



A Practical Approach to Receiving IRA Bequest Distributions

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Collecting the funds, when a donor makes a charity the beneficiary of an IRA, can be challenging. There has been much discussion about IRA administrators who, with a few exceptions, require charitable beneficiaries to establish an IRA account to receive a distribution from the donor's IRA, 401(k), 403(b) or other qualified plan.

The RIFT project (Release IRA Funds Timely) is a voluntary effort by dedicated professionals in planned giving to help charities receive IRA distributions more quickly and with less privacy intrusion. You'll find information on the status of negotiations with IRA administrators on the National Association of Charitable Gift Planners [website](#). If your organization is the beneficiary of an IRA, the RIFT project should be your first stop. The site lists the most common IRA administrators and custodians and offers advice on how to work with them.

Despite the efforts of the RIFT project, some IRA administrators still expect charitable beneficiaries to comply with the same procedures required of individual beneficiaries. Rather than simply making a distribution to your charity, the administrator requires paperwork to set up an account that your organization is going to liquidate and close immediately after receiving the distribution. The account opening process may require non-profit employees to disclose personal information, such as Social Security numbers, driver's licenses, home addresses, and personal financial information. Besides the intrusiveness, the process is cumbersome.

Another Way Forward

On the other hand, in many cases the most expedient approach is to complete the forms and set up an IRA account for the institution. If an administrator requires a rollover IRA, negotiating with the administrator to relax that requirement likely will demand time from your general counsel, and possibly senior leadership. Although providing personal information is intrusive and likely not required by law, doing so may be a reasonable price to pay to get a distribution sooner and with less effort.

If the administrator insists that the nonprofit organization establish an IRA account, consider the stringent privacy and data protection requirements in the financial services sector. (For employees of public institutions, such as state universities, the development office may be subject to public disclosure requests. Some personal information may already be publicly available.) We know these protections are not foolproof – it seems like every week there is a news item about a data breach – but the security procedures are rigorous.

Millions of people willingly entrust financial organizations with highly sensitive and private information whether it is the administrator or custodian of their personal retirement account, a 403(b), or some other qualified workplace savings plan. These accounts are probably with the same investment firms holding IRA funds for the benefit of your organization, such as Fidelity, Schwab, TIAA, or Vanguard, to name a few. You provided your social security number, financial information, and other personal details without hesitation when you opened those accounts.

That doesn't mean that charity staff need to answer every question on the inherited IRA application. Mark questions regarding investment style, total assets, etc. as not applicable, for example. Also, the application should clearly indicate that the IRA account is being set up on behalf of the nonprofit organization, not an individual. The signer of the application should be a staff member authorized to sign contracts on behalf of the nonprofit organization. Include a secretary's certificate attesting to board authorization of the signer. Use the signer's official title and business contact information in the application and cover materials. (The application may request a home address and phone, but IRA administrators are unlikely to reject the application if the address does not match the driver's license submitted with the application.)

Yet Another Way

Some IRA administrators have established special procedures and applications that contemplate the fact that the beneficiary may be a charity. Nonetheless, even these processes maintain the charade that a charity can only access a deceased donor's IRA by establishing an IRA account for the nonprofit organization.

According to the RIFT project, Fidelity and Charles Schwab require a charity to establish an IRA account to receive the inherited IRA. These two companies provide purpose-built forms to establish an IRA for a charitable beneficiary. Fidelity uses an [application](#) to open an IRA account on behalf of a Minor, Trust, or Entity. Charles Schwab's forms include a charitable recipient as an option on the [Inherited IRA Application for an Organization Beneficiary](#).

These IRA administrators designed forms for charities, among other entities, but read them very carefully. The applications still ask for home addresses, driver's licenses, and social security numbers. The forms solicit this personal information for "Authorized Individuals." The "Authorized Individual" is an applicant setting up the account for the nonprofit organization, not for their personal use.

Other Caveats

Inherited IRA applications universally request a death certificate, the decedent's social security number, and the decedent's account number. It is unlikely that your organization will have all this information.

Not everyone can obtain a copy of the death certificate. Usually only certain people can request this record with few questions asked, such as the executor of the estate, immediate family, a funeral director, or a government agency. Whether or not a death certificate is available to the public depends on the state where the donor died.

The donor's executor can provide a copy of the death certificate, their social security number, and IRA account number. Explain to the executor why you are requesting this information. It may be useful to describe the donor's involvement with your charity and their intention to leave a legacy gift. Always thank the executor for their cooperation and thank the family for the donor's generosity.

By no means can you provide confidential information without any risk. In one case, a \$300,000 IRA gift to charity ended up in the chief development officer's personal IRA! It took some panicked and contentious phone calls to sort that one out. (The firm never explained how it happened, but we can guess.) As far as I know, this sort of major mistake is rare. In the great majority of cases, the IRA administrator transfers the money without incident once the charity's IRA account is in place.

Conclusion

There is a strong case that an IRA beneficiary designation is in the nature of a payable on death account. Once a charity has established it is the intended beneficiary, the IRA administrator should distribute the funds to the charity. Unfortunately, that isn't how most IRA administrators approach these gifts.

In an ideal world, administrators would pay IRA proceeds to charitable beneficiaries unimpeded by unnecessarily complex, burdensome, and intrusive procedures. Absent federal legislation and regulatory guidance, the financial services industry is unlikely to voluntarily relent.

Rather than fighting battles one by one, consider adhering to the spirit of securities legislation without compromising the privacy of your charity's employees. Complete the required paperwork making it clear that the nonprofit organization, not its employees, is establishing the rollover IRA account. Be sure to check whether the IRA administrator has alternate forms for establishing an IRA account for a charity or organization and, if so, be sure to use them.