

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

Spring 2009

W I S C O N S I N

# Dividends



JEFF MILLER, UW-MADISON, UNIVERSITY COMMUNICATIONS

Extend the reach of your generosity  
far into the future.

Few things bring more joy to philanthropic people than making meaningful contributions to their favorite charitable organizations. All of us can relate to the satisfaction that comes from seeing our support make a difference for causes important to us.

Many of our friends have discovered the added pleasure of knowing they can continue to support our mission beyond their lifetimes. *How?* They have arranged their affairs to make gifts to the UW Foundation to support UW-Madison at the end of their lives.

## 5 Benefits of the Popular, Versatile Charitable Gift by Will

You may choose to do what literally millions of people have done: make a charitable bequest in your will. Gifts we receive through wills help ensure that the University of Wisconsin-Madison will stay strong and move forward in the future.

There are many benefits of making a charitable bequest:

### 1. You can be sure your assets ultimately go to support causes important to you.

Without your specific direction, none of your assets will pass to the UW Foundation or any other charity. Children or other heirs may decide to use some of what they receive to make charitable gifts in your honor and memory—but that is beyond the direct control you can exercise with a charitable bequest.

### 2. Leave a legacy.

Even if your annual budget provides for gifts to the UW Foundation, it may seem out of reach to make the size of gift you would like during your lifetime. Many of us need access to all of our assets or the income they generate. At the end of your life, though, all those assets will be available to distribute according to your wishes—as set out in your will.

A gift through your will can be the ideal way to realize your larger charitable objective. And you can designate how you want the UW Foundation to use your gift. You may want to fund a special capital or programmatic project. Or you may want to create an endowment that will continue to provide support to the UW-Madison in perpetuity.

### 3. Do you mean I could continue my current level of annual support?

Yes, and here's an example of how others have accomplished this. (See Example 1.)

An endowment can be set up to support virtually any exempt purpose of the University. We welcome the opportunity to talk with you about how you can create an endowment to address your own specific purposes.

### 4. You may realize federal and/or state inheritance-tax benefits.

While federal estate tax can claim 45 percent of a decedent's taxable

### Example 1

Gene and Donna B are generous supporters of the University. Each year they make an unrestricted gift of \$50,000 to underwrite some of our general operations, freeing up budget dollars for other purposes.

They decide to make a gift that will make it possible for this level of support to continue. Estimating that an endowment will generate approximately 5 percent in distributions each year, Gene and Donna provide for \$1,000,000 to come to the UW Foundation to set up an endowment that will provide continued support at the level they had been giving.

estate above a certain threshold amount—\$3.5 million for 2009—a charitable bequest can shield from this tax the amount passing to the UW Foundation and may reduce state inheritance taxes as well.

### 5. You can change your mind.

Your will can and should be a dynamic document.

You would ideally review your will anytime there is a significant change in life circumstances. For instance, if the extent of your assets increases, you may decide you want



to do more for certain beneficiaries. Or if one of your children becomes significantly more or less financially secure, you may decide to modify the division of assets among all the children. As long as you are competent, you retain the power to amend or eliminate any provision in your will.

## 4 Reasons More People Are Establishing a Living Trust

An increasing number of Americans are creating revocable living trusts as a tool to manage their affairs during their lifetimes and to provide for distribution of their assets at death. A revocable trust can be an extremely versatile instrument, and you may find it appealing for many reasons, including:

### 1. You retain control of your assets.

You can keep the right—as trust owner or grantor—to add or remove assets from it at any time.

### 2. Professional management of assets.

You can turn the management of your trust assets over to a professional fiduciary of your choice—or you can serve as trustee and hire the fiduciary for management services.

### 3. Continuity of management in the event of disability.

If you become unable to manage your own affairs, a professional fiduciary trustee or a successor trustee can step in and handle those tasks for you.

### 4. Assets in a revocable living trust typically avoid probate.

A revocable living trust generally becomes irrevocable when you die, and your assets are distributed according to the trust's terms. Assets passing in this manner will not be subject to probate—a factor that can both expedite the settlement of your affairs and reduce costs.

## Protect Your Potential Beneficiaries: Don't Let Estate Size Threaten Their Inheritance

There are many ways to structure a bequest to the UW Foundation. For instance, you can designate a specific asset or a specific dollar amount. Many of our friends find it is prudent to make a gift of a certain percentage of their estates.

*Why?* By making a gift of a percentage of your assets, you can guard against inadvertently diminishing provisions for other beneficiaries—and you can allow your gift to grow proportionally if your assets grow. (See Example 2.)

## The Simple Option: Name the UW Foundation the Beneficiary of These Gifts

Two other very popular ways to make charitable estate gifts are to name the UW Foundation the beneficiary of a life insurance policy or retirement-plan account, such as an IRA, 401(k) or a company pension plan.

### Example 2

Mary G is thinking of making a gift of \$500,000 to the UW Foundation. Her estate is currently worth \$2,000,000, and she intends that her three children will divide the balance equally.

Under Mary's current plan, if her assets shrink to \$1,000,000 at the time of her death—perhaps due to unforeseen expenses—her children will divide only \$500,000 (\$166,667 apiece) instead of the \$1,500,000 she had contemplated. On the other hand, if her assets continue to grow and are valued at \$4,000,000 at her death, the \$500,000 gift may be less than she would have liked to have made.

If instead Mary were to designate 25 percent of her estate to benefit the UW Foundation, we would receive the \$500,000 she originally had in mind if the value of her assets remains essentially stable. But if the value were to change—either up or down—the value of our interest would always stay in the same proportion to that of her children. If she wishes, Mary may include a provision that limits the total that we can receive—for example, 25 percent to us but not to exceed \$\_\_\_\_\_.

*How?* Simply file a change of beneficiary form with your insurance company or plan administrator.

You can even indicate a particular purpose for your gift in your beneficiary designation. If you do, it is a good idea to notify us about the designation to ensure

that we ultimately apply your gift according to your wishes. If you intend to create an endowed fund, for instance, we can work with you during your lifetime to create the guidelines for the fund.

**Estate tax benefits?** Much like assets in a revocable living trust, the death benefits of an insurance policy and the assets remaining in a retirement account typically avoid probate but are included in the owner's estate for estate tax purposes. Consequently, your charitable gift of either an insurance policy or retirement-plan assets reduces the size of your taxable estate.

## A Surprising Benefit of a Charitable Gift of a Retirement Plan

If you are planning an estate gift to the UW Foundation, funding that gift with retirement-plan proceeds can be an effective and creative tax-wise move. Directing funds to the UW Foundation can actually result

### Example 3

Karen C has a gross estate of \$1,000,000, including an IRA account worth \$100,000. She would like the UW Foundation to receive 10 percent of her estate and is planning to direct \$100,000 to us in her will and her other assets to her niece Gloria.

When Karen learns that Gloria will be required to pay income tax on the IRA balance, she decides to leave the IRA to the UW Foundation and the other assets to Gloria—saving Gloria as much as \$35,000.

### Estate Gift to Gloria: Karen's IRA—or Other Asset?

	\$100,000 IRA to Gloria	\$100,000 IRA to the UW Foundation
<b>Gross to Gloria</b>	\$900,000	\$900,000
<b>Gloria's income tax</b>	\$ 35,000	0
<b>Gloria's net</b>	\$865,000	\$900,000
<b>Gross to the UW Foundation</b>	\$100,000	\$100,000
<b>Income tax</b>	0	0
<b>Net to the UW Foundation</b>	\$100,000	\$100,000
<b>Tax savings for Gloria</b>	0	\$ 35,000

in income tax savings for your other beneficiaries. **Reason:** Such proceeds are often treated as taxable income to the recipient. Consequently, it

generally is a good idea to leave the proceeds to us—since we are tax-exempt—and leave other assets to family members. (See Example 3.)

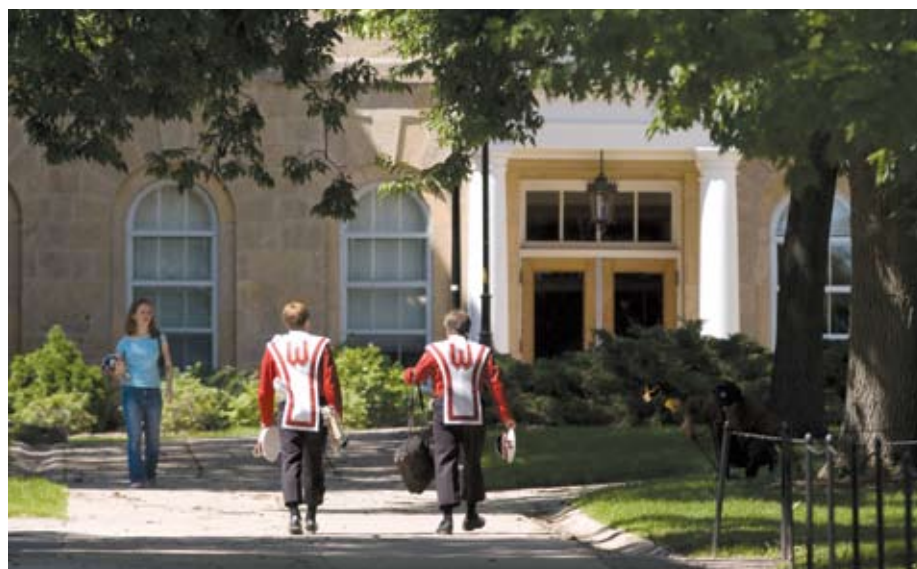


Photo credit: Jeff Miller, UW-Madison, University Communications



## We're here to help

You make an important difference every time you make a gift to support our mission. We hope that you have found in this newsletter some ideas that may let you extend the reach of your generosity far into the future.

To assist you as you contemplate estate gifts to the UW Foundation, we would like you to have a complimentary copy of our booklet, *Planning Your Will for All It's Worth*. Please return the attached reply card to get your copy or call our office at 608-263-0371.

# Taking a longer view

*During her career on Wall Street, Mary Ann West ('72 BA L&S, '75 MBA BUS) was a dedicated annual giver to the University of Wisconsin-Madison, and she made sure to take advantage of her firm's matching-gift program. Now, early in her retirement, she is happy to have made a bequest in her will to create an endowment that will support women in the Wisconsin School of Business graduate program.*

She credits former UW Foundation Board of Directors President John Oros, when both were at Goldman Sachs, and Dean Michael Knetter with increasing her commitment to the School. "Thanks to John, I reconnected with the School," she says. "I joined the Alumni Board of Directors, and that brought me



Photo credit: Howard Goodman

*Mary Ann West*

back to campus every six months. I just got more and more involved. And Dean Knetter has been great at reaching out to alumni. That has really meant a lot to me, and I know I'm not alone there."

Mary Ann grew up in Kenosha, Wisconsin, and earned her bachelor's degree in journalism. With the help of a couple of small scholarships, she paid her own way through her undergraduate years.

"Then I needed to make some money," she laughs. She went to work for a Madison insurance company for six months to save up for graduate school.

"I was able to witness the jobs that people had. It was intellectually challenging, and I loved the energy and professionalism of the place," she recalls. "The business world seemed like an appealing career choice.

"They were very happy to have me in the business school's graduate program," she says. "These were the anti-establishment days, and the School of Business wasn't the most popular destination on campus."

Mary Ann earned her MBA and headed to New York City. "One of the great things about going

*(continued on page 6)*



# Taking a longer view

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to the University is that I made friends from all over the world," she says. "I loved the people from the East Coast, from New York. They fascinated me and seemed to move at a faster pace, with a kind of energy that was appealing."

Mary Ann sent out 50 résumés, borrowed \$300 from her parents and hopped in a car for her first ever trip to New York. "I took the first job I was offered," she says, "and I started out in retail as a buyer for Abraham and Straus," a department store that eventually would be taken over by Macy's. "Because New York was so expensive, I had one of the top starting salaries of my MBA class, but it was not exactly my dream job."

Mary Ann moved on to Moody's Investors Service, where she spent two years rating bonds. "I earned enough experience so I could move into one of the major investment banks," she says. Mary Ann joined Goldman Sachs as a bond analyst and spent seven years there. After selling junk bonds for two years, she was recruited by Morgan Stanley, where she worked for 21 years before retiring in 2007.

"I spent 31 years on Wall Street with my UW-Madison education. Given the chance, we Wisconsin people can compete in any arena," she says. "I didn't feel I had any less of an education than my colleagues who went to places like Harvard Business School. I always felt that

what I learned at Wisconsin, the values I was taught, prepared me for a satisfying career.

"It might seem like a cliché, but people do like to hire us Midwesterners. We have a well-earned reputation for working hard, being diligent and good team players."

The matching-gift program at Morgan Stanley was a way for Mary

Ann to maximize her annual giving to the University. Now, she's taking a longer view. "Doing something a little bigger in my will just made sense for me," she says. "It's a way I can assure that other women in the future have the same opportunities I did. The University was wonderful for me, and it gave me an advantage all through my working life."



Visit our Web site at  
**[www.uwfoundation.wisc.edu](http://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](http://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!



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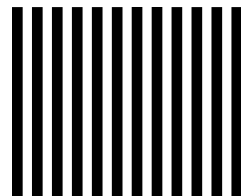


Photo credit: Jeff Miller, UW-Madison, University Communications

We would like to send you  
a complimentary copy of  
our booklet,  
**Planning Your Will  
for All It's Worth.**

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

**Russ Howes**

Vice President, planned giving and legal affairs  
608-263-0371  
russ.howes@uwfoundation.wisc.edu

**Bonnie Bruce**

Senior Director, planned giving  
608-263-2135  
bonnie.bruce@uwfoundation.wisc.edu

**Scott McKinney**

Senior Director, planned giving  
608-262-6241  
scott.mckinney@uwfoundation.wisc.edu

**Beth Wells**

Director, planned giving  
608-263-9337  
beth.wells@uwfoundation.wisc.edu

You should consult your attorney about the  
applicability to your own situation of the  
legal principles contained herein.

*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 "Planning Your Will for All It's Worth."

\_\_\_\_ 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:

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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.*

### Dear Friends,

My name is Mary Ann West, and inside this issue of *Dividends* you will find an article about how I intend to benefit the University of Wisconsin-Madison in my estate plan.

I want to ask you to consider doing the same thing. A provision in your estate plan will improve the future of what you value on campus. Doing something a little bigger in my will just made sense for me.

As I note in the article, "It's a way I can assure that other women in the future have the same opportunities I did. The University was wonderful for me, and it gave me an advantage all through my working life."

Won't you join me in giving back to our alma mater?  
Sincerely,

Mary Ann West



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