



UNIVERSITY OF WISCONSIN  
FOUNDATION

CHARITABLE  
GIFT  
PLANNING  
IDEAS

FALL 2013

W I S C O N S I N

# Dividends



JEFF MILLER, UW-MADISON, UNIVERSITY COMMUNICATIONS

Benefit from your generosity — your questions answered about the charitable gift annuity

## Charitable giving doesn't have to be a one-way proposition

It is possible to make a charitable gift and actually have an income stream flow back to you—all while generating valuable income-tax benefits. Numerous charitable strategies allow you to realize such benefits. One of the oldest—and most popular—is the charitable gift annuity. You receive income for life and the university receives the remainder once the payment obligation is satisfied. The rates for gift annuities are generally higher than the interest rates paid on fixed investments such as certificates of deposit. This is good news for those who want to make an important charitable gift but who need to retain cash flow based on the value of donated assets. You may find that a charitable gift annuity is just the kind of plan for you.

## What exactly is a charitable gift annuity?

At its heart, a gift annuity is simply a contract between a donor and a charity, such as the University of Wisconsin-Madison. In exchange for a gift of a specified amount, we agree to make specified annual payments for life to one or two beneficiaries (annuitants).

### Example 1

Tom, 70, makes a gift of \$50,000 to the UW Foundation. In return, we promise to pay Tom an annuity rate of 5.1 percent or \$2,550 per year for as long as he lives.

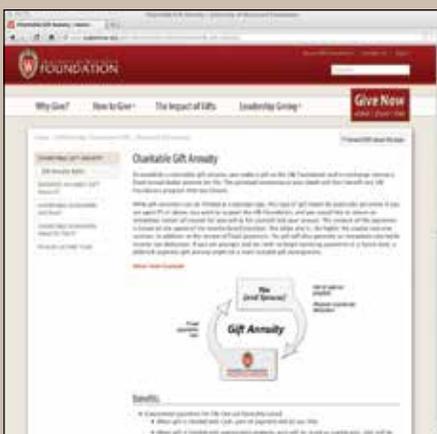
## Are the funds I contribute for a gift annuity set aside and invested to secure my annual payments?

Actually, the annuitant's security goes far beyond the specific funds contributed for a gift annuity. Our obligation to make gift annuity payments is backed by all the assets of the University of Wisconsin-Madison, not just the amount contributed for any individual gift annuity.

## How are the rates for charitable gift annuities determined?

All charitable organizations are free to set the rates they offer, as long as the rates comply with any applicable federal and state regulations. Generally, charities choose to follow the schedule of recommended maximum rates published by the American Council on Gift Annuities.

## Gift annuities are easy to set up AND pay you income for life.



### Benefits to you from a charitable gift annuity:

- Guaranteed payments for your lifetime(s).
- A charitable income tax deduction.
- Supplements retirement income.
- Income received is tax-favored.
- Reduces capital gain tax if you give stock.
- And, ultimately, provides a meaningful gift for the University of Wisconsin.

Visit [www.supportuw.org/gift-planning/life-income](http://www.supportuw.org/gift-planning/life-income) to learn more about how a life income gift could benefit you or contact the Office of Gift Planning at 608-263-4545.

## DEDUCTION FOR A \$10,000 GIFT ANNUITY

AGE(S)	RATE	INCOME	TAX-FREE	DEDUCTION
<b>One annuitant</b>				
60	4.4%	\$440	\$308	\$2,582
65	4.7%	\$470	\$340	\$3,231
70	5.1%	\$510	\$384	\$3,901
75	5.8%	\$580	\$450	\$4,426
80	6.8%	\$680	\$542	\$4,908
85	7.8%	\$780	\$650	\$5,582
<b>Two annuitants</b>				
60-60	3.9%	\$390	\$271	\$1,970
65-65	4.2%	\$420	\$303	\$2,451
70-70	4.6%	\$460	\$343	\$2,968
75-75	5.0%	\$500	\$385	\$3,695
80-80	5.7%	\$570	\$453	\$4,255
85-85	6.7%	\$670	\$550	\$4,773

Calculations are based on quarterly payout and a discount rate of 2.0%.

These recommended rates change from time to time on the basis of a variety of economic factors. (Any changes would affect only newly issued annuities.) The chart above shows the most recent rates recommended for annuitants of representative ages.

### If the council rates change, will the rate on my existing gift annuity change?

No. The rate is fixed for the life of a charitable gift annuity. Regardless of changes in rates recommended by the council or changes in the economy, the rates on existing gift annuities will not change.

### I am married. Can the UW make income payments as long as either one of us is alive?

Absolutely. A gift annuity can be created to pay one or two annuitants for life. It can pay either the donor or the donor and spouse jointly and then the survivor.

### Example 2

Bill and Ellen, both 72, make a gift of \$20,000 to the UW Foundation in exchange for a gift annuity. We will pay an annuity rate of 4.7 percent in annual payments of \$940 to Bill and Ellen jointly while they are both alive and then continue to pay that amount to the survivor.

You can also create a gift annuity with income to someone other than a spouse. Doing so, however, may have gift-tax consequences.

### How is the charitable tax deduction for my gift annuity determined?

The charitable deduction is equal to the difference between the amount of the contribution and the value of payments to the annuitant(s). Deductions are lower for younger people because they are likely to live longer. Similarly, deductions are lower when there are two annuitants rather than one.

### How are the gift annuity payouts I receive taxed?

For tax purposes, a gift annuity contribution is treated as part gift and part purchase of an annuity. The excess of the contribution over the value of the annuity is a deductible gift.

### Example 3

George, 72, contributes \$40,000 for a charitable gift annuity paying 5.4 percent. Each year he will get income of \$2,160. Of that amount, \$1,639 is treated as a tax-free return of his "investment," and the balance, \$521, is treated as ordinary income. If George lives longer than his life expectancy of 14.5 years, all payouts he receives thereafter will be treated as ordinary income.

In addition, George is entitled to a charitable income-tax deduction of \$16,238, which saves him \$5,359 in his 33 percent income-tax bracket.

## I don't have a lot of readily available cash. Can I give stock in exchange for a gift annuity?

Most definitely. If you own stock for more than 12 months, any gain you realize on its sale would be subject to capital-gain tax at rates up to 20 percent.

On the other hand, if you use appreciated stock to fund a gift annuity and retain annual payments for

### Example 4

Jessica, 70, owns stock worth \$100,000 that she purchased years ago for \$20,000 and wants to use the value of the stock to fund a gift annuity agreement with the UW Foundation.

If she sells the stock, she will realize an \$80,000 gain that will generate a \$12,000 capital-gain tax in her 33 percent income-tax bracket. This will leave her just \$88,000 to fund the gift annuity.

Alternatively, if she contributes the stock itself for the gift annuity, her annual payments will be based on the full \$100,000 value. She will receive an annual annuity of 5.1 percent or \$5,100 each year for life. Better yet, she will have to recognize only \$3,068 of the gain each year over her life expectancy of 15.9 years rather than recognizing—and paying tax on—all of her gain right now. A charitable deduction of \$39,009 will save her \$12,873 in her 33 percent income-tax bracket.

yourself, only a portion of the gain would be taxable, and you would be allowed to recognize that gain in equal amounts over your life expectancy.

## Can I make a current gift and delay receiving the income? If so, are there any advantages to this?

The answer is “Yes!” on both counts. This is known as a “deferred” charitable gift annuity. You can make a gift now and designate the time in the future when income payments are to begin.

**Advantages:** When the deferred payments begin, they will be higher than an immediate annuity's payments, and the amount of the charitable tax deduction will be higher than that for an immediate-payment annuity.

### Example 5

Alex, 55, a successful professional, decides to contribute \$50,000 for a deferred gift annuity that will begin paying him when he retires at 65. His gift generates a charitable income-tax deduction of \$15,920, and Alex will receive \$3,200 each year beginning at the age of 65.

If he had made his gift in exchange for an immediate annuity, his deduction would have been \$11,347 and his annuity would have been \$2,000.

## Discover how you could benefit by making a gift to the UW-Madison

- 1 Visit us online at** [www.supportuw.org](http://www.supportuw.org) to learn more about how you can benefit the UW-Madison.
- 2 Return the attached reply card** to receive a free copy of our new booklet, *Income for Life: The Charitable Gift Annuity*.
- 3 Call us at** 608-263-4545 to find out about how a gift to the UW Foundation will further the university's mission and could provide income to you for life.
- 4 Email us at** [uwf@supportuw.org](mailto:uwf@supportuw.org). We are happy to answer any questions you might have or send you more information.



# “My income is going up every year because I’m giving money away.”

*For the most part, Ken Becker ('49 BS BUS) has good luck fishing off the end of his Lake Wisconsin dock. He has caught 15 different kinds of fish this year, mostly walleye and bass. Adding the muskie his friend caught makes 16.*

What makes the 89-year-old retired savings and loan executive feel even better is knowing that while he’s pursuing his favorite pastime, he’s also making money and supporting the University of Wisconsin-Madison.

“The university is benefiting, and I’m tremendously benefiting,” Becker said. “My income is going up every year because I’m giving money away. I can’t think of a better way to say thank you to the university.”

The dual benefit comes from a series of charitable gift annuities Becker has set up with the University of Wisconsin Foundation. In 2003 he established his first gift annuity and has created additional gift annuities almost annually since then.

A charitable gift annuity is a contract. In return for a gift of cash or stock, the UW Foundation will pay a specified annuity for as long as the beneficiary(ies) live. This has many advantages:

- Fixed income payments for your lifetime and/or the lifetime of another beneficiary you name.
- A charitable tax deduction.
- Future support for the UW-Madison.

A dedicated Badger, Becker is a lifelong fan of the UW-Madison but had little hope of enrolling as the youngest child of what he calls “one of the poorest families in Johnson Creek, Wisconsin.” His dad had a grade school education; his mom attended high school, and Becker began his post-high school education with a year at vocational school. His older sister stepped in and



*Ken Becker ('49 BS BUS)*

found her little brother a job in Evanston, Illinois, where he enrolled at Northwestern University.

A year later, however, Becker joined the military, spending three years in Italy as a B-17 navigator during World War II. “I saved every penny I could,” he said. His checks, including extra combat, overseas and officer’s pay, went into his college savings account. What did he live on? Soldiers received a pack of cigarettes a day, and since he didn’t smoke, Becker would sell them for \$18 or \$20 a carton. Besides, he says, there wasn’t much to buy. “We lived in tents in the field. There was no place to spend any money.”

Returning to the United States, he took advantage of the GI Bill and enrolled in the UW-Madison, “which was my love.” Becker appreciates that the university took him in when he got out of the service and gave him the opportunity to combine his interest in engineering

*(continued on page 6)*

“My income is going up every year because I’m giving money away.”

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with business. He earned his degree in Business Construction Administration.

Becker’s 35-year career in the savings and loan industry began by accident. “Jobs were not too plentiful,” he remembered. “I was going to go to a Barrington (Illinois) lumberyard, but the guy who interviewed me said there’s a new savings and loan opening ... that’s how I started in the savings and loan business.” Ten years later, Becker was the first employee at the new Mundelein (Illinois) Savings and Loan, where he eventually became president and chairman of the board. The Bank of Mundelein was born when Becker convinced the S&L board that it also needed a bank to offer checking accounts, safety deposit boxes, drive-up service and small loans.

Even living in Illinois, Becker said he remained a staunch Green Bay Packers and Badger fan, and he’s been a Wisconsin Alumni Association member since the early 1950s. He made small gifts over the years—“but not these annuities because I wasn’t familiar with them.”

Now, he’s dedicated to establishing charitable gift annuities for the UW-Madison. “You don’t have to have a lot of money to do this,” he said, adding he lives a simple life that allows him to make gifts. “It makes me feel good. January 1, I’m going to do it again.”



The IRA charitable rollover is back, but only for a limited time! Until December 31, 2013, direct gifts to the University of Wisconsin-Madison from your IRA can:

- 1 Provide an easy and convenient way to make a gift from one of your major assets.
- 2 Reduce your gross income: a **tax-free rollover**, and count toward your required minimum distribution.

**For your gift to qualify for benefits under the extension:**

- 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.

**This extension expires December 31<sup>st</sup>! Contact us today!**

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*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.supportuw.org/update](http://www.supportuw.org/update). Please use the identification number located above your name on the *Wisconsin Dividends* mailing label to log in to the website. 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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## Request our free booklet and discover how you can make a gift that pays you income for life!

### Income for Life: The Charitable Gift Annuity

To receive more information, simply return the attached card or call:

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[www.supportuw.org/legacy](http://www.supportuw.org/legacy)



## RETURN THIS CARD and discover how you can make a gift that pays you income for life!

- Please send me a copy of *Income for Life: The Charitable Gift Annuity*.
- 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 \_\_\_\_\_

TO MAIL, FOLD ON THIS SCORE, TAPE AND APPLY FIRST CLASS POSTAGE STAMP.

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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.**

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