

Dividends

University
of Wisconsin
Madison

YOUR GUIDE TO CHARITABLE GIFT PLANNING

FALL 2017



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UNIVERSITY OF WISCONSIN
FOUNDATION

Will this be the year for tax reform?
What are your best year-end strategies?

'69 grads Richard and Jennifer Arndt are establishing scholarships in gratitude for their educations—and their love

They met at a UW fraternity mixer (more on that later), earned three degrees from the university, and are incredibly grateful for the affordable education that launched their careers with no debt, so there was little question whether Richard and Jennifer Arndt (both class of '69) would make a significant gift to the University of Wisconsin. But frankly, they had little idea how to go about it.

"We wanted to set up two scholarships, one in electrical engineering [Richard's field] and one in vocal music [Jennifer's field], but we didn't know how we were going to fund them," Jennifer said. "We have to give [Senior Director of Development] Michelle Green credit; we talked to her and realized we could use Richard's life insurance policy. I had no idea you could make a gift of life insurance."

That gift, however, won't fund the scholarships until after Richard is gone.

"I felt badly that Richard would never get to see anybody get the scholarships," Jennifer said. "Then Michelle told us something else that we didn't know: We could fund scholarships now from the required minimum distribution that we have to take from Richard's retirement plan. The funds go directly to the university, and we don't pay tax on it. So we are going to start funding the scholarships this coming year and keep funding them that way until the life insurance gift takes over—in the far, far distant future."

They are also using their required minimum distribution to pay the ongoing premiums on the life insurance policy.

"I knew I could give the life insurance policy somehow, but I didn't know how to go about it," Richard explained. "Michelle Green does a lot of traveling for the university, and she called and asked if she could come see us [in Austin, Texas, where the Arndts live].



Richard and Jennifer Arndt

"We've given to the alumni association, athletics, the library, the cancer center," said Richard, who then grinned and added, "She knew we were easy touches—true when you've got degrees from the school and also met the love of your life there."

That meeting occurred at the first mixer Jennifer ever attended.

“Now the states have made some very short-sighted judgments and are not investing nearly as much in the university systems—and as a result a lot of students have to acquire massive debt. Our careers took us out of Wisconsin and we couldn’t really pay back. But we can pay forward, and that’s what we are doing with these scholarships.”

—Richard and Jennifer Arndt

“It was called a beer supper, and the engineering guys invited the music major girls and the pharmacy girls,” Jennifer recalled. “I had never been to anything like it. We were in a dark, dimly lit basement with a bar that had a giant slide ruler behind it. Richard was standing in front of the bar wearing a three-piece suit and a tie. I thought, ‘That’s the cutest guy in the room, and if I’m going to attend something like this then I am going to shoot for the best.’ ”

When asked for his version of their first meeting, Richard laughed and replied, “After 48 years of marriage, I know better than to contradict.”

Richard went on to earn both a bachelor’s degree and a master’s degree in electrical engineering from UW and work for IBM for 47 years, with stints in New York and Minnesota before landing in Austin in 1979. He filed more than a hundred patents as a “platform architect,” helping IBM engineers design computers that would run the software being independently written by programmers around the world. “I went to a one-room schoolhouse—with 13 of us in the first eight grades—and my high school

graduating class was 62,” Richard says of his upbringing outside of Fond du Lac, Wisconsin. “It’s difficult to put into words what the University of Wisconsin made available to me, going from that situation to where I was at the center of the computer industry.”

Jennifer, meanwhile, also grew up in a small Wisconsin town; and after earning her UW bachelor’s degree in vocal music education, she went on to earn a master’s degree from the University of New Mexico and a second master’s and a doctorate at the University of Texas. She taught in elementary schools and in colleges and gave private lessons—and raised three children, one of whom graduated from UW in 2012. When her fifth grade choir was asked to perform for the 2012 Miss America (Laura Kaeppler from Kenosha), she arranged a patriotic medley which ended with “The Eyes of Texas” transitioning to “On, Wisconsin.” A local Austin TV station covered the performance and commented, “Boy, that music teacher really did her research!” not realizing that for that particular Austin, Texas, musician knowing “On, Wisconsin” was no challenge whatsoever.

“I loved my college experience,” Jennifer said. “I was a shy and small girl and very nervous about performing. But I had such wonderful teachers who helped me.”

She particularly mentioned vocal music professor Ilona Kombrink and piano teacher Ellsworth Snyder. “Here I am almost 70 years old,” she said, “and I remember their names and what fabulous teachers they were.”

Richard and Jennifer emphasized how grateful they are for the low cost of their education, and they want their scholarships to help students reduce their education debt.

“In the days when Jennifer and I were going to school, the state of Wisconsin paid for 50 percent of our education; and we were fortunate that our parents could provide the rest so that when we got out, we didn’t have any debt,” Richard said. “Now the states have made some very short-sighted judgments and are not investing nearly as much in the university systems—and as a result a lot of students have to acquire massive debt. Our careers took us out of Wisconsin and we couldn’t really pay back. But we can pay forward, and that’s what we are doing with these scholarships.”

Visit supportuw.giftplans.org/year-end to learn more about your best year-end strategies.

Will this be the year for tax reform? What are your be

Year-end planning always involves making assumptions about the future. This year there is an additional—and significant—unknown facing all Americans: Will this be the year that the long-anticipated major tax reform becomes a reality? But we can't wait until we know exactly how tax reform plays out to make a year-end plan for 2017. Instead, we need plans that are designed to capitalize on the most likely components of tax reform but will also produce good results even if there are no major changes to our tax system.

Four charitable-planning strategies are described in this newsletter, all built on the assumption that any changes that are made will not go into effect until 2018, with examples and more in-depth explanations in our complimentary guide, *Year-End Tax Planning with an Eye on Tax Reform*. The guide also describes four additional financial-planning strategies you may want to employ this year:

- Deferring income
- Waiting to sell appreciated assets
- Accelerating deductions
- Waiting before transferring assets

Request your complimentary guide today!

Take advantage of your tax bracket

The situation: Arguably, lower federal income-tax rates are the holy grail for tax-reform advocates. Not only do lower rates seem to be in the offing, but you can also expect a major reduction in the number of income-tax brackets.



Charitable-planning strategy:

Make your significant gift in 2017

This might be the best time to make the significant charitable contribution you have been considering. If rates go down, your gift this year would produce more tax savings than it might in the future. If rates don't go down, your gift will still lower your tax bill this year.

Accelerate your deductions

The situation: Many proponents of tax reform believe that simplifying our tax system is as important as lowering tax rates. Their solution is to do away with most of the credits and deductions and replace them with an expanded standard deduction.



Charitable-planning strategy:

Make next year's gift now

If you are concerned about possibly losing the benefits of itemizing your charitable contributions for 2018, you may want to consider doubling up your gift this year and skipping next year. The gift you would have made next year will increase your deductions this year, and then next year you can use the standard deduction—whether it goes up or not.



ROLLOVER!
Good IRA

Direct gifts to the UW from your IRA can:

1. Be an easy and convenient way to make a gift from one of your major assets.
2. Be excluded from your gross income:
a tax-free rollover.
3. Count toward your required minimum distribution.

For your gift to qualify:

- You must be 70½ or older at the time of your gift.
- The transfer must go directly from your IRA to the University of Wisconsin Foundation.
- Your total IRA gift(s) cannot exceed \$100,000.
- Your gift must be outright.

st year-end strategies?

Avoid tax on appreciated assets

The situation: Perhaps the most difficult aspect of investing is knowing when to sell. While that decision should primarily be made in regard to the future prospects of the investment, investors can be reluctant to sell and realize a taxable capital gain. Many tax reform proposals include reducing capital gains tax rates and eliminating the 3.8 percent Affordable Health Care surtax that many investors pay.



Charitable-planning strategy:

Use those assets to fund your gift to us

It may be especially beneficial to you to use long-term appreciated capital gains investments like stock to fund your charitable giving this year. Two compelling reasons: You can take a charitable deduction based on the asset's full fair-market value without having to pay any tax on the paper gain. And your deduction may be worth more in terms of tax savings if income-tax rates drop next year.

Choose when to transfer assets

The situation: Estate and gift taxes could be completely eliminated in tax reform. For the vast majority of taxpayers, these so-called "transfer taxes" don't apply because each taxpayer can pass on \$5.49 million free of estate and gift taxes in 2017. But they are a major issue for those who do have to pay them, taking 40 percent of taxable transfers.



Charitable-planning strategy:

Give now for income-tax benefits

A key way to reduce transfer taxes is to reduce the size of one's estate by making gifts to loved ones and charities during life. Even those who are not subject to transfer taxes (and don't expect to ever be) can benefit by making current charitable gifts and using the income-tax deductions to reduce taxes.



Stay in touch with us!

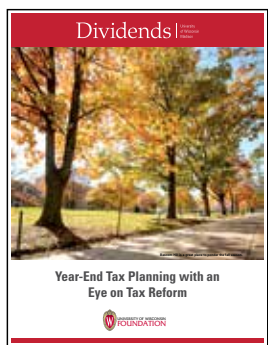
The University of Wisconsin-Madison wants to stay in touch with you. As primary manager of the university's alumni and friends database, the UW Foundation continually seeks up-to-date contact information. You can update your information online by visiting badgerbridge.com. Updating your information will help us to maintain accurate records, which we share selectively with the Wisconsin Alumni Association and other campus departments and programs with which you may be involved as an alum, volunteer, faculty member, or donor.

Tax-planning strategies: which are right for you?

Complete this checklist to list the tax-planning strategies from our complimentary guide that you have already used or would consider using.

Tax-planning strategy	Check if you have done it before	Check if you would consider doing it now
Defer income to the following year		
Give to charity before year-end to avoid next year's uncertainty		
Delay selling appreciated property		
Use appreciated property to fund your charitable gift		
Accelerate expenditures that you can deduct		
Double up charitable gifts, making next year's gift in advance		
Delay taxable transfers to loved ones		
Transfer assets to loved ones in lower income-tax brackets		
Make gifts during life to save income taxes		
Create a charitable remainder trust		
Make an IRA rollover gift		

Request your complimentary year-end tax-planning guide



- 1** Return the attached reply card to receive a complimentary copy of our new guide, *Year-End Tax Planning with an Eye on Tax Reform*.
- 2** Call us at 608-263-4545 to find out how a gift to the UW Foundation will further the university's mission.
- 3** Email us at uwf@supportuw.org. We are happy to answer any questions you might have or send you more information.
- 4** Request it online at supportuw.giftplans.org/year-end.



During the fall, the campus is alive with Badger spirit.

Request your complimentary year-end tax-planning guide

Simply return the attached card, request it online at supportuw.giftplans.org/year-end, or call 608-263-4545.

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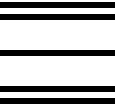
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Leave a lasting legacy. Join the Wisconsin Legacy Society!

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- Receive a certificate of membership.
- Receive a special Wisconsin Legacy Society picture frame.
- Receive special invitations to UW-Madison alumni events.

Contact the office of gift planning today!

To learn how you can join the growing community of alumni and friends who have created a legacy for the future of our great university, call 608-263-4545 or visit:

supportuw.org/legacy

Request your complimentary year-end tax-planning guide

- Please send me a complimentary copy of your new guide, *Year-End Tax Planning with an Eye on Tax Reform*.
- I have included the university in my estate plan.
- I am considering including the university in my estate plan. Please contact me to discuss options.
- I would like more information on the following types of gifts:
 - Real estate Gifts from an estate
 - Securities Pooled income funds
 - Gift annuities Charitable trusts
 - Other _____

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The University of Wisconsin Foundation engages those who care about the university, **provides opportunities** to enhance its teaching, research, and outreach programs, and **guarantees ethical stewardship** of the gifts received.

INSIDE THIS ISSUE

Will this be the year for tax reform? What are your best year-end strategies?	4
Take advantage of your tax bracket.....	4
Accelerate your deductions	4
Avoid tax on appreciated assets.....	5
Choose when to transfer assets	5
Tax-planning strategies: which are right for you?	6