

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

Spring 2010

W I S C O N S I N

Dividends



Keeping your assets
under control

Why is it called a will?

Remember the old adage *you can't take it with you*? A real truth, it seems. And if you die without a will, your assets will go somewhere, but your state will make that decision.

A will is called a will for a reason. Your will is a way of expressing your desires and exercising control over what you want done with assets you have worked so hard to accumulate. Without a will, you are not only giving up your assets you are giving up *control* over those assets.

What does control mean?

While a will can be written to cover many different circumstances, basically it lets you decide three very important issues:

- **Ownership of assets.** Who will receive your cash, your home, your investments, your antiques and collectibles, your jewelry and your prized family possessions? These are all tied to ownership.
- **Use of your assets.** While the law will not enforce a bequest provision that is contrary to public policy (for instance, leaving money

to your daughter on the condition that she divorce her husband), you can prescribe a whole range of uses for your assets, with few restrictions. You can prescribe that they be used for educational purposes, held in trust, invested with only the income to be used by your heirs or devoted to a wide variety of other possible uses.

- **What happens to your dependents?** A will lets you decide who will care for your young children, your aged parents who may be dependent on you or other individuals who may rely on you for their support and sustenance. These individuals will need support even more if you die. A will lets you control *now* who will control their *future*.

How do I control the transfer of my assets?

The way you choose to transfer assets depends on their types. The first

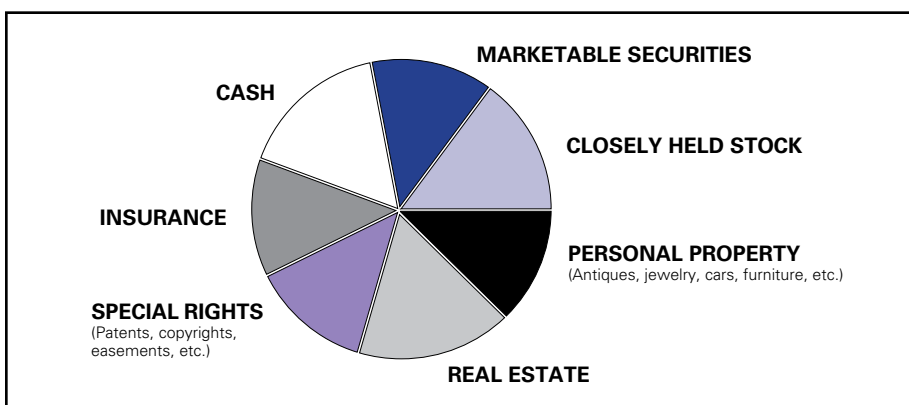
thing you should do when making your will is to look at your assets. In which categories do they fit, and how are they allocated? The chart below shows the kinds of assets that might be considered part of an estate.

As you assess the worth of your assets, you need to think about three very important factors:

- **How are your assets owned?** Do you own them by yourself, or do you own them jointly with your spouse or another person?

If you own them jointly, how is ownership set up? Is there a right of survivorship? The answers to these questions determine just how much control you have over the transfer of your assets. If, for example, you own property jointly with a right of survivorship, your interest will pass automatically to the co-owner at your death. A provision in your will leaving your interest to someone else would be ineffective. Always consult with your attorney if you have any questions.

- **How liquid are your assets?** Assets that are easily turned into cash have more flexibility than other types. How you set up your transfer may depend very much on their liquidity.



- **Do you want to transfer both the asset and the use of that asset** to the same person or charity, or do you want to *split those elements*? Think of the asset's intrinsic value as a tree and its *earning power* as the tree's fruit: You may transfer the tree to one person and the fruit to another. While looking at your assets, consider these attributes as you think about your transfer. Any transaction requires two parties. You are clearly the first party; your heirs are the second. As you think about all of your assets and the ways they are allocated and owned, think about the other side of the transaction as well. To whom do you want your assets to pass? **Note:** While most states have laws restricting the disinheritance of a surviving spouse, you have considerable discretion as to how you may distribute your assets.

The federal estate tax: an uncertain future

Because of the dramatic changes brought about by Tax Relief 2001 and the current uncertainty about the eventual shape of the federal estate tax, a checkup of your will is now more important than ever. While the estate tax is repealed for 2010 and is scheduled to return in 2011, many experts believe it will be reinstated this year, perhaps with the 2009 exemption amount of \$3,500,000.

However the estate-tax situation is resolved, it is important to get in touch with your legal and financial advisors to explore how the current situation could impact your financial, estate and philanthropic plans.

Is a will the only way I can control the transfer of my assets?

No. There are other ways to plan now to arrange for the transfer of assets after your death—ways that take precedence over a will. Some involve substantial and intelligent tax planning.

Life insurance and pension plans.

While you can name your estate as the beneficiary of a life insurance policy or your pension plan, most people name specific beneficiaries—so the proceeds will go directly to the designated individuals or charitable institutions without passing through probate. As personal or financial circumstances change, a periodic review of your beneficiary designations is prudent to ensure that your assets will be distributed as you wish.

Living trusts. Many people, with the help of their financial advisors and attorneys, are now creating *revocable living trusts*. Such a trust establishes a predetermined transfer of assets while full control remains in the hands of the trust's creator. By using a revocable living trust, you can actively handle the management of your assets during your lifetime as well as their disposition at your death. While assets in your living trust are still subject to federal estate taxes, distribution is governed by the trust instrument—not by your will.

Gifts during your lifetime. You can give up to \$13,000 tax-free per person, to anyone you choose, each year. Spouses can agree to *split* gifts and transfer up to \$26,000 per donee, free of tax. You may use this annual exclusion year after year as a way of

passing assets from your generation to the next. **Planning pointer:** Gifts exceeding the \$13,000 per person per year limit are applied toward your lifetime credit against gift tax. Gifts to charity, of course, can be made in unlimited quantities at any time.

How do I take control?

Planning how to transfer your assets can be easy—or it can be a complicated process. And it is important that you *retain control*. To retain control, however, you need to take action early.

Have a will prepared. Think about your assets, how they are owned and how liquid they are. Think about how you want to transfer your assets and how you want control to pass to chosen individuals and charities. Then go to your lawyer and have a will drawn up. The more carefully you have thought about what you want to do, the easier it is for your lawyer to put those thoughts into the right language—and the less it will cost!

Think about ways that you can plan now to transfer assets or their value to the people **and** charitable institutions that you want.

Do the beneficiaries of your insurance and pension policies reflect your current wishes? Consider naming the UW Foundation as the contingent beneficiary should something happen to your primary beneficiaries. You might also think about including us as a *primary beneficiary for a percentage of the proceeds*. It is an easy way to make a long-term charitable gift at no additional current cost to you.

Talk to your attorney about a living trust—a valuable tool for people with either modest or substantial estates. Even

if you are well under the exemption equivalent, you should consider the many benefits of a living trust.

Think also about splitting your assets between their underlying value and their income-producing ability. Give the income to your surviving spouse, a child, or a dependent elder for life or a period of years and the underlying asset to the UW Foundation at the end of the trust period. (See Example 1)

Example 1

Mary M wants to make sure that the financial assistance she is providing for her sister Lucy, aged 76, will continue if she should die before Lucy. She decides the best way to provide both for Lucy's care and for the UW Foundation is to create a \$250,000 charitable remainder annuity trust that will pay \$15,000 each year to Lucy for the rest of her life with the trust assets passing to us following Lucy's death.

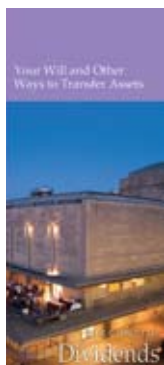
As a result of her gift to Lucy and the UW Foundation, Mary is entitled to a tax deduction of \$124,660, which will save \$41,135 in taxes in her 33% bracket. She also has the peace of mind of knowing that Lucy is assured of a stream of income for life and that her gift will ultimately benefit the UW Foundation.

You might consider putting a particularly large illiquid asset (for example, real estate or closely held stock) **into a charitable trust** and using the payments and/or tax savings generated by the trust to buy life insurance for your heirs. They may be far better off than if you keep the large asset in your estate.

Next steps:

Are you wondering what your next best step is? Maybe you'd like more information, or maybe you'd like to speak with us directly. Here are a few options:

- 1 Visit us online** at www.uwfoundation.wisc.edu to learn more about how you can benefit the UW-Madison.
- 2 Return the reply card** to receive a free copy of our new booklet, *Your Will and Other Ways to Transfer Assets*.
- 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 provide income to you for life.
- 4 E-mail us** at uwf@uwfoundation.wisc.edu. We're happy to answer any questions you might have or send you more information.



Is opportunity knocking for you?

You may find our booklet, *Your Will and Other Ways to Transfer Assets*, helpful as you consider your plans. Please return the attached card to receive a complimentary copy, or feel free to contact the Office of Gift Planning at 608-263-4545 to request a copy of the booklet or to discuss your situation with a member of our staff.

A legacy of savvy, wit

Many people make gifts to support the University of Wisconsin-Madison to honor loved ones and secure their legacy on campus.

Jane Bunn has created a bequest to support the School of Veterinary Medicine, which her late husband, Peter, helped to establish. In her case, the gift will burnish a legacy that already looms large.

Peter Bunn ('56 BA L&S, '61 MA), who died tragically in a small-plane crash in June 1983, "was with the University all his working life," Jane said. His UW-Madison career included a term as assistant dean of students during the campus protests against the Vietnam War, and he was secretary of the faculty from 1978 until his death.

It was in that latter role that he was the UW-Madison administration's link to the effort launching the School of Veterinary Medicine. "Chancellor (Irving) Shain had assigned him to be the liaison for the politics, planning and day-to-day activities related to getting the School of Veterinary Medicine off the ground," said Emeritus Dean Bernard C. Easterday, who served as the school's first dean from 1979 to 1994. "Peter and I became acquainted very early in the process, and we became close friends."

Peter's father, Charles, was an esteemed professor in the UW Law



Jane and Peter Bunn share a moment in this photo from 1982.

School, where his brother, George, also was a professor and at one time the dean. Peter liked to say that he learned the most about UW-Madison around the dinner table. "The University was the family business for Peter," Jane Bunn said. "He loved it so."

Peter is remembered for the sage counsel he could provide in many tense situations, which he often defused with his keen wit and deft timing.

"Whatever he did, he did with such a sense of humor," Jane Bunn said. "He used to be in the middle of 'warring factions' sometimes at Bascom Hall. Whatever the

differences were between the parties, he would get them to laugh together over something. He would say that once he got them to laugh, he knew he had them where he wanted them."

Easterday agreed with that characterization. "Peter always had the right thing to say at the right time," he said. "He was the 'glue' for a lot of the good things that happened on campus."

During the Vietnam protests, particularly the ones objecting to Dow Chemical's presence on campus, Peter was able to keep a cool head and forge peaceful solutions. "I think part of that had

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A legacy of savvy, wit

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to do with his service in Korea,” Easterday said. “He had a really special understanding of what was going on.”

Peter’s knack for conversation extended beyond campus. Jane Bunn recalled that when they met, she was on a date with someone else. “We were in a group, and we all went back to his place,” she said. “Peter and I wound up talking in the kitchen for a long time. We kept in contact and became good, good friends. He was the love of my life.”

Peter and Jane built a home on the western shore of Lake Mendota, and Easterday was a regular guest. “I was often at Peter and Jane’s house for dinner and other special occasions like Thanksgiving,” he said. “The plane crash happened in late afternoon, and I didn’t find out until the next morning. I went right to see Jane. She said, ‘Barney, you have to give the eulogy.’”

Easterday, who shared Peter’s passion for flying small airplanes and often flew with him, recalled that Peter liked to play piano, particularly “Over the Rainbow.” At his memorial service, that tune was played after the eulogy.

The crash happened five days after of the School of Veterinary Medicine was dedicated. “In those early days, Peter’s spirit was very much there with us,” Easterday recalled.

On the occasion of the first class graduation from the school, a plaque in Peter’s honor was dedicated and placed in the stairway rising

from the main entrance. Among the accolades on the plaque are “For his special role in providing leadership and counsel for establishing the School of Veterinary Medicine” and “For his distinctive personal skills, which influenced crucial University developments during his 23 years of service.”

That plaque is very meaningful to Jane Bunn. “He was a big part of getting that school established,” Jane said. “I send in a check every

year for the Peter Bunn Award,” which is given to a graduating veterinary medical student who has shown academic prowess and leadership potential.

Making a provision in her will to benefit the school just made sense, she said. “I wanted to leave the University something, and I wanted to keep Peter’s name alive there. He put so many years of his life into making the School of Veterinary Medicine what it became.”



Visit our Web site at

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. 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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Dividends



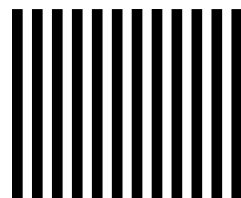
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We would like to send you a complimentary copy of our booklet,
Your Will and Other Ways to Transfer Assets.

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

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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 "Your Will and Other Ways to Transfer Assets."

____ 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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PLEASE FOLD ON THIS SCORE AND TAPE THE OPEN END CLOSED BEFORE MAILING.

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 Jane Bunn, and inside this issue of *Wisconsin Dividends* you will find an article about how I made a bequest in my will to benefit the School of Veterinary Medicine at the University of Wisconsin-Madison.

My gift will provide support for the school that my late husband, Peter, worked so hard to help get off the ground. The school has grown into a tremendous asset to the people and animals of Wisconsin and beyond.

A bequest made sense for my situation, and it will ensure an enduring legacy for the work that Peter did on campus and for the school.

Your financial advisor and the professionals at the UW Foundation can help you decide whether such a gift will work for you the way it has for me.

Sincerely,

Jane Bunn