

TAX AND GIFT  
STRATEGIES FOR  
ESTATE PLANNING  
FROM THE  
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W I S C O N S I N  
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IN THIS ISSUE:

Wealth and  
responsibility

The need for a will  
transcends gender

Planning options  
for single women

Tempering the  
estate-tax burden

Federal transfer  
tax: all issues finally  
settled



Women and estate planning  
—a special report

# Women and estate planning—a special report

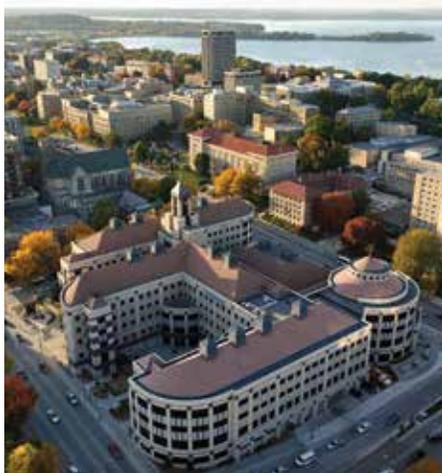
Women today possess more independence and wealth than ever before.

Women control more than half of the personal wealth in the United States, and the number of wealthy U.S. women has grown at a rate almost twice that of men.

What accounts for this growing concentration of wealth? Education is one factor; women now make up 60 percent of U.S. college graduates and compete successfully with men in boardrooms and in the executive marketplace. According to a UC Davis study, female investors tend to do better than men in the financial markets because they tend to be more conservative and don't try to catch short-term swings in the markets.

In addition, the World War II generation and the baby boomers will transfer trillions of dollars of wealth to their heirs. Because women tend to outlive men by about seven years, they are expected to end up controlling much of it.

Widowed or single, nine of ten women manage their own finances at some point in their lives. This increased independence and wealth and the fact that women generally outlive men result in greater financial responsibilities.



## Wealth and responsibility

There is no question about it: Women have become a major force in the changing financial world. And with ownership of assets comes attendant responsibilities:

- Conserving and using wealth to secure maximum benefits during life.
- Arranging the orderly distribution of assets according to personal objectives.
- Creating plans to minimize estate taxes and settlement costs.
- Ensuring that sufficient cash and other liquid assets will be available to pay estate taxes and settlement costs.

Even if a woman no longer feels the need to depend on others, she must plan her estate—not only to ensure her own financial security and that of children or other family members, but also to ensure the proper distribution of her assets to family members, friends and charitable organizations.

We encourage you to recognize the importance of planning for the future—especially for the future of your loved ones—by reviewing your estate plan as set forth in your will.

If you have not signed a will, you should know that the state in which you live provides a formula by which your assets will be distributed to your heirs. That formula may not be in the best interests of your heirs or in accordance with your wishes and may subject your estate to needless taxes.

If you have made a will, you should review it periodically in light of your changing circumstances as well as changes made in federal estate-tax laws. We discuss the effects of some of these tax laws on your estate elsewhere in this issue.

While planning for the distribution of your estate need not be a burdensome

or morbid task, failure to plan can lead to unnecessary negative consequences for heirs: distribution of assets to unintended beneficiaries, excessive and unnecessary tax liabilities and forced sale of assets at sacrifice prices to raise funds to pay inheritance taxes and other estate liabilities.

There are sophisticated planning instruments to protect you against such potential hazards. The first step, whether you are married or single, is to review your current asset picture and establish both short- and long-term goals. Then you will want to engage competent financial and legal counsel to explore the opportunities available to you.

## The need for a will transcends gender

Of all the tools used in estate planning, the will is most familiar to the lay public. Yet, with all that's written about the importance of a will and the harsh inequities that can result from intestacy (dying without a valid will), seven of ten adults die intestate.

One reason for intestacy is procrastination, tinged perhaps with the hope of postponing the inevitable. Another may have to do with a lack of awareness about the value of property that creates the need for a will.

Additional factors may keep a married woman from executing a will. For example, a wife may assume that she does not need a will if her husband has one, or she may think she simply does not have sufficient assets in her own name to warrant making a will. Such assumptions can be very costly because they ignore the probability that the wife's survival of her husband will make her an owner of a sizable estate.

When a married woman has an estate of her own, the need for a will to distribute assets in accordance with her personal objectives is apparent. Less apparent, but equally important, is the need to coordinate her will with her spouse's. By coordinating their estate plans, a husband and wife can plan to distribute their assets in the most effective manner to meet shared goals.

### **Planning options for single women**

The transfer of an estate to beneficiaries can be more expensive for a single woman because she lacks the benefits of the marital deduction. Nevertheless, she has many planning tools available, both living and testamentary, to reduce the effect of transfer taxes.

If a single woman's primary beneficiaries are her siblings, she may wish to place her estate in trust for their lifetime benefit. Such an arrangement will not avoid the estate tax at her death but will do so at the death of her siblings.

*Attractive charitable option:* A charitable remainder trust could benefit a brother or sister for his or her lifetime, with eventual distribution of the trust assets to charity.

A charitable remainder trust established during life may be particularly appealing to a single woman with minimal family responsibilities. The trust can provide her with a stream of income for life and then pass to charity at her death, providing both income- and estate-tax savings.

### **Tempering the estate-tax burden**

The creative use of trusts can substantially reduce a married woman's estate taxes as well, while achieving both personal and philanthropic objectives for use and distribution of assets.

For example, each spouse in a married couple can direct in his or her will that



*A fresh coating of snow blankets Bascom Hill at the University of Wisconsin-Madison.*

\$100,000 be put into a charitable remainder trust that will pay the surviving spouse 6 percent of its value each year throughout life, with the principal then passing to the UW Foundation.

At the death of the first spouse, the value of the trust will be fully

deductible. Thus, there will be no estate tax with respect to the entire \$100,000. The surviving spouse will receive lifetime payments to satisfy personal needs. Ultimately the principal will be distributed to us, thus fulfilling the couple's philanthropic objectives.

## **Federal transfer tax: all issues finally settled**

After all the brouhaha that up until the final hour enveloped the federal transfer tax system consisting of the estate, gift and generation-skipping taxes, little has changed for 2013. The only major change was to boost the tax rate for all three regimes from 35 percent to 40 percent. Also, the estate-tax exemption increased to \$5,250,000, indexed for inflation.

Most important, the new law retains the portability provision that generally allows any unused exemption amount at the death of the first spouse to be available to the surviving spouse and added to his or her own exemption. This increase in the exemption amount and the portability of any unused exemption between spouses should eliminate the threat of federal estate tax for all but a small number of the wealthiest Americans.

Does this mean that tax consequences will no longer be a consideration in estate planning? Not really, as there are state inheritance- and estate-tax issues to deal with, as well as income-tax and capital-gain tax consequences attached to the distribution of certain types of property.



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**Dear Friends,**

I'm pleased to bring you the latest issue of *Legacy*. In this issue we feature the importance of estate planning for women, who generally outlive men but rarely have valid wills.

Recent changes in the tax law have resolved the uncertainty about the fate of the federal estate and gift tax.

We urge you to get in touch with your legal and financial advisors to explore how the recent legislation could affect your financial, estate, and philanthropic plans.

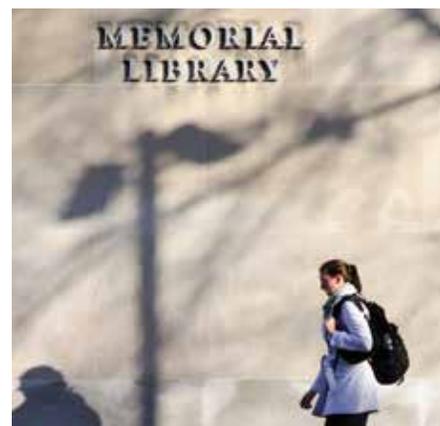
Please call if you have any questions or if I can provide examples or options for your particular situation. I look forward to the opportunity to speak with you.

Sincerely,

Scott T. McKinney  
Managing Senior Director of Development



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Managing Senior  
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