UNIVERSITY OF WISCONSIN FOUNDATION | FALL 2022

DIVIDENDS

YOUR GUIDE TO CHARITABLE GIFT PLANNING

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

INSIDE THIS ISSUE

Cover photo: The Health Sciences Learning Center and the Wisconsin Institutes for Medical Research are home to the UW School of Medicine and Public Health. Photo by Bryce Richter, University Communications

BADGER PHILANTHROPY COMES FULL CIRCLE

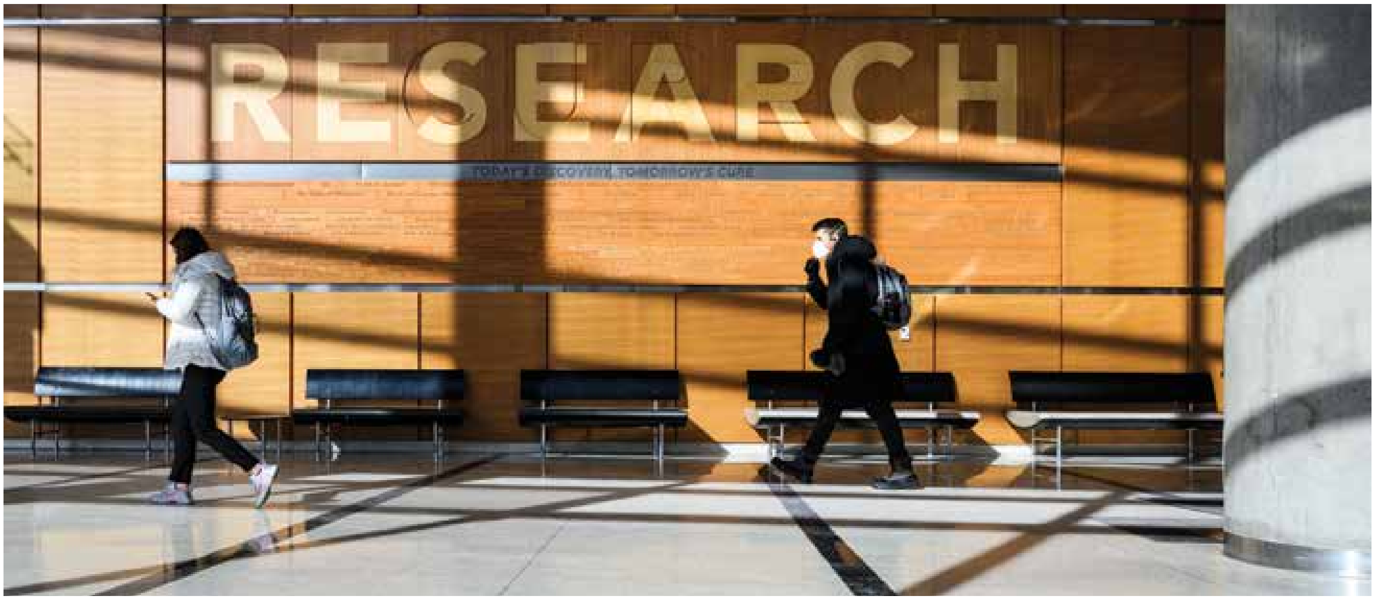
A Madisonian through and through, E. Richard Stiehm '54, MD'57 grew up in Badger territory, not far from Camp Randall. His father, Reuben Stiehm, was in the inaugural intern class at Wisconsin General, the first UW-affiliated hospital, and his mother, Marie Stiehm '28, graduated from the UW School of Nursing.

Reuben's death when Richard was just 10 years old was difficult for their family. Marie worked hard, continuing her career as head nurse at the UW Hospital and Clinics (now UW Health) while raising their four children on her own. Richard attended West High School, where Judith Hicks '57 was also a student. He lived near her family during his childhood, but the two wouldn't formally meet until years later. Richard had Badger blood in his veins and limited funding, so attending the UW made the most sense for him.

Judith's parents and both of her siblings were also Badgers, but her college journey began at Oberlin. After her freshman year, however, Judith ultimately transferred to UW–Madison to focus her sights on East Asian studies. She and Richard finally met on campus. "We had played tennis on the same courts in high school, but we didn't actually get to know each other until college, when he called me out of the blue and asked me on a date," shares Judith.

At the beginning of each semester, Richard worked at the University Book Store to help make ends meet. His first brush with philanthropy came when he was a premed undergraduate — an adviser saw his promise and recommended that Richard apply for a scholarship to help ease the financial burden. "It was a gift from heaven," Richard notes. And the remarkable impact of that support remains with him to this day.

Richard and Judith made numerous moves throughout their respective careers. After Richard graduated from the UW School of Medicine and Public Health in 1957, his uncle bought him four used tires for his old Plymouth, allowing him to make the trek to Philadelphia for an internship, and soon after, he and Judith married. Following graduation from UW–Madison, Judith studied at Temple University for her master's degree in American history in 1961, and in 1969 she earned her doctorate in political theory from Columbia University.



Connected by skywalk to University Hospital, the Wisconsin Institutes for Medical Research lobby displays a handsome donor wall celebrating major supporters. Photo by Jeff Miller, University Communications

After Philadelphia, the newlyweds returned to Madison for Richard's graduate work in the lab of Harold Deutsch '40, PhD'44, focusing on protein chemistry and coauthoring two papers that put him in good stead when he applied for a residency at the New York-Presbyterian Morgan Stanley Children's Hospital. It was there that he ultimately discovered his passion for pediatric immunological research. His next opportunity took him to the University of California–San Francisco, where he spent two years as an immunology fellow.

UW ROOTS RUN DEEP

The couple made their way back to Wisconsin once again in 1965 when Richard was recruited to be an assistant professor in the UW Department of Pediatrics. But in 1969, the Stiehms made the difficult decision to return to California, seeking relief from Judith's allergies and asthma. And their success continued. Richard was named chief of the Pediatric Immunology and Allergy Division at UCLA, and shortly after arriving, he performed the West Coast's first bone marrow transplant on an infant with combined immunodeficiency. While Richard's career at UCLA grew, Judith became a professor of political science in 1970 at the University of Southern California and also served as vice provost and head of the women's studies program. In 1987, she was named the first female provost of Florida International University in Miami, where she's now professor emerita of political science.

Amid their many adventures and cross-country moves, the Stiehms built a family together, including three daughters — Jamie is a political columnist in DC, Carrie is a teacher in Los Angeles, and Meredith is a screenwriter in Santa Monica. With successful careers and their adult children experiencing their own triumphs, Richard and Judith began planning for their future philanthropic goals.

"The university has been good to us," Richard shares. "We both received an excellent education, and my time as a visiting professor only solidified my love for the UW. We established an endowed chair in political science in Judith's name, and we are also planning to endow a second chair to strengthen the UW's faculty in the Division of Allergy, Immunology, and Rheumatology for the Department of Pediatrics."

Throughout their lives, the Stiehms have lived on both coasts and traveled to nearly 100 countries; but despite their many wanderings, they remain deeply connected to Madison and to the university. Now retired, Richard is a visiting professor of pediatrics for one month each summer, and Judith, an award-winning author, serves on the UW's Political Science Advisory Board and received a Distinguished Alumni Award in 2006. They view their philanthropic commitments with assurance and pride.

"An endowed gift to the UW will be rewarded severalfold," says Richard. "It will be wisely spent and allow this fine university to compete with Ivy League schools for great professors, promising students, and breakthrough medical research accomplishments."

CHARITABLE REMAINDER TRUSTS – MEETING THE CHALLENGES

Our financial, personal, and charitable objectives sometimes appear mutually exclusive. For example, providing inheritances to our loved ones seems to preclude making an estate gift to charity. Preserving enough income to sustain our lifestyle seems difficult if we make a charitable gift of investment assets. The challenge is to find a way to do both. The solution to the challenge may be a charitable remainder trust (CRT).

HOW A CRT WORKS

Q: I HAVE HEARD THAT A CHARITABLE REMAINDER TRUST CAN PAY YOU INCOME FOR LIFE AND THAT YOU CAN ALSO CLAIM A MAJOR TAX DEDUCTION WHEN YOU CREATE ONE. HOW DOES THAT WORK?

A: When you establish a CRT, you really create two separate and distinct interests in the same property. First, you create an "income" interest in the form of payments to you or other beneficiaries that you designate. Those payments can be made either for the life of the beneficiaries or for a term of up to 20 years. A beneficiary can be anyone you choose.

Second, you create a "remainder" interest, which consists of the trust assets when the trust terminates. These remaining assets are distributed to one or more charities that you designate. For example, you might establish a charitable remainder trust that pays income to you for life and then distributes whatever remains in the trust to the University of Wisconsin Foundation. Because the remaining trust assets are irrevocably committed to charity, you are entitled to an income-tax charitable deduction.

Gift Spotlight: Roy and Helen each create a $100,000 CRUT. Roy receives $7,000 the first year and Helen receives $5,000. Roy's trust pays him 7 percent each year, while Helen's trust pays 5 percent.

If both trusts generate a total return of 7 percent each year, Roy's income will stay the same; Helen's will grow by 2 percent each year — eventually becoming greater than Roy's.

Q: IS THERE MORE THAN ONE KIND OF CRT?

A: Yes, there are two basic types. One is the charitable remainder annuity trust (CRAT), which pays a fixed amount to the beneficiary or beneficiaries each year as long as the trust lasts. The other type is the charitable remainder unitrust (CRUT). Although the percentage that a unitrust pays each year is fixed, that percentage is applied to the value of the trust principal as it changes from year to year. This variable payment provides some hedge against inflation — often making a CRUT a better

CRAT – $100,000 GIFT CHARITABLE DEDUCTION

ONE LIFE			
Age	5%	5.5%	6%
75	$50,836	$46,428*	$42,437*
80	$61,726	$57,996	$54,410
85	$71,167	$68,292	$65,443
TWO LIVES			
Ages	5%	5.5%	6%
75-75	$35,395*	$29,924*	$25,222*
80-80	$48,330	$43,356	$38,666*
85-85	$60,179	$56,215	$52,300

*Indicates a greater than 5 percent probability that the corpus of the trust would be exhausted during the lifetime of the beneficiary. In such cases, no charitable deduction is allowed unless the trust contains a special provision.

CRUT – $100,000 GIFT CHARITABLE DEDUCTION

ONE LIFE			
Age	5%	5.5%	6%
65	$44,776	$41,676	$38,852
70	$52,212	$49,234	$46,478
75	$60,039	$57,302	$54,733
80	$67,683	$65,278	$62,990
85	$74,721	$72,701	$70,757
TWO LIVES			
Ages	5%	5.5%	6%
65-65	$33,634	$30,306	$27,334
70-70	$40,951	$37,598	$34,546
75-75	$49,087	$45,851	$42,852
80-80	$57,567	$54,588	$51,784
85-85	$65,876	$63,269	$60,779

choice than a CRAT if there is concern about keeping pace with a rising inflation rate.

Another factor to keep in mind with CRUTs is that a lower current payout rate can lead to higher income in the future. Reason: Because CRUT payments are recalculated each year, a lower payout rate will enable the trust to grow more rapidly — which in turn will lead to higher future payments.

Note: For either a CRAT or CRUT, the payout rate and the charitable deduction are inversely related. In other words, lower payout rates produce higher deductions and vice versa. The charts on page 4 show deductions for different payout rates for both CRATs and CRUTs at representative ages and based on a presumed IRS discount rate.

FUNDING A CRT WITH APPRECIATED STOCK INCREASES TAX SAVINGS

Q: CAN I USE STOCK TO FUND A CRT?

A: Definitely. In fact, stocks that are highly appreciated may be an even better choice than cash to fund a CRT. Reason: When you use long-term appreciated securities to fund a CRT, you avoid the requirement to recognize and pay tax on any of your paper gain. Plus, you qualify for a charitable deduction based on the full fair-market value of your stock.

When funding a CRT, appreciated stocks may be more tax-wise than cash.

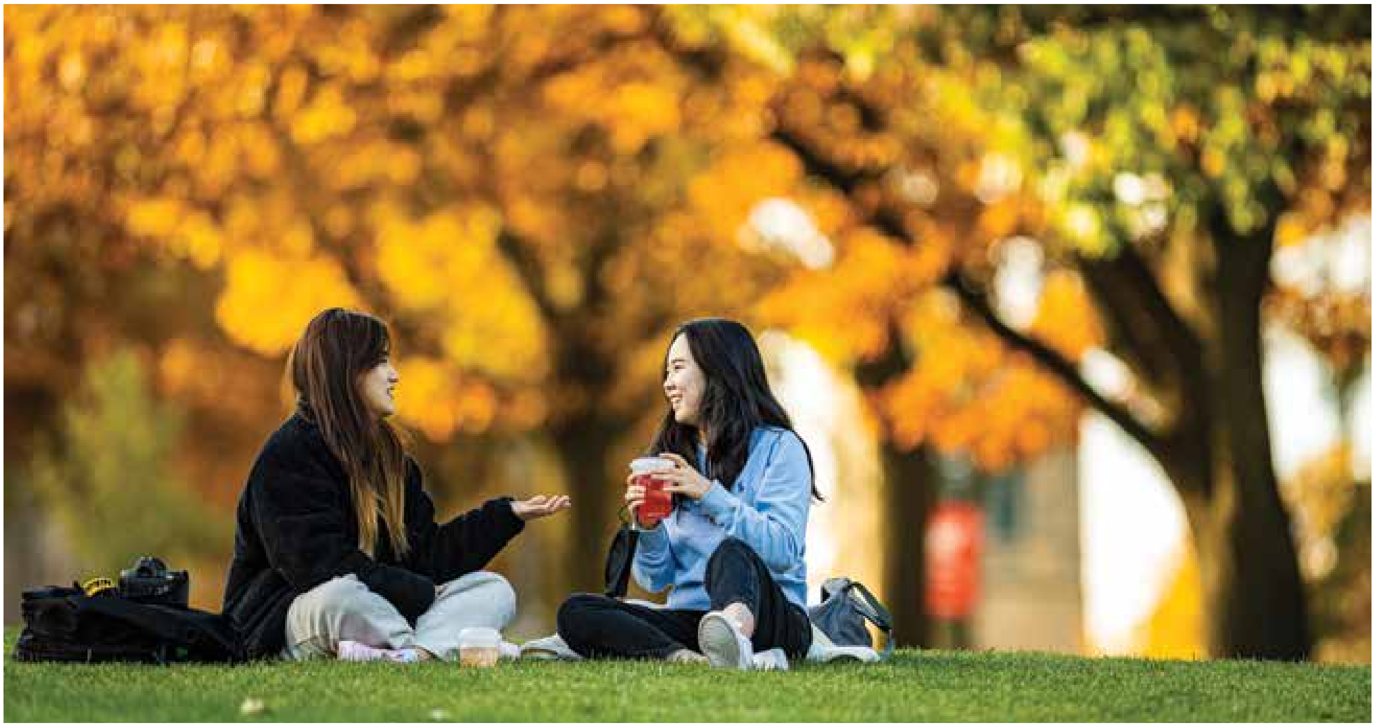
Gift Spotlight: Roger, aged 65, is retiring this year. He has invested well, but his stock pays virtually no dividends. Now that he is retiring, he would like to convert some of his holdings to a source of higher income. However, he is reluctant to sell and see 15 percent of his profits consumed by capital-gain tax. He would also like to find a way to make a substantial gift to the UW Foundation.

Roger decides to use $250,000 worth of his stock to create a charitable remainder unitrust that will pay him 5 percent of its annual value. The first year the trust pays him $12,500 (5 percent of $250,000) — almost all of which is net additional cash flow. This plan produces a deduction of $111,940, which saves him more than $39,000 in his 35 percent federal income-tax bracket. And because his basis in the stock is just $100,000, he avoids $22,500 in capital-gain tax (15 percent of $150,000 gain).

STAY IN TOUCH WITH US!

The University of Wisconsin Foundation wants to stay in touch with you. As the 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 uwalumni.com/update-info. 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 a graduate, volunteer, faculty member, or donor.

The Wisconsin Institutes for Discovery is a public-private research and outreach partnership, housing the Morgridge Institute for Research. Photo by Jeff Miller, University Communications



UW students enjoy a warm fall afternoon on Bascom Hill. Photo by Bryce Richter, University Communications

USING CRTS TO PLAN FOR RETIREMENT

Q: THIS ALL SOUNDS GOOD, BUT RIGHT NOW I DON'T WANT OR NEED ANY ADDITIONAL INCOME THAT WOULD BE SUBJECT TO HIGH INCOME-TAX RATES. WHILE I COULD USE ADDITIONAL INCOME WHEN I RETIRE IN 15 YEARS, I REALLY NEED MORE TAX DEDUCTIONS RIGHT NOW. WHAT CAN A CRT DO FOR ME?

A: Your situation is similar to that of many successful persons in the prime of their careers. They have exhausted all traditional tax-advantaged retirement-savings options but are not sure that what they have set aside will be enough. Some unique features of CRUTs make them particularly useful for retirement-planning purposes.

You can add provisions to CRUTs so that the annual distribution will be made only to the extent the trust has income. Note: "Income" as defined by state law generally means elements taxed as ordinary income (such as dividends, interest, and net rents) or as tax-exempt income — and can include capital gain if the trust so specifies and state law permits. Planned properly, a CRUT can be set up and invested so as to produce little or no current income. This allows the trust to grow much more rapidly, increasing the distributions you will receive when the trust does start generating income. When income is needed in the future, the trust can change investments and sell appreciated assets to create capital gain that can be distributed to you.

You may also create a trust that starts out as an "income only" CRUT and then at some point in the future converts, or "flips," to a trust that pays out the stated unitrust percentage, regardless of the actual investment results of the trust. Note: A "flip" CRUT is an excellent way to increase your retirement income. A "flip" CRUT allows the trustee to invest in a portfolio that is likely to generate a higher total return over the long run than one that is invested for high current income.

Gift Spotlight: Barbara is a successful 50-year-old professional who establishes a 5 percent CRUT and funds it with $100,000. Until she reaches the age of 65 — her anticipated retirement age — the trust will make annual distributions only out of "income," and then it will "flip" and pay her a straight 5 percent of its annual value. If the trust's income averages 1 percent and the annual capital appreciation averages 6 percent over the next 15 years, it will grow to approximately $240,000. That means she will receive about $12,000 (5 percent of $240,000) during her first year of retirement. Up front, her $100,000 contribution will generate a charitable deduction of more than $26,000 and save her about $8,320 in her 32 percent federal income-tax bracket.

FOR MORE INFORMATION

Call us at **608-263-4545** to find out how a gift to the UW Foundation will further the university's mission.

Email us at **uwf@supportuw.org.** We are happy to answer any questions you might have or send you more information.

Visit **supportuw.org/gift-planning** to learn more.

Or contact:

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1. Return this card
2. Online at supportuw.giftplans.org/trusts
3. Call 608-263-4545

GET OUR HELPFUL GUIDE TO FIND OUT HOW TO GIVE AND RECEIVE

☐ Please send me a complimentary copy of ***Enhance Your Financial Security with Effective Use of Charitable Remainder Trusts***.

PLEASE CONTACT ME

☐ I am considering including the university in my estate plan.

☐ I have included the university in my estate plan and have not previously notified you.

- ☐ Alternately, gift details can be submitted at: supportuw.org/gift-planning/inform-uwf-of-your-legacy-gift.

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The Wisconsin Legacy Society is a recognition society that honors and celebrates alumni and friends who have made a commitment to support the University of Wisconsin–Madison through a legacy gift.

By including the University of Wisconsin Foundation in your estate planning and sharing your gift intentions with us, you qualify for membership.

Join the Wisconsin Legacy Society's 2,500+ current members in ensuring excellence at the University of Wisconsin–Madison for generations to come.

CONTACT THE OFFICE OF GIFT PLANNING

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.**