

CHARITABLE GIFT
AND FINANCIAL
PLANNING IDEAS
FROM THE
UNIVERSITY
OF WISCONSIN
FOUNDATION

Fall 2009

W I S C O N S I N

Dividends



JEFF MILLER, UW-MADISON, UNIVERSITY COMMUNICATIONS

Four opportunities to make the
economy work for you right now

As the economy slowly recovers, there are significant opportunities waiting for those who are creative and nimble, especially those who are also charitably minded. In this issue of *Dividends* we highlight four ways you can make the economy work for you right now.

1. Sell Those Losers Before Giving

Many of our supporters are familiar with the strategy of giving appreciated stock instead of cash to get extra benefits, deducting the full value of the stock and not paying any tax on the paper gain. (See Example 1)

But in this down market, consider selling the stock first and then giving the proceeds to the University of Wisconsin Foundation in support of the UW-Madison and reap double benefits:

- You can use the loss on the sale of the stock to offset other capital gain.
- Your cash gift generates a tax-saving charitable deduction.

when you choose. **Your future income is guaranteed regardless of what happens in the market.** (See Example 2)

An alternative to low-rate CDs.

We also offer immediate-payment gift annuities for the life of one or two annuitants—many of our friends find their rates an attractive alternative to the low rates currently available on

Example 1

Mary H is a generous friend of the University and makes a gift of \$25,000 each year to support our work. This year, due to the economic slump, the value of some of Mary's stocks has slipped. In fact, her shares in XYZ, Inc. are now worth half of the \$50,000 she paid for them five years ago.

Mary decides to sell that stock and give the UW Foundation the \$25,000 proceeds of the sale. She can use the \$25,000 loss she realized on the sale to offset gain from other investments—or even to offset up to \$3,000 of ordinary income if her loss is greater than her gain. In addition, she can deduct the \$25,000 gift, saving her \$8,250 in her 33 percent federal tax bracket.

2. Take the Guesswork Out of Retirement Income

One of the biggest concerns for many Americans has been the effect of the economic downturn on their retirement-fund investments. Retirement-plan fluctuations have made it more difficult than ever to predict exact levels of retirement income.

Some of our friends are combining charitable planning with retirement planning, a creative strategy that allows them to fulfill important philanthropic goals and lock in retirement income down to the penny—all while enjoying major tax benefits.

Here is how it works: You transfer assets to the UW Foundation now, and we guarantee to pay you a specific amount each year beginning

Example 2

A longtime supporter of the University, Tom J, 55, wants his giving to have a major impact on our mission and transfers \$200,000 to us now in exchange for annual income at 8 percent each year, which will begin when he retires at the age of 65. After Tom's death, funds from his gift will be available for a special project he wants to support.

This plan—called a deferred charitable gift annuity—will continue to pay \$16,000 per year for as long as Tom lives, and \$7,312 of his "income" will be tax-free for the balance of his life expectancy. Tom takes a deduction this year of \$54,542, saving him more than \$19,090 in his 35 percent tax bracket.

Immediate-Payment Gift Annuity Rates

Age	Rate	Ages	Rate
55	4.8%	55–55	4.1%
60	5.0%	60–60	4.6%
65	5.3%	65–65	4.9%
70	5.7%	70–70	5.2%
75	6.3%	75–75	5.6%
80	7.1%	80–80	6.1%
85	8.1%	85–85	7.0%
90	9.5%	90–90	8.3%

CDs and other traditional income-producing investments.

How might a gift annuity fit into your plans? The above chart shows the rates we currently offer at various representative ages.

3. Get In on the Ground Floor of the Recovery

Because of the swift decline in the market, it is difficult for many

investors to find a good place to jump out of the market; many are reluctant to sell now, not wanting to miss a potential recovery.

Others may want additional income but are reticent to cash in at what they consider the bottom, tying the income they do get to current low stock values. If you have substantial charitable goals, there is a way to create that source of income right now and still benefit from future recovery.

Example 3

Dan and Elizabeth M, both 68, have been major supporters of our work for many years. They have seen the value of their stocks drop precipitously over the last year and know that if they sell some and put the proceeds in traditional income-producing investments, they will effectively lock in their losses and not benefit from future recovery.

Instead, they decide to put \$500,000 of their portfolio in a CRUT that will pay 5 percent of its value each year as long as either one of them lives. They will get 5 percent (\$25,000) in the first year of the trust. The amount in future years will depend on the trust’s investment results.

If the trust achieves an average of 8 percent total return, their income will go up annually and could eventually exceed \$46,000.

What’s more, Dan and Elizabeth can take a deduction of more than \$194,000, saving them more than \$68,000 in federal income tax. If the trust achieves an 8 percent total return, there will be almost \$1 million—\$958,052—to create their gift.

You can transfer assets to a special kind of trust—a charitable remainder unitrust (CRUT)—that will pay you a fixed percentage of its value as it changes annually. If the value of the trust’s investments goes up, your income will go up. You can set this up to make payments for your life or for any period of time you choose, up to 20 years, and it generates a significant tax deduction. At the end of the trust term, assets remaining in the trust pass to the UW Foundation. (See Example 3)

4. Cash In on the Gift-Tax “Sale”

The right to pass substantial amounts of your property on to others—such as children or other family members—typically comes with a price tag: federal gift or estate taxes. But low stock and real estate values and low interest rates have combined to put these taxes on “sale” for those who have significant charitable goals.

How can that be? You create a special fund that will make your gifts to the UW Foundation for as long as you choose and then distribute the remaining amount to the persons you designate. The value of your gifts to the UW Foundation will be subtracted from the total you put in the fund, and only the balance will be subject to gift or estate tax. (See Example 4)

Right now is the best time ever to create this kind of special fund.

Why?

- Current low asset values mean less potentially subject to tax.

- Record low interest rates produce high values for charitable gifts from the fund and low values for the taxable amounts eventually passing to beneficiaries.

These special funds—known as charitable lead trusts—can be powerful planning tools. Various types of charitable lead trusts meet different planning objectives. The type you choose can have significant implications for income, gift and estate taxes. We welcome the chance to talk with you and your advisors as you plan.

Example 4

Phil B intends to make gifts of \$60,000 each year to the UW Foundation. Even though the value of his portfolio has declined sharply, Phil is still concerned about the federal tax bite on the substantial assets he hopes to transfer to his children.

Phil decides to use \$1 million worth of his portfolio to create a special fund that will make his annual gift to us for 20 years—and then distribute the remaining assets equally to his children. Because of the low discount rate, only \$73,430 is treated as a taxable gift.

Regardless of how much his fund grows, only that \$73,430 will ever be subject to federal estate or gift tax. If the trust generates a total annual return of 8 percent, Phil's children will ultimately divide more than \$1,855,000—all free of any additional tax.

Increasing opportunity: The Great People Scholarship Campaign

A top priority at the University of Wisconsin-Madison is attracting the best and brightest undergraduates from economically diverse backgrounds to energize the campus and reaffirm the University's mission—helping all of our students prepare to live and lead in the real world.

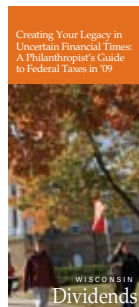
Even with one of the lowest tuition rates of any of the nation's top 10 public universities, a UW-Madison education is out of reach for many promising students. As state support for the University has diminished to less than 20 percent of the overall budget, the cost of a top-quality education has increased to a level beyond what is affordable for the median-income Wisconsin family and many out-of-state residents.

Today's students face a wider gap between the cost of a UW-Madison education—tuition and fees, room and board, books and supplies—and how much they can afford than students traditionally have had. About 56 percent of all full-time students receive some form of financial aid, and that trend has been rising since 1999.

Gifts to the Great People Scholarship Campaign will make it possible for students from all segments of society to realize their dreams of attending the University, ensuring that the UW-Madison will sustain its place as an elite university and not a university just for the elite.

The UW Foundation Board of Directors has agreed to match \$20 million in gifts to the Great People campaign. Gifts are being matched 1-to-1 for campus-wide, unrestricted support of undergraduates. The match is 1-to-2 (50 cents on the dollar) for endowment-level gifts to Great People scholarships restricted to schools or colleges.

To learn more or to make a gift, visit uwgreatpeople.org.



Is opportunity knocking for you?

You may find our handbook, *Creating Your Legacy in Uncertain Financial Times: A Philanthropist's Guide to Federal Taxes in '09*, helpful as you consider your plans.

Please return the enclosed card to receive a complimentary copy, or feel free to contact our office at 608-263-0371 to

request a copy of the booklet or to discuss your situation with a member of our staff.

Direct gift goes right to work

Margery Amundsen ('56 BS L&S) had to make a few decisions when her husband, James, died two years ago.

"I knew I wasn't going to spend his insurance money and his stocks on myself," said Margery, who earned her degree in economics and lives in Palm Desert, California. "I sent in one of the reply cards from *Wisconsin Dividends* to receive more information" on making planned gifts to support the University of Wisconsin-Madison.

She got back more than literature. Margery was surprised with a personal phone call from UW Foundation Senior Director of Development Bonnie Bruce.

"She was a tremendous help to me, and she presented me with a lot of options. I decided I wanted to make my gift go to work right away," Margery said. "I have a special fondness for the Department of Economics, and I wanted to help women who were majoring in that field."

That relates back to her time on campus. "As far as I knew, I was the only female economics major at the time. It felt like I was under a microscope. If I wanted to cut class, it was pretty obvious I wasn't there," she said with a laugh.



Margery Amundsen

When Margery entered the business world after graduation, "women had a terrible time getting decent jobs," she said. "I could see the handwriting on the wall, and I thought the federal government would give me a fair shake."

It did indeed. She took the civil service exam. Later she interviewed in California, and she credits her UW-Madison education with her getting a position with the Social Security Administration. Hard work earned her promotions, and after five years she left to start a family. "As my daughters

got older, I worked part-time for small businesses, and that was rewarding," she said.

Margery has always been fond of the "great state university" she attended after graduating from high school in Green Bay, Wisconsin. "I learned a lot at Wisconsin. I loved going to a big school. I loved the independence," she said.

She also remembered how a small loan had a big impact on her college career. "One semester I had insufficient money to pay for school expenses. I needed to get permission

(continued on page 6)

Direct gift goes right to work

continued from page 5

from the Dean of Women to delay taking a course so I could work more hours. She surprised me by writing a check to me right on the spot, and she said that came from a special fund donors made available to her," Margery said.

That's a reason why Margery targeted student need in her annual giving. "For years, all I gave was a small annual gift, but I directed it to student loans," she said. "It's so hard to attend college on a shoestring. I feel for these kids.

"I had no idea that it had gotten so costly for Wisconsin residents to attend the University," she said. "I think it would really take a tremendous effort to get through school these days without some kind of help. I put myself through the University, but if tuition hadn't been so low, I don't know if I could have made it."

Margery wanted students to benefit right away, so she made a direct transfer of funds. Her wish was fulfilled, and her scholarship in economics was awarded to a female undergraduate in the 2008–09 academic year.

"The recipient wrote me the loveliest thank-you letter. That meant a lot to me," she said.

Margery said she is considering further estate gifts to the University.

"My two daughters are both college graduates and are doing very well," she said. "I won't have a really large estate, but when I die I would like to add a sizeable portion of it to my scholarship fund."

And she's happy with the choices she has made so far. "An outright gift worked for me," she said. "You get results faster. I know it won't work for everyone, but it was a great fit for me."



Visit our Web site at
www.uwfoundation.wisc.edu

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 www.uwfoundation.wisc.edu/survey. Please use the identification number located above your name on the *Wisconsin Dividends* mailing label to log in to the Web site. You will help us to maintain accurate information that is shared selectively with the Wisconsin Alumni Association and any other campus departments and programs with which you may be involved as an alumnus, volunteer, faculty member or donor. Thank you!



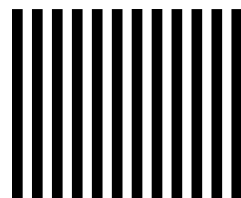
W I S C O N S I N
Dividends



BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO. 1108 MADISON, WI

POSTAGE WILL BE PAID BY ADDRESSEE

UNIVERSITY OF WISCONSIN
FOUNDATION
PO BOX 8860
MADISON WI 53791-9944



NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

We would like to send you a complimentary copy of our handbook,
**Creating Your Legacy in Uncertain Financial Times:
A Philanthropist's Guide to Federal Taxes in '09.**

To receive your copy, simply return the attached card or call:

Russ Howes
Vice President, legal affairs
608-263-0371
russ.howes@uwfoundation.wisc.edu

Bonnie Bruce
Senior Director, gift planning
608-263-2135
bonnie.bruce@uwfoundation.wisc.edu

Scott McKinney
Senior Director, gift planning
608-262-6241
scott.mckinney@uwfoundation.wisc.edu

Beth Wells
Director, gift planning
608-263-9337
beth.wells@uwfoundation.wisc.edu

The information contained herein is offered for general informational and educational purposes. The figures cited in the examples and illustrations are accurate at the time of writing and are based on federal law, as well as IRS discount rates that change monthly. State law may affect the results illustrated. You should seek the advice of an attorney for applicability to your own situation.

Copyright © Pentera, Inc., All rights reserved.

Philanthropy will mean the difference between the maintenance of a great university and the evolution of an extraordinary one.

University of Wisconsin Foundation Vision Statement

____ Please send me a copy of "Creating Your Legacy in Uncertain Financial Times: A Philanthropist's Guide to Federal Taxes in '09."

____ Please have someone from the University of Wisconsin Foundation contact me about my gift plans.

____ 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 _____

Name _____

Firm/Affiliation _____

Address _____

City _____

State _____ ZIP _____

Telephone: Home (____) _____

Business (____) _____

E-mail _____



UNIVERSITY OF WISCONSIN
FOUNDATION

1848 UNIVERSITY AVENUE
PO BOX 8860
MADISON WI 53708-8860

Nonprofit Org.
U.S. Postage
PAID
University of Wisconsin
Foundation

PLEASE FOLD ON THIS SCORE AND TAPE THE OPEN END CLOSED BEFORE MAILING.

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.

Dear Friends,

My name is Margery Amundsen, and in this issue of *Wisconsin Dividends* you will find an article about how a direct gift from an inheritance worked for me and for the University of Wisconsin-Madison.

I was able to see my gift go to work right away supporting scholarships in economics, and the thank-you letter I received from the recipient reaffirmed the wisdom of my choice.

I grew up in Green Bay, Wisconsin, and after graduating high school I just knew the University was the place for me. These many years later, the UW-Madison still holds a warm place in my heart.

The planned giving staff at the UW Foundation helped me find a way to support students. They can help you support your passion on campus as well.

Sincerely,

Margery Amundsen