

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

SPRING 2008

W I S C O N S I N

Dividends



JEFF MILLER, UW-MADISON UNIVERSITY COMMUNICATIONS

A mission statement for your wealth

What legacy will you leave the world?

What legacy will you leave the world? Events on the world stage have touched our lives. Many of us are reevaluating the “normal” demands on our attention and giving paramount importance to time spent with family and friends. We also are turning to the institutions and organizations that play an important role in our society.

It's reassuring to know that you can make a difference by leaving a legacy that perpetuates the things that matter most to you. The key is proper estate planning.

Delaying decisions

The problem is that many of us delay preparing our estate plans or avoid it altogether.

It seems complicated and time-consuming, and it involves issues we may avoid talking about—our mortality, our children's ability to manage the wealth they will inherit from us, even our potential to be philanthropic.

Realistically, however, once you have determined how much you will need to ensure financial independence for your lifetime, you can direct discretionary assets to

your family, to charitable causes and organizations that will perpetuate your values or to the IRS in the form of taxes.

The assets you designate for your own private or family purposes are your *personal* capital. *Social* capital consists of assets that will go to support the needs of society in the form of either taxes or charitable gifts. By choosing to make charitable gifts, you can significantly increase your control over the use of your social capital.

Getting started

If you choose to distribute some or all of your social capital in charitable gifts instead of taxes, how do you get started?

First, if married you will want to discuss the topic of financial independence with your spouse. Just beginning this discussion is often the most difficult stage of estate planning.

Next, think about what you need to achieve and maintain financial security for the rest of your life, including the costs of your lifestyle, medical care, taxes and so on.

It's very helpful to involve your professional advisors such as lawyers and accountants in the discussion at this point to help you determine realistic goals in specific dollar and

asset amounts and how much you will need to be financially secure. It is important to define this amount as it will affect the rest of your planning.

Once you have figured out what you will need for financial security, you should decide on an appropriate inheritance for your heirs. Parents often worry about the inheritance they will pass on to their children. A good yardstick is to leave children enough to help them realize their goals and dreams, but not so much that they are dissuaded from leading productive lives.

You can express these wishes in your will and trusts, but it also is helpful to write out *why* you're making these decisions. Express your values and goals as they relate to your family and wealth. Consider it a mission statement for your wealth.

Giving as good financial planning

Having addressed the issues of lifetime financial independence and your family legacy, you are ready to explore the final aspect of your estate—your remaining assets!

One of the most talked-about aspects of this decade's major tax relief legislation is its phaseout of the federal estate tax and its repeal in 2010. The effective federal estate

Where there is a will, there is a way...

Because a will allows you to specify how you wish to distribute your assets and to whom and in what manner, there is little doubt that a properly drawn will is the cornerstone of estate planning, no matter how simple or complex the plan.

tax rate is currently 45%. A credit is allowed against the tentative tax on the first \$2,000,000 of taxable transfers.

Because of the phaseout of the tax, a person dying in 2008 with a \$10,000,000 taxable estate would owe \$3,600,000. In 2010, that estate would owe no estate tax.

With phased-in tax changes, the need for reviewing your estate plan on an ongoing basis is more important than ever. In addition, there remain all the nontax reasons, such as selection of beneficiaries, timing of distributions and providing for guardianship of minors. It also is not possible to know if Congress will extend the provisions of Tax Relief 2001; it may choose to freeze estate tax relief or continue with a longer phaseout period. Taxes of some sort will always be with us. Besides providing a tax deduction, a gift will reduce the size of your estate and the amount of taxes you may owe.

Look at it this way: At least until 2010, if the value of your estate exceeds a certain level there is a

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!

portion of your wealth that you will not be allowed to pass on to your heirs. It will go either to the government in the form of taxes—whose use you cannot control—or to support a charitable cause such as the UW Foundation, whose values and interests as defined in our mission statement mirror your own. Which would you prefer?

The important thing to remember is that the ultimate beneficiaries of your excess wealth are yours to choose.

The spirit of giving

“Philanthropy” comes from the Greek word *philanthropos* (“lover of mankind”).

America's spirit has always been a philanthropic one. During the past four decades through wars, recessions and other world crises, the total amount of giving in this country has increased almost every year. As Americans we can take pride in our generosity and philanthropy—even as we realize there are still needs that require our help.

How best to leave your mark? How best to use some of your excess wealth to benefit others and improve life in your community? By making a charitable gift, you will transfer more than just part of your wealth. You will transfer your values as well for the good of society.

By making a gift to the UW Foundation, you will become a significant part of something larger than yourself, something that will continue thriving and helping others long after you are gone. As noted author Albert Pike once wrote, “What we have done for ourselves

Estate Tax Rate and Exemption Schedule

Year	Exemption Equivalent		Maximum Tax Rate
2002	\$ 1 Million		50%
2003	\$ 1 Million		49%
2004	\$1.5 Million		48%
2005	\$1.5 Million		47%
2006	\$ 2 Million		46%
2007	\$ 2 Million		45%
2008	\$ 2 Million		45%
2009	\$3.5 Million		45%
2010	-0-	REPEALED	-0-
2011	\$1 Million	REINSTATED	55%

Gift tax note: The gift tax exemption equivalent is capped at \$1 million. In 2010 the top gift tax rate will be equal to the top individual income tax rate.

alone dies with us; what we have done for others and the world remains and is immortal.”

Whatever you care most deeply about, let your heart not your wallet be your guide in deciding what to give. Although charitable giving can make good financial sense, it is really about *dreams*—your dreams of a brighter future for an organization like ours.

Living their values

Patricia and Michael have enjoyed a prosperous life, thanks to hard work, shrewd investing and careful attention to their finances. They have four children—three daughters, Anna, Betty and Carol and a son, George—and five grandchildren. Their son is divorced, Betty has never married and Anna and Carol have husbands and children. Now in their seventies, Pat and Mike want to prepare an estate plan that sustains their family values and benefits the charities they believe in.

First, Pat and Mike sit down and write their mission statement. “We believe our first responsibility is to our own financial security and personal lifestyle,” they write. “We intend to plan our estate in a way that will minimize taxes, pass an appropriate portion of our estate to our four children and allow for charitable contributions. We believe that it is our responsibility to direct a portion of our assets to organizations that further our values.”

Pat and Mike meet with their lawyer and accountant for help in fulfilling their wishes and develop a plan to provide for every contingency—for instance, if he dies first, or she does. They decide to designate a low six-figure income for their future. Envisioning the possibility that one day they might be unable to care for themselves, they set aside money for a possible extended stay in a nursing home.

To lessen taxes, they set up a family trust for their children. After Pat and Mike die, the children will inherit equally. Although Anna

and Carol are married, with more financial responsibilities than George and Betty, their parents decide they still want each of the children to receive the same amount. The only restriction they put on their children’s spending is that George cannot pass his inheritance on to stepchildren, should he remarry.

Pat and Mike also make plans for a current gift of appreciated stock to the UW Foundation. In addition to receiving a charitable deduction for the full fair market value of the gift, they will escape any potential tax on the capital gain element in the stock.

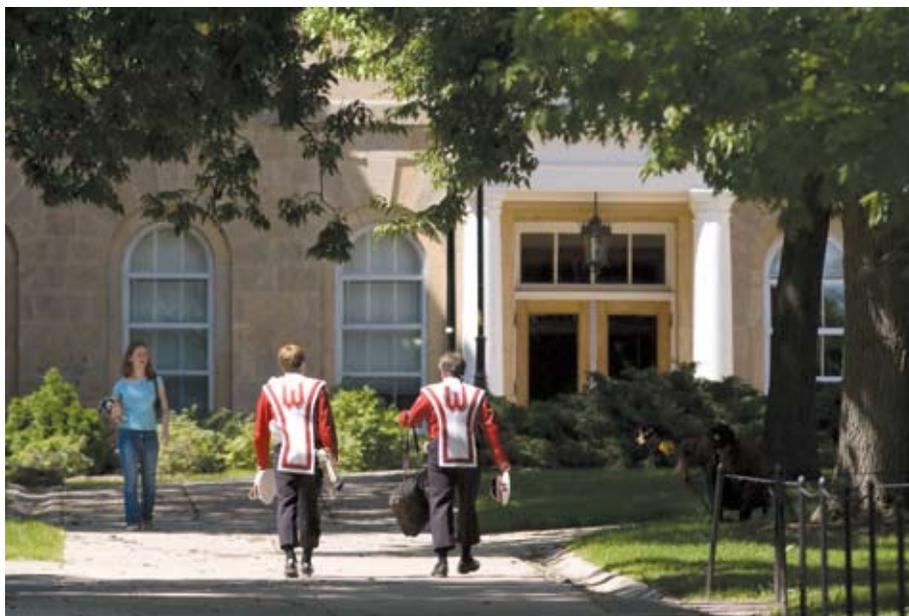


Photo credit: Jeff Miller

We’re here to help

As you consider making a gift, please return the attached card for a complimentary copy of our booklet, *Ways to Give*, which explores a variety of methods to give to charity. Our staff would be happy to work with you and your advisors in determining the right gift that you can make, given your circumstances. Please feel free to call our office.

Robert Murray “remembers” UW

Mention the Wisconsin Union to University of Wisconsin-Madison alumni, and they begin to reminisce—“I remember meeting my friends in the Rathskeller.” “We would sit on the patio in the summer and listen to bands as the sun went down.” “It was the most beautiful place in Madison.” What is your memory?

For Robert Murray ('54 BSE L&S), his love of the Union is deep because of his association with the Play Circle Theater where he was an actor and director during his student days. “I also met my wife at the Union.” When he wasn’t acting, he was watching films featured at the Union Theater. “The Union had a marvelous film program, and I received a well-versed education in film history,” said Bob.

Since 1939, Union Theater audiences have seen and heard some of the most famous actors, dancers and musicians of the century in many thousands of performances;

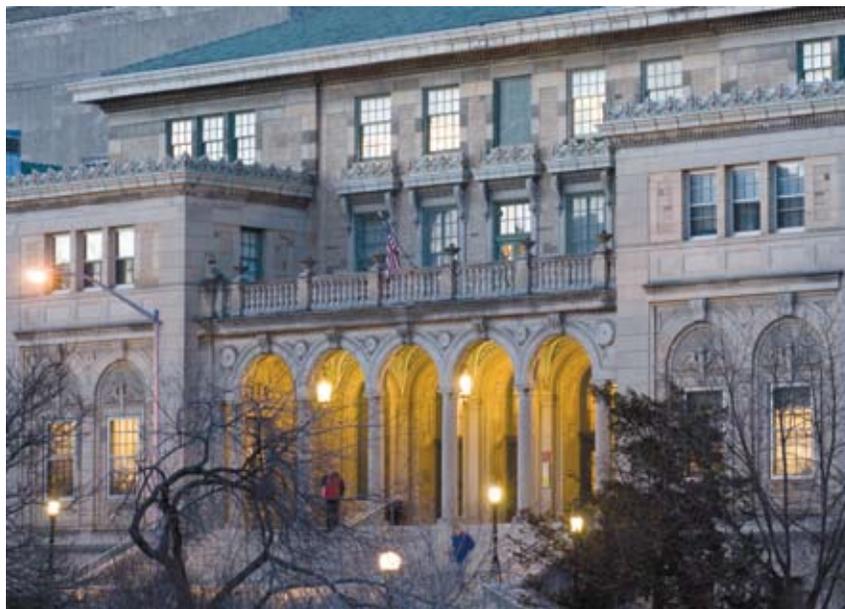


Photo credit: *Brava Magazine*

The beautiful Wisconsin Union is a wonderful gathering place for students.

popular artists have entertained; renowned leaders, philosophers and scientists have challenged the mind. Fritz Kreisler, Ella Fitzgerald, India’s Prime Minister Nehru, Frank Lloyd Wright, Eleanor Roosevelt, Martin Luther King, Jr., Robert Frost, Itzhak Perlman, John F. Kennedy, Yo-Yo Ma, T.S. Eliot, Jesse Jackson, Arthur Rubinstein, Jascha Heifetz, Louis Armstrong, Martha Graham, Dave Brubeck, the Lunts—the theater’s autograph book is a *Who’s Who* of 20th century arts and ideas.

A graduate of Madison East High School, Bob spent the first three years commuting to classes on campus while working at the Edgewater Hotel on the weekends. He rented an apartment on lower State Street his senior year and became immersed in the day-to-day campus environment.

“UW-Madison is a stimulating and beautiful campus,” said Bob. “I was ecstatic to finally be a part of it every day!”

Like many students, Bob was amazed at the number of majors available to him. For the first two years, he did what many students do and selected the Integrated Liberal Studies program, where he enjoyed a sweeping education with a distinguished group of professors. But it was Professor Haskell Block in his comparative literature class who ignited Bob’s interest in European avant-garde drama.

Bob also was a member of the ROTC program, and upon graduation he went to officers training school and eventually served in the U.S. Army in Germany, a place that deepened his

(continued on page 6)

Robert Murray

continued from page 5

love for European arts—theater, art and art history.

After his tour in the Army, Bob and his wife, Erika, headed west. They made a stop in Aspen, Colorado, helping open a dinner theater. Over the years, Bob held various jobs. He was a literature teacher at a private prep school while at the same time working at the Copper Kettle Kitchen. He was program director of the Executive Seminars Program at the Aspen Institute for Humanistic Studies. He was director of the Aspen Film Conference and a playwright at Yale Drama School. Bob received an MFA degree from Yale University in 1961. He retired about 10 years ago as executive director of the Wheeler Opera House, an opulent, renovated Victorian theater in Aspen. Today, he remains interested in the arts and the facilities where patrons watch them.

“I was born and raised as a middle-class Midwesterner,” said Bob. “My heart is with the University of Wisconsin, and giving back is just part of who I am.” Bob supports the Memorial Union.

Since its founding in 1907, the Wisconsin Union has served as a focal point of the daily life of the campus community. The Wisconsin Union Initiative will ensure a future for the Union and give current students the once-in-a-lifetime chance to leave a lasting legacy on the campus they love.

The Wisconsin Union Initiative will:

- Engage the entire campus community in rediscovering why the Union is the heart and soul of UW-Madison.
- Preserve and enhance Memorial Union’s historic ambience while bringing the building up to current safety and accessibility codes.
- Build a new South Campus Union designed to attract students, meet the campus’s growing needs and reflect the future in green technology and building materials.
- Give students a leading voice in the project and ownership of the final results.
- The design committee and sub-committees are currently researching and analyzing various aspects of the project to provide baseline information.

Phase 1 • New South Campus Union Construction

- 2009-2011

Phase 2 • Memorial Union

- 2010-2014



Students listen to a band in the Rathskeller.

Photo credit: Jeff Miller



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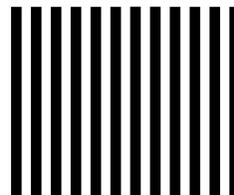


Photo credit: Jeff Miller

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**You should consult your attorney about the
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*Philanthropy will
mean the difference
between the
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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,

Many of us wonder about the mark we will leave on the world. Will our footsteps be visible long after we are gone? Will the world be a better place because of our efforts?

As we consider the life we've built through family, business and community, many of us may be surprised to discover the difference our actions have already made.

Through charitable giving, it is possible to continue to make a difference by helping others. This issue of *Wisconsin Dividends* explains how to take the first steps—by preparing an estate plan. An estate plan can support your values and remember organizations that mean the most to you. We hope the University of Wisconsin is one of those organizations.

Philanthropy is vital to our work. By generously supporting the UW Foundation, you will guarantee that we can pursue our mission for the benefit of generations to come. In this newsletter, you can also learn how your gift to us can provide you with significant financial benefits.

Sincerely,



Russ Howes
Vice President
Planned Giving and Legal Affairs



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