building with columns.

# O·B·U legacy newsletter

Legacy Newsletter offered by Oklahoma Baptist University

November 2007

## Make The Most Of A Major Tax Benefit

### *OBU's Guide to Charitable IRA Rollovers*

A significant window for gaining a tax benefit while financially supporting OBU looks like it will close at the end of 2007.

On August 17, 2006, President Bush signed the Pension Protection Act of 2006. This Act included provisions to limit the contributions to direct gifts only (no charitable gift annuities or charitable remainder trusts as yet) and only during tax years 2006 and 2007. **Time is running out! If the Act is not renewed, your last opportunity will close on December 31, 2007.**

Last year we had a number of donors who were interested in this provision for making gifts to OBU as well as other charities. There were many questions as to how this law would work. As with any tax provision, it is imperative that donors who desire to

use this method of giving understand exactly what the new law permits and what it prohibits. If you are contemplating using this law to make a charitable gift, you should consult with your tax advisor before making any disbursement arrangements with your IRA trustee.

#### **Key Facts:**

These rules apply only to outright transfers from IRA owners to OBU or other qualified charities. The law does not allow "rollovers" into CRTs or Gift Annuities and the law did not change the testamentary transfer rules.

- Charitable distributions are limited to \$100,000 or less per year from traditional IRAs and Roth IRAs.
- These distributions may only be made during 2006 and 2007, unless the law is extended.
- You must be at least age 70½ on the date of distribution to charity.

*Here are the critical points of this recent law:*

#### **Who Benefits from the New IRA Rollover Rules?**

##### **Non-Itemizers**

First and foremost, because qualified charitable distributions from IRAs

will eliminate the need for donors to claim an income tax charitable deduction, non-itemizers will enjoy the equivalent of a charitable deduction. In fact, some donors who were itemizing for the sole purpose of claiming deductions for their charitable gifts may no longer need to do so if they fund their gifts from their IRAs.

The new rules may also be attractive to residents of states with no state income tax (such as Florida, Texas, Nevada, and Washington) because relatively fewer taxpayers in those states itemize – because they have no state income tax to deduct against their federal tax.

##### **Donors Whose Charitable Deductions Are Maxed Out**

At the opposite end of the financial spectrum may be donors who have maximized their ability to claim income tax deductions due to the 50% of Adjusted Gross Income percentage limitation. These donors will find they can give more because the new Qualified Charitable Distributions operate independently of the percentage limitation rules and, therefore, don't affect other gifts to which the limitations apply.

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# What Is Your Dental IQ?

*Do You Know As Much As You Should About Oral Health?*

*by Michael L. Morgan, D.D.S., M.P.A.*

Good oral health is often taken for granted, but it is essential to our health and well-being. Dental diseases are among the most prevalent health problems in the United States. Although oral diseases are considered highly preventable with knowledge currently available, most of the nation's population is affected with some form of dental disease at some time during their lives. Dentists can influence the course of this disease through preventive measures such as fluoridation programs, dental educational and tobacco-use prevention programs, dental sealant programs, and regular visits.

Teeth are necessary for appearance, for proper speech, and to properly chew food. Untreated dental diseases affect the quality of life, and can result in very serious health problems. Yet in spite of the safe and effective means of maintaining oral health that have benefited most Americans during the last century, a "silent epidemic" of oral diseases is affecting some of our most vulnerable citizens, especially our children and the elderly population.

The Surgeon General's report on Oral Health in America states that tooth decay is the single most common chronic childhood disease. It is five times more common than asthma and seven times more common than hay fever. For each child without medical insurance, there are at least 2.6 children without dental insurance. Additionally, the report states the social impact of oral diseases in children is substantial. More than 51 million school hours are lost each year to dental-related illness. A recent Oklahoma research study reported that 30.8 percent of third graders had untreated dental decay and that only 35.1 percent of third graders had protective dental sealants.

This same Surgeon General's report also states that for every adult 19 years or older without medical insurance, there are three adults without dental insurance, 23 percent of 65 to 74 year olds have severe periodontal disease (gum disease), and about 30 percent of adults 65 and older are edentulous

– meaning they have no teeth. Oral and pharyngeal cancers are diagnosed in about 30,000 Americans annually, with approximately 8,000 dying from these diseases each year. The report also noted that many elderly individuals lose their dental insurance when they retire. Medicaid funds dental care for the low-income and disabled elderly in some states, but reimbursements are low. Medicare is not designed to reimburse for routine dental care.

Additionally, although results of current research are mixed, gingivitis/periodontal disease may be a factor associated with low-birth weight babies and premature births. Also, recent research data has indicated there may be a relationship between oral and dental infections and the risk of cardiovascular disease.

The mouth and face can be considered as a mirror of health and disease. A physical examination of the mouth and face can reveal signs of disease, drug use, domestic physical abuse, harmful habits of addictions such as smoking, and general health status. The past half-century has seen the meaning of oral health evolve from a narrow focus on teeth and gingiva to the recognition that the mouth is the center of vital tissues and functions that are critical to total health and well-being across the life span.

**Dental health tips for everyone to follow include:**

- Both adults and children should see their dentist every six months. Children should begin dental visits by their first birthday.
- Good oral hygiene – brushing and flossing – should be practiced by everyone. Parents and caregivers should brush and floss children's teeth daily until the child can be taught to do this alone. (A child normally develops manual dexterity to brush and floss by themselves at about the third grade.)
- Both adults and children should get the fluoride needed for decay-resistant teeth. Ask your dentist or physician how this should be done.

- Dental sealants are recommended for children. A sealant is a protective barrier that shields the chewing surfaces of back teeth against tooth decay.
- Both adults and children should use a mouth guard (*mouth protector*) when playing contact sports.
- Both adults and children should not use any form of tobacco.
- Both adults and children should not participate in tongue or lip piercing.

I hope the information in this article has provided a review and perhaps has increased your knowledge about the importance of preventing oral disease and

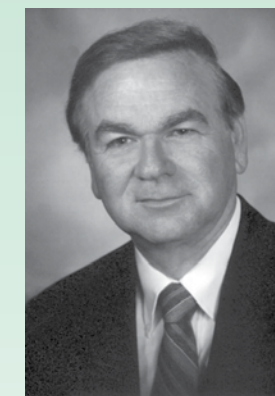
always striving to maintain good oral health. The importance of oral health in today's society cannot be overemphasized for the individual as well as the overall community in general. The mouth is the portal for all bodily nourishment, without which we would cease to function. It serves as a vehicle for communication so crucial for interpersonal relationships. It serves as an expression of love through the kiss bestowed upon loved ones. It provides each of us with improved self-esteem, for who can resist a beautiful smile or a healthy laugh? As former U.S. Surgeon General C. Everett Koop, M.D., has stated, **"You're not healthy without good oral health."** ♦

## About the Writer

Dr. Mike Morgan is a public health dentist who has invested his career in public service with the Oklahoma State Department of Health, helping improve the oral health of Oklahomans. He has provided years of dental clinical care for low-income children, and additionally has served as chief of the OSDH's Dental Health Service. He recently retired after holding that position for 32 years. While the chief of dental health service, he directed the statewide Public Health Dental Program, which includes programs on dental health education and tobacco-use prevention, dental clinical care, community water fluoridation, consultation and research activities, and a dental loan repayment program. He also has served as a volunteer faculty member at the University of Oklahoma College of Dentistry since the mid-1970s.

Morgan is a native of Shawnee and a Shawnee High School graduate. He graduated from Oklahoma Baptist University in 1963, completing his pre-dental requirements. He then earned a doctor of dental surgery degree from the University of Missouri at Kansas City School of Dentistry. He also earned a master of public administration degree from the University of Oklahoma. He believes his time spent earning a bachelor's degree at OBU helped to prepare him for his professional life's work. When he attended

OBU, he was told all previous pre-dental and pre-medical students who attended OBU and applied for admission to their respective professional schools had been accepted. He saw that as a very impressive record for OBU.



**Dr. Mike Morgan**

Morgan has participated in many professional and community activities, including serving as president of the National Association of State and Territorial Dental Directors, president of the Oklahoma Dental Foundation, and president of the Oklahoma Public Health Association. He has been a member of the Governor's Task Force on Tobacco and Youth, and the National Dental Tobacco-Free Steering Committee, which is an advisory committee to the National Cancer Institute. He is a founding member of the Oklahoma Alliance on Health or Tobacco. He is a fellow of the International College of Dentists and a fellow of the American College of Dentists.

At the recent celebration of the anniversary of 80 Years of Public Health Dentistry in Oklahoma, Morgan was presented an Indian headdress by the Oklahoma Dental Association, receiving the designation "Honorary Chief," along with a Cherokee name meaning "man who served the public well."

## Traveling Alums Pave Path For OBU Students

Many married couples have ties to OBU. Some meet prior to college. Some meet while attending OBU. Then there's the Bob and Leta Ringwald story.

Leta grew up in Kiowa County and graduated from OBU in 1950. Bob grew up near Billings, Okla., and received his OBU degree in 1957. Though their graduating years appear to be distant, they know the timing of their coming together was perfect.

"The Lord works in mysterious ways," said Leta.

The native Okies met while living in Berkeley, California. Leta was doing her graduate work at Golden Gate Baptist Theological Seminary. Bob had moved to California for work.

"After I got out of the Army, I went to OBU for a semester," Bob said. "The following summer I was working the harvest in North Dakota, and I didn't have enough money saved to go back to school. I knew there were jobs in California, so I drove out there."

One of the first things Bob did after he moved to the west coast was find a church. He looked in the phone book for a Southern Baptist church, and the church he visited was the same one Leta was attending. She started going to the church just a month before Bob visited.

Marriage plans eventually ensued. Bob and Leta decided to have the wedding in Oklahoma. Their journey back east featured members of Bob's family as chaperones.

"We should have gotten married in Berkeley, but I had already planned to come back to bring my brother and my uncle back to Oklahoma before we tried to get married," said Bob. "We decided we'd all go back to Billings, meet the families and then get married."

"He had it easier than me, though," said Leta. "I'm from a family of three, and I married into a family of 17. I thought, 'Leta, what have you gotten yourself into?'"

"But I told you I wasn't a very good student," Bob jokingly replied to his wife of more than 50 years. "I had to memorize two names. You were a good student, so you were able to memorize 16."

Bob finished his education at OBU after they married. Though he claimed he wasn't a good student, he did make the honor roll.

Leta taught school while Bob finished his degree. Their two oldest children, Rebecca and Fred, were born while the family lived in Shawnee.

**"We know at OBU they will find a sound Christian atmosphere and receive a highly scholastic education as well."**

The Ringwalds eventually returned to California. They taught school and were active in a small church, working with Sunday School classes and RA's and GA's. They also were prudent with their money and invested in land while serving in the education field.

Leta completed her master's degree at Pepperdine University and earned her doctorate at the University of Southern California.

After researching their options, they decided on teaching in the school system in Barstow, California. They moved to the city in San Bernardino County in 1964.

"After we had lived there a few months, we had come to love it," said Leta. "It's a beautiful desert."

While in Barstow, the Ringwalds adopted Roanna and Rob. The children resembled each other, but were not naturally related.

"When they were really young, people would ask

questions about Roanna and Rob. They were born eight months apart, and if people were extra nosy, I would not even say they were adopted," Bob said laughing.

The Ringwalds were devastated when Roanna passed away in 1984. A few years later, they made a contribution to have OBU's campus ministry office in Montgomery Hall dedicated in her honor.

The lifelong educators continued to be good stewards of their money. They also were privileged to take a seven-month sabbatical in Europe and Asia.

"We got a VW bus and traveled all over, staying in campgrounds," said Bob. "Back then, you could park anywhere and people didn't bother you."

The traveling bug hit them hard. They traveled the world for many years. When asked about all the places they have visited, the Ringwalds said it was easier to list the countries where they haven't been.

"We haven't been to Australia, New Zealand and India," Leta said. "After we retired, we traveled and passed out Bibles. We don't know the results, but we've had some people become Christians that, in turn, passed them out as well."

Along with supporting Falls Creek Baptist Conference Center and the Baptist Homes for Children, they have



**After the two Oklahomans found each other in California, they started a journey which has taken them around the world.**

seen tangible results from their investment in OBU. Their scholarship fund currently assists 35 students.

"We were poor farm kids, and we had to work our way through college," Leta said. "The scholarship is for kids like this."

"We know at OBU they will find a sound Christian atmosphere and receive a highly scholastic education as well," she said. "Our son has a daughter who is a sophomore in high school, and he was very inspired by his visit to the campus. When he came to visit, he said

'OBU is a place I can send my daughter, and I know she would be safe and she would be challenged.'"

Bob and Leta enjoy hearing from the students they support. They are encouraged by the students' aspirations.

"We have met some of the students. Their goals are just something we love to see accomplished. Particularly when I saw those male nursing students, my heart just burst," said Leta. "One young man was going to get his doctorate in psychology at the University of Chicago. So many of the 'thank you' letters end with 'I can't wait to see where God leads my life.'"

And both Bob and Leta know it can be an exciting fulfillment. ♦

# Year-End Tax Saving Ideas For 2007

by Robert V. Varnum, J.D., Attorney at Law

The end of the year is already approaching. It's already time to get out the year-end tax saving checklists. There are always things we can do before December 31 to save on this year's taxes. The following are reminders about some of the possible tax-saving ideas.

### Shift Income into 2008

Will your 2008 income (and tax bracket) be about the same as or less than it was in 2007? If so, consider postponing receipt of any income you can until 2008. By delaying the income, you defer taxes for another year, and you might avoid a higher tax bracket. But if you expect higher income in 2008, or less deductions, you may be better off keeping your income in 2007.

### Take Deductions Early

A corollary to deferring income is taking deductions early. You could prepay your first 2008 mortgage payment in 2007 to get an extra mortgage interest deduction. And pay your fourth quarter 2007 estimated state income tax payment in December 2007 instead of mid-January 2008. This would give you a larger 2007 state income tax deduction.

### Beware the Alternative Minimum Tax

There is one big caution to consider before prepaying deductions, however. That is the "Alternative Minimum Tax" or "AMT."

The AMT is an "add-on" tax over and above your "regular" tax. The AMT might apply to you if you have:

- more than about \$75,000 in income;
- a higher than average number of dependency exemptions;
- unusually large deductions for state income tax;
- interest on a home equity loan not used for home improvements;
- large capital gains.

To check out the possible impact of the AMT on your 2007 situation, you can get an Alternative Minimum Tax Form 6251 from the IRS at [www.irs.gov](http://www.irs.gov). Complete the form using your 2007 estimated numbers. If it looks like you might be hit by the AMT, you may not

want to prepay your state income tax and miscellaneous itemized deductions. It would be a good idea to discuss the issue with your tax preparer.

### Take Capital Losses to Offset Gains

Any capital gains you have can be offset by deducting any capital losses you have. Capital losses also will offset up to \$3,000 per year in ordinary income. So you might do well to sell any capital assets which have losses before the year's end.

### Get Tax Deduction or Credit for Educational Expenses

If your adjusted gross income does not exceed \$65,000 (single) or \$130,000 (married filing jointly) you can deduct up to \$4,000 for college tuition and related expenses for yourself, your spouse or dependents. The deduction maximum is \$2,000 if your income is up to \$80,000, single, or \$160,000, married filing jointly.

As an alternative to the deduction, tax credits also are available (not for the same student in the same year).

The Hope Scholarship Credit could apply to educational expenses for yourself, your spouse, or dependents. The Hope Credit is available for the first two years of college or graduate school educational expenses. The maximum credit for 2007 is \$1,650.

Another possible credit is the Lifetime Learning Credit. This credit would cover educational expenses for acquiring or improving job skills as well as undergraduate and graduate expenses. The credit allowed is 20% of up to \$10,000 in expenses (a maximum of \$2,000 per return).

Both the Hope and Lifetime Learning credits are phased out for joint filers with modified adjusted gross income between \$94,000 and \$114,000 (\$47,000 and \$57,000 for single filers).

### Use a "529 Plan" to Pay for Educational Expenses

You can save for your children's or grandchildren's (or really anybody's) college education and get significant tax breaks by using a "529" College Savings Plan. Money you invest in any state's plan will grow tax free.

(You do not have to invest in your own state's plan. Look at [www.savingforcollege.com](http://www.savingforcollege.com) to learn about each state's plan). So long as you use the funds invested to pay for "qualified educational expenses," you do not have to pay any federal tax regardless of which state plan you use. If you invest in the Oklahoma plan you can also get a state income tax deduction of up to \$20,000.

### Make Charitable Gifts of Appreciated Assets

You are probably planning on making some charitable gifts before the end of 2007. Do you have any assets (stocks, for example) which have appreciated significantly since you bought them? If you sell an appreciated asset you will owe tax on the capital gains. But if you make a gift of the appreciated stock or other property directly to the charity, you will get a charitable deduction for the full value of the asset at the time you make the gift, and you won't have to pay the capital gains tax. Be sure you are giving the asset itself directly to the charity.

### Make Charitable Gifts from Your IRA

Another way to make a charitable gift in 2007 is from your IRA. If you are over 70½ you can make a charitable gift of up to \$100,000 out of your IRA. Such gifts were not allowed until 2006, and the opportunity will expire in 2007, unless Congress extends the law. Previously, any gift, even to charity, out of your IRA would trigger ordinary income tax. Now, at least until the end of this year, you can make the gift without tax. Such a gift does not qualify for a charitable deduction on your income taxes, because you took a deduction when you first put the funds in the IRA. But the gift will apply toward your required minimum distributions for the year of the gift.

These are just some of the ways you might save taxes by taking action before year's end. To be sure that any tax saving ideas fit your own particular situation, you should review these and other ideas with your own personal tax preparer. ♦

## About the Writer

Rob Varnum is a lawyer in private practice in Oklahoma City, specializing in estate and business planning, wills, trusts and estates.



Dr. Rob Varnum

Rob grew up on his parents' farm north of Seminole, Oklahoma. He graduated from OBU in 1969, with a bachelor of arts degree in history and philosophy. Rob received his law degree from the Georgetown University

Law Center in Washington, D.C. He spent 18 years in the Washington area, first working with the U.S. Department of Health and Human Services and then in private practice in the District of Columbia. Rob and his family returned to Oklahoma in 1989.

Rob is a frequent speaker on estate planning topics for both public and professional audiences. He is a member of the Wealth Counsel, a national network of estate planning attorneys. He also is a member of the Oklahoma Bar Association Section on Estate Planning, the Oklahoma City Estate Planning Council,

and the Oklahoma City Society of Financial Services Professionals. He served as continuing education chairman for the Oklahoma City Association of Financial Advisors for several years. He is a member of the OBU Bench and Bar Association.

In addition to law practice, Rob is actively involved as the owner and manager of Varnum Farm Enterprises LLC, which includes a "natural beef" cow and calf operation on the family farm in Seminole.

Rob is married to Sharon Brown Varnum, a 1969 OBU graduate. Sharon is a mental health counselor with a private psychotherapy practice in Oklahoma City.

Rob and Sharon have three adult sons. They are members of Westminster Presbyterian Church in Oklahoma City, where Rob has served as a deacon and on various church committees, including adult education and senior care. Rob was Scoutmaster of Boy Scout Troop 193 in Oklahoma City, and involved as an adult leader with the troop for more than 10 years. He now serves as assistant district committee chair for the Baden-Powell District, BSA, in Oklahoma City. Rob and Sharon's three sons are all Eagle Scouts. Rob enjoys travel with his family, reading, hiking and backpacking.

## Guard Yourself From Identity Theft

by Paige Pickett Spotts

How fearful are you of someone stealing your credit? Identity theft is one of the fastest growing financial crimes, but now there are ways to keep your credit safe.

One option is a self-help approach. Recent legislation in Oklahoma permits residents to initiate a credit or security freeze with the credit reporting bureaus. In the past if you tried to do this, the credit bureaus would have required you to prove that you were a victim of identity theft or had reasonable cause to think that you would soon be a victim. Oklahoma's new law permits you to request this protection without any regard to your perceived risk. A security freeze with the national credit bureaus will generally prevent thieves from getting credit in your name. A security freeze locks the consumer credit report and credit score. Without this information, a business will not issue new credit. If the consumer wants to get new credit, he or she must use a personal identification number to unlock access to the credit file.

In Oklahoma, the law allows credit bureaus to charge up to \$10 to initiate a freeze and another \$10 to temporarily lift it, although both services are free for people 65 and older or for victims of identity theft. There is no charge for anyone who wants to permanently remove the freeze. Similar rules apply in Arkansas, Kansas, Maryland, Texas, and many other states. For more information, go to [www.consumersunion.org/pdf/security/securityOK.pdf](http://www.consumersunion.org/pdf/security/securityOK.pdf). (Type in your own state abbreviation before the .pdf.)

A second option for securing your credit is a new plan called "Life Lock." The service charges \$10 per month, or \$110 per year for an adult. Life Lock asks the credit bureaus to set fraud alerts on your behalf and it promises to update the alerts every 90 days. Life Lock requests that your name be removed from pre-approved credit card and junk mail lists. (You can even do this yourself by calling 888-567-8688.) The service continues making the requests as they near expiration. Statistics show that this is one of the most



common ways that thieves hijack identities. On your behalf, Life Lock orders your free credit reports from the major credit bureaus and they are sent directly to you. Last but not least, if your identity is stolen while you are a client of Life Lock, they promise to do whatever it takes to recover your good name. If you need lawyers, investigators, accountants, case managers, etc., Life Lock claims it will provide the best. Keep in mind that they reserve the right to decide whether or not to reimburse you for these types of professional aid if you decide to choose such representation on your own. If you lose money as a result of the theft, Life Lock promises to give it back to you. Also, Life Lock promises that if your identity is misused while you are a client, they will spend up to \$1,000,000 to make it right. For more information about Life Lock, go to [www.lifelock.com/lifelock-for-people](http://www.lifelock.com/lifelock-for-people).

If you choose to protect yourself by using a security freeze, keep in mind that a potential drawback to slapping a freeze on your credit report is that it prevents you from getting instant credit unless you find out which credit reporting agency the lender uses

and ask for a temporary thaw ahead of time. However, a security freeze will close the windows on the most common way your identity could be stolen.

To be effective in placing a freeze, you should write to each of the three credit bureaus. If you are going to claim that you are a victim of identity theft, a copy of your police report, investigative report or complaint to a law enforcement agency must be provided with each letter. Five business days after receiving your letter, credit reporting agencies will place a freeze.

Your credit report can still be released to your existing creditors or to collection agencies acting on their behalf. Other creditors also may use your information to make offers of credit (if you have not opted out of credit notices). Government agencies may also have access in response to a court or administrative order, subpoena, or a search warrant.

If you would like more information about the "self help" method, the Oklahoma Attorney General

has prepared a packet which provides step-by-step information on how to file for your self-initiated "security freeze." The packet includes sample letters for each credit bureau, appropriate contact addresses, steps to take if you do become a victim, and a "frequently asked questions" section.

The consumers' union also has useful materials at the web address listed earlier in this article. Included in it are a listing of the states which have laws regarding identity protection, and a state-by-state analysis of these laws.

Contact John Little at 405-878-2717, write to him at OBU, 500 West University, Shawnee, OK 74804, or send an email to [john.little@okbu.edu](mailto:john.little@okbu.edu). He would be delighted to provide you with copies of the Oklahoma Attorney General's documents and, if you have an interest in it, a copy of Oklahoma S.B. 1748 (The Oklahoma Consumer Report Security Freeze Act), which was signed into law in June of 2006. ♦

## About the Writer

Paige Pickett Spotts is an OBU senior majoring in public relations. She served as a communications intern with the University's Office of Development in the summer of 2007. This article is the second one Paige has written which has appeared in *OBU Legacy Newsletter*.

Born in San Antonio, Texas, Paige completed high school in Oklahoma City. She chose her major, which includes an emphasis on graphic design, because it offered the opportunity to practice two of her favorite activities: writing and designing.

Paige's hobbies include reading, painting, and soccer. She also has been active in missions endeavors.

It was a busy summer for the 21-year-old. She married fellow OBU student Bill Spotts in August. The couple met at OBU, and dated about 18 months. That was despite Paige's previous claim that she would not marry someone from OBU.



Bill, who is from the Dallas area, is a religion major. The couple plans to move to the Metroplex after graduation, so Bill can continue his studies at Southwestern Baptist Theological Seminary.

Paige is the daughter of Forest and Jan Pickett.

### Contact Information

John Little may be reached by mail at Oklahoma Baptist University, Attention: John Little, 500 West University, Shawnee, OK 74804; by email to [john.little@okbu.edu](mailto:john.little@okbu.edu); by telephone at 405-878-2718; or by fax at 405-878-2710.

## IRA Rollover

*Continued from Page 1*

### **Donors in States Which Don't Allow Charitable Deductions**

Some states do not allow itemized deductions for state income tax purposes. In addition, some states, including some of those which do not allow itemized deductions, do not tax retirement plan distributions or otherwise cap the amount of retirement plan distributions subject to state income tax. The following are some general observations about how an individual state's laws affect the new rules.

Oklahoma uses the Federal Adjusted Gross Income as the starting point. If a distribution was made to you from an IRA, it would be included in your income. Since Oklahoma recognizes, without adjustment, your Federal Itemized Deductions (subject to some observations we will make later in this article), there might be little difference in your taxes. However, be sure to read the section on "Tax Bracket Bugaboos."

In states which do not allow itemized deductions, plan owners who made taxable withdrawals from their IRAs and then donated them under the old rules probably had to pay state income tax for the privilege of making a charitable gift. Because states generally follow federal income inclusion rules, Qualified Charitable Distributions will probably be excluded for state income tax purposes under the new law. Accordingly, taxpayers residing in these states will benefit if their states continue to follow the federal rules. For donors whose states exclude or cap the amount the state taxes on IRA plan distributions, the relative benefit of these new rules may be reduced.

The new rules may be particularly attractive to taxpayers residing in Indiana, Massachusetts, and Ohio because those states tax retirement distributions and do not allow itemized deductions. But Illinois taxpayers will probably see no change at the state income tax level because itemized deductions are not allowed and retirement plan distributions are excluded. Check your relevant state law and then validate these benefits for yourself!

### **Donors Subject to "Tax Bracket Bugaboos"**

Under the old rules, donors making gifts from their IRAs would have to take the distribution into their taxable income and then claim an offsetting income tax charitable deduction. However, the result was not always an even trade.

Let us consider what might happen if one did *not* have the benefits of this Act, and had to take the distribution into income and, if qualified, take an off-setting deduction. Some higher income earners might find that if the IRA distribution is included as income, such inclusion might make the Social Security benefits taxable. It might also make it more difficult to deduct medical expenses and miscellaneous itemized deductions. To deduct these two items, your deductions must exceed two percent of your Adjusted Gross Income – and you can only deduct the amount in excess of the two percent floor. Therefore, higher income will make these deductions smaller. It also could affect the phase-out of itemized deductions, as there is a phase-out rule once your income exceeds a certain amount. It also could trigger the application of the alternative minimum tax. As you can see, without the income exclusion feature of this bill, even with a deduction being available, it might result in a net income tax cost for "the privilege" of making a charitable gift.

Qualified Charitable Distributions from IRAs can eliminate or mitigate these "Tax Bracket Bugaboos," but you should perform an income tax comparison to analyze the net income tax effect.

### **Qualified Charitable Distribution Defined**

A Qualified Charitable Distribution is any distribution from a traditional IRA or Roth IRA made directly by the IRA administrator to a charitable organization (for instance, OBU) and such distribution would have been taxable if distributed to the plan participant instead of the charity.

In addition, the definition of a Qualified Charitable Distribution specifically **excludes** distributions to **donor-advised funds or supporting organizations**.



### **Donors may direct their contributions to specially designated funds?**

Designated funds, scholarships, and restricted or general endowments at OBU – if you have no advisory rights for the usage – are good recipients of a qualifying charitable IRA rollover.

One question asked by friends of the University must be given special attention. "Can the distribution be payable to the plan participant who then endorses the check over to OBU? The answer is, "No!" In order to avoid constructive receipt by the plan owner, the check must be made payable "directly" to OBU (or the charity to which you are directing the payment).

### **How are nonqualified distributions treated?**

Distributions which do not meet the requirement of the new rules are treated under the previous rules. In essence, they will be taxable to the plan participant. To receive any tax benefit, the participant must then claim an itemized income tax charitable deduction.

### **Which Plans Are Eligible?**

The exclusion applies to traditional IRAs and Roth IRAs only. Other forms of retirement plans such as 401(k), 403(b) annuities, defined benefit and contribution plans, profit sharing plans, Keoghs and employer-sponsored SEPs and SIMPLE plans are *not* eligible.

Owners of ineligible plans might want to consider rolling amounts out into a qualifying IRA to take advantage of the new rules. In fairness to your trustee, if you decide to roll part of your ineligible plan into a "temporary" IRA, be sure your trustee knows what you are planning to do. The costs of setting up these

plans may make it impractical for the trustee, and your business relationship could be damaged.

### **Who Can Exclude IRA Distributions?**

The exclusion applies to individuals **who have reached age 70½ by the date of contribution**. It is important to distinguish this rule from the rule that requires plan participants to begin receiving minimum required distributions in the same year they attain age 70½. Therefore, you and your advisors will want to check the calendar to make sure this important test is satisfied.

### **Limitation on Amount**

The amount which can be excluded from a plan owner's income is limited to \$100,000 per taxpayer per year. Therefore, a married couple could donate up to \$200,000, provided each spouse owns an IRA of sufficient size to make a distribution of \$100,000. Distribution amounts exceeding \$100,000 are treated as if they were under the old rules.

### **Do These Distributions Satisfy Required Minimum Distribution Rules?**

Qualified Charitable Distributions may be applied in satisfaction of a plan owner's minimum required distribution requirements for each year. If, for example, a participant is required to withdraw 5% from their IRA for the year, they can direct up to \$100,000 of that amount to charity and satisfy that much of their minimum required distributions.

### **Is a gift receipt required?**

Absolutely. Even though one may not take a deduction

*Continued on Page 12*

## IRA Rollover

*Continued from Page 11*

for the transfer (that would be “double-dipping”), one must meet the same type of substantiation requirements as they would for a charitable itemized deduction. Accordingly, it is imperative that the charitable donee provide the donor with a contemporaneous written acknowledgment of the gift, as they would with any other outright contribution.

Finally, let OBU (or the other charity) know that you are sending an IRA gift. Since you must have a receipt from us to be able to justify your gift if you are audited, help us know that the gift came originally from you. The check will be issued by the trustee of your IRA. If the check comes from the trustee and for some reason the trustee does not provide enough information, how will OBU know who the donor is? This problem is analogous to a charity receiving a gift of stock from a donor’s brokerage firm via a DTC transfer without being informed as to the account of origin.

If the check is coming directly from the plan administrator, you should take steps to ensure that OBU is expecting it and knows the identity of the donor. Ideally, your plan administrator’s transmittal and draft should identify you as the account owner.

However, the transmittal letter may not identify you, so one alternative you may want to try is to request the check, payable to OBU, be mailed to you personally. You can then deliver the check to us. However, some trustees may be uncomfortable with this and prefer to send the check to the charity directly – particularly if the distribution is occurring close to the end of the year when qualification for exclusion is at stake.

### Conclusion

Although the Pension Protection Act of 2006 does not include all of the flexibility we had hoped for, it certainly is a good start. As of our publication date, Congress has not renewed this valuable tool for you to make gifts to OBU. If such a gift to the University is in your plans, it would be wise to act very soon. Unless something changes, this all goes away December 31, 2007! ♦

## Oklahoma Baptist University *Opportunity for Public Comment*

Oklahoma Baptist University is seeking comments from the public about OBU in preparation for its periodic evaluation by its regional accrediting agency. The University will undergo a comprehensive evaluation visit March 31-April 2, 2008, by a team representing The Higher Learning Commission of the North Central Association of Colleges and Schools. Oklahoma Baptist University has been accredited by the Commission since 1952. The team will review the institution’s ongoing ability to meet the Commission’s Criteria for Accreditation. For additional information on the HLC and its accreditation procedures, please visit [www.ncahlc.org](http://www.ncahlc.org).

The public is invited to submit comments by mail regarding Oklahoma Baptist University to:

Public Comment on  
Oklahoma Baptist University  
The Higher Learning Commission  
30 North LaSalle Street, Suite 2400  
Chicago, IL 60602

Written, signed comments must be received by March 1, 2008.

Comments must address substantive matters related to the quality of the institution or its academic programs. The Commission cannot guarantee that comments received after the due date will be considered. Comments should include the name, address, and telephone number of the person providing the comments. Comments will not be treated as confidential.

*Note: Individuals with a specific dispute or grievance with an institution should request the separate Policy on Complaints document from the Commission office. The Higher Learning Commission cannot settle disputes between institutions and individuals. Complaints will not be considered third-party comment.*

## Dum Tempus Habemus, Operemur Bonum

(While we have the time, let us do good)

There is an old saying that, “You can’t take it with you,” and that is literally true. But when Jesus spoke of laying up treasures in Heaven, He proposed the idea that you could send treasures ahead based on your heart, thoughts, acts, and how you used your treasure on earth. I believe that part of the peace we know as Christians comes from the satisfaction that we ran the good race and fought the good fight. Only you, under the leadership of the Holy Spirit, will know when that is the case in your life. I believe that God intends for us to be good stewards of the property He has assigned to our protection while we are alive and that He intends for us to transfer it to others in ways which continue that stewardship. Some of our peace, now, is the satisfaction of knowing that we will leave our possessions behind where they will do the greatest good.

For most of us this includes making thoughtful provision for our families. For many of us it may also include a charitable bequest to the Lord’s work through our churches and through Oklahoma Baptist University.

Every year we receive probate notices from the estates of those who made arrangements to benefit the mission of OBU. Sometimes it is a bequest for general-use purposes, and at other times the gift is designated for a special purpose, such as a scholarship endowment fund. Whatever the bequest, these notices represent donors who made the decision to take with them the satisfaction of leaving a worthwhile gift.

Additionally, the probate notices indicate that the donors may have also carried with them the thought that their bequest served as an example of generosity for family and friends to follow.

I really doubt that those who die without a will actually have the misguided notion that they can take their assets with them. But those who die with a valid will and a complete estate plan obviously believe that the possessions they leave behind them are too important to their families and to the testator’s sense of earthly mission to leave the distribution of his or her property to the choices made by state and federal governments. Through careful planning, such people ensure that they can now have the satisfaction of knowing that their worldly possessions will be used for their families and applied to the purposes for which they have devoted their lives.

We at OBU urge every friend and supporter to take the time to prepare a will and, if the Lord leads them to do so, to include a bequest to OBU. Your actions to help OBU fulfill its missions will allow you to “take with you” the satisfaction of knowing that your own mission is “well done.” ♦



FINANCIAL FOCUS

# Save for Retirement – This Week and Every Week

by R. Allen Eaker, M.B.A., Financial Advisor

It's official: The government thinks it's a good idea for you to save for retirement.

In fact, both the U.S. House and U.S. Senate passed resolutions a few months ago designating October 21 through October 27, 2007, as National Save for Retirement Week. Why did Congress take this action? As it turns out, our lawmakers have good reason to be concerned about our ability to achieve a comfortable retirement. Consider the following:

- ◆ Almost half of workers saving for retirement report total savings and investments (not including the value of their primary residence or any defined benefit plans) of less than \$25,000, according to the Employee Benefit Research Institute's 2007 Retirement Confidence Survey. The survey also concluded that the majority of workers who have not put money aside for retirement have little in savings at all: seven in 10 of these workers say their assets total less than \$10,000.
- ◆ The personal savings rate in the U.S. in 2005 and 2006 was negative, according to the U.S. Commerce Department – and a negative savings rate had not been seen since the Great Depression. Thus far in 2007, the savings rate has crept into positive territory, but just barely. You can find plenty of other statistics that pretty much tell the same story: We're not saving enough for retirement. Furthermore, our retirements are growing longer as our life expectancies increase – which means even more years of health care costs and all of the other expenses of living. To be able to afford a long and happy retirement, you need to save and invest – early and often. Here are a few suggestions to help you along the way:
- ◆ Take full advantage of your employer's retirement plan. Your employer may offer you a 401(k) or similar retirement plan. If so, contribute as much



as you can possibly afford, every single year. At the very least, contribute enough to earn your employer's match, if one is offered. And whenever you get a raise, increase your 401(k) contributions. Your money has the potential to grow on a tax-deferred basis and you may have a dozen or more investment options available in your plan.

- ◆ Contribute the maximum to your IRA every year. If you don't have an IRA, consider opening one – and try to contribute the maximum to it each year. A traditional IRA has the potential to grow tax-deferred, while a Roth IRA can grow tax-free, provided you've had your account for at least five years and you don't start taking withdrawals until you're 59½. You can fund an IRA with virtually any investment you choose – stocks, bonds, government securities, etc. For 2007, you can put in up to \$4,000 to an IRA, or \$5,000 if you're 50 or older.

For 2008, these figures rise to \$5,000 and \$6,000, respectively.

- ◆ Build a diversified investment portfolio. If you've "maxed out" on both your 401(k) and your IRA, and you can still afford to invest more, do it. A financial advisor can help you build a diversified investment portfolio which reflects your risk tolerance, time horizon and specific retirement goals.

National Save for Retirement Week only lasts seven days – but if you're going to truly enjoy your "golden years," you'll need to save and invest the other 51 weeks of the year, too. ◆

## About the Writer

R. Allen Eaker, a 1968 OBU graduate, is a financial advisor with Edward Jones in Altus, Oklahoma. His career with Edward Jones began in 1977. He was a general partner with the company from 1990-99.



Eaker completed a bachelor of business administration degree at OBU, and also played baseball and basketball for the Bison. He was a guard on OBU's 1996

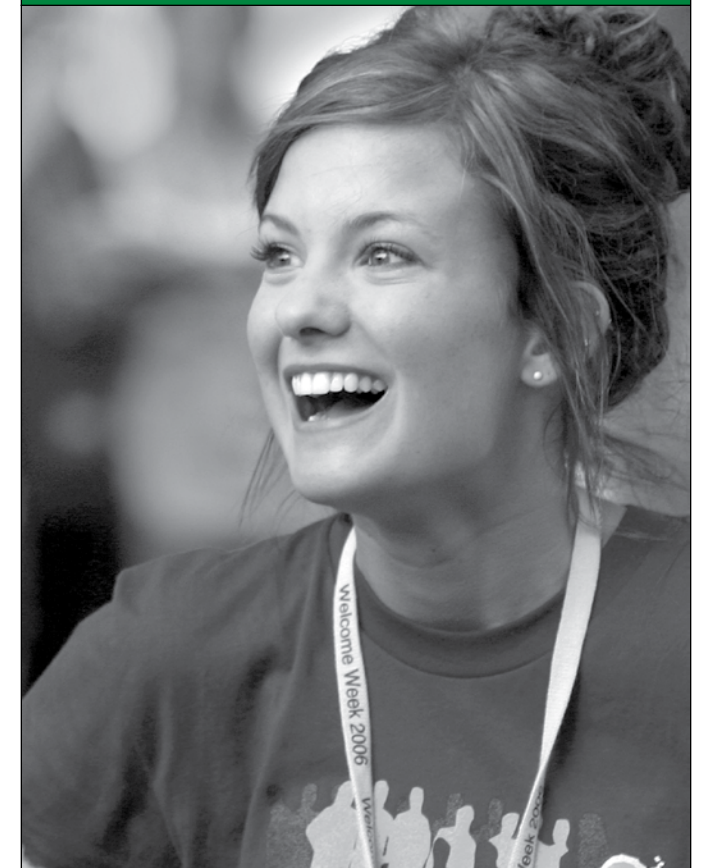
NAIA men's basketball championship team. He went on to complete an M.B.A. degree from Texas Tech University in 1971.

Eaker and his wife, the former Bobbie Darden, have been married since 1971. They have two sons, Todd, 30, and Jason, 27.

The *OBU Legacy Newsletter* is the Planned Giving newsletter of Oklahoma Baptist University, Shawnee, Oklahoma, published for those who may have an interest in Planned Giving, four times a year, generally in February, May, August and November. Opinions expressed in the *OBU Legacy Newsletter* do not necessarily represent those of the University, alumni, faculty or administration. All comments are protected by copyright © 2007 the *OBU Legacy Newsletter*, and any use is prohibited without the written consent of the editor, John Little. The *OBU Legacy Newsletter* has a quarterly circulation of approximately 4,000 and is published free of charge to the members of the OBU Legacy Society.

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## Quote from the Famous C.S. Lewis (1898-1963) English University Professor and Author

If you read history you will find that the Christians who did most for the present world were precisely those who thought most of the next. It is since Christians have largely ceased to think of the other world that they have become so ineffective in this.

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