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FALL 2014

W I S C O N S I N

# Dividends



JEFF MILLER, UW-MADISON, UNIVERSITY COMMUNICATIONS

A lifetime gift annuity may  
provide surprising benefits

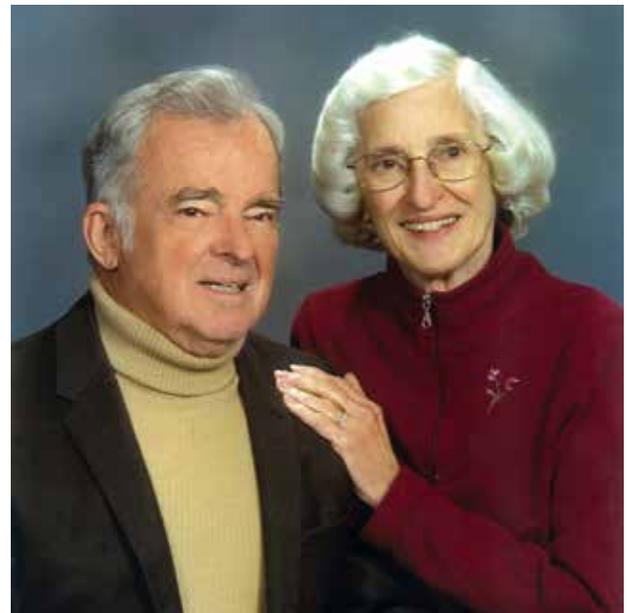
# Grateful engineer gives back in two ways

John Bolender can look out the picture window of the home where he has lived outside of Seattle for the past 55 years and see snowcapped Mount Rainier, the engineering marvel of the new Tacoma Narrows bridge (a previous version of which fell apart in a wind storm) and the huge container ships arriving in Puget Sound—some from Korea each carrying as many as 6,700 new cars.

From his window he can't quite see The Boeing Company, where he worked as a design engineer for 38 years after earning his degree from the University of Wisconsin-Madison in 1951, nor can he see CenturyLink Field, where UW's Russell Wilson "scampers around in the backfield and does his magic" as quarterback of the Super Bowl Champion Seattle Seahawks. It's a good life John Bolender has lived since Boeing recruited him right off the UW campus, and that's why he has established three charitable gift annuities with the University of Wisconsin Foundation and recently made a significant gift from the combined IRA belonging to him and his late wife, JoAnn, also a UW graduate with a degree in home economics education.

"JoAnn and I were talking in early 2013 about making a gift to the university," Bolender recalls. "Up to that time we had done things I considered fairly small; it was the best we could do while putting four kids through college. Then she was gone very suddenly and two IRAs were combined. I took the required minimum distribution and was able to give that to the Foundation. I was taught that when I have a little more than I need I should be doing something to help others." That "something" was to support the alma mater to which he says he owes his career.

"I grew up in a family that was not very prosperous. It was touch-and-go for me to go to college," Bolender



*John and JoAnn Bolender*

says. "I looked at the catalog and decided the thing I was most interested in was engineering. Then my high school principal found a scholarship from a generous Chicago lawyer. It gave me \$235 per semester—which covered all my books and tuition. Can you imagine that today? I thought I would design manure spreaders for John Deere, but the Boeing offer included a draft deferment. So I cast my fate with them, though I had never been west of Dubuque."

Then John Bolender referred to four letters he has received from UW students so far this year. "They are thanking me for easing their financial problems," he says. "I understand that, currently helping some of my grandchildren through college."

Bolender made the IRA gift unrestricted, "going to whatever the university decides is the best employment." The charitable gift annuities are for the specific colleges that he and JoAnn attended.

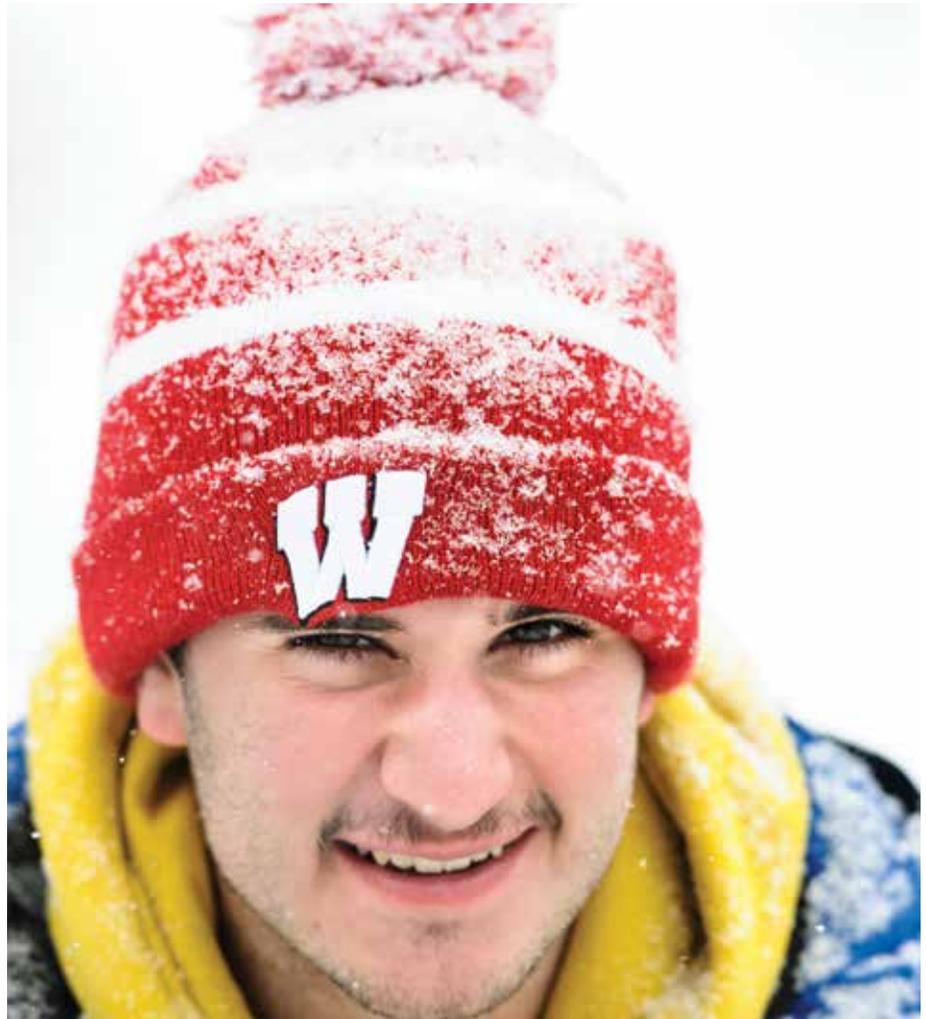
"She never quite got to be a teacher because we began having children," says Bolender, listing his daughter and three sons, all successful professionals. "But the family benefitted from what she learned."

Bolender says he is grateful to UW for "providing the rigor of the engineering profession." It served him well at Boeing, where design engineers go to a new project every two years. He worked on military planes, commercial planes, missiles, satellites and the international space station, and he was the lead engineer of the 747 freighter system that can load 110 tons of cargo in 30 minutes.

"Our children have JDs and master's degrees, but that bachelor of science was enough for me," he says. "I enjoyed great satisfaction being a design engineer."

Now retired for 25 years, John Bolender cruises around in his 1966 Corvair, hangs out with his kids and grandkids and rattles around the home he and JoAnn built in 1959 after a short tour as a Naval Aviator.

He is even considering an additional gift in support of the University of Wisconsin Foundation as an alternative to trying to split its value among the children: that home with the spectacular view.



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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!

# A lifetime gift annuity may provide surprising benefits

Among the most popular ways to make a significant gift to a favorite charity are provisions in wills and trusts. Because such gifts—known as *testamentary provisions*—take effect at the death of the donor, they are particularly attractive to those who feel they need the income generated by all of their assets during life.

Many of our supporters are discovering, however, some attractive reasons to accelerate these testamentary provisions and to make gifts during their lifetimes in the form of a charitable gift annuity.

## 6 key questions and answers about a lifetime charitable gift annuity: realize immediate benefits by making your gift now

### What exactly is a charitable gift annuity?

A charitable gift annuity is a contractual agreement between a donor and a charity under which the charity

agrees to pay a fixed annual amount to one or two designated beneficiaries for life.

### I rely on the income my assets generate. Can I make a contribution for a gift annuity and still maintain my standard of living?

Yes. Not only can a gift annuity allow you to maintain your standard of living, but it may also increase your annual cash flow. It can do this in a number of ways.

First, it provides you with a fixed stream of income for as long as you live. The specific rate you receive depends on your age, with older beneficiaries receiving a greater percentage than younger beneficiaries. The

<b>\$100,000 Gift Annuity</b>					
AGE(S)	PAYOUT RATE	ANNUAL PAYOUT	TAX-FREE PORTION*	CHARITABLE DEDUCTION	TAX SAVINGS 33% TAX BRACKET
One annuitant					
60	4.4%	\$4,400	\$3,010	\$27,488	\$9,071
70	5.1%	\$5,100	\$3,774	\$40,017	\$13,206
80	6.8%	\$6,800	\$5,358	\$49,651	\$16,385
Two annuitants					
60-60	3.9%	\$3,900	\$2,644	\$21,728	\$7,170
70-70	4.6%	\$4,600	\$3,367	\$30,999	\$10,230
80-80	5.7%	\$5,700	\$4,463	\$43,287	\$14,285
*For the life expectancy of the annuitants					

University of Wisconsin-Madison issues gift annuities in any amount of \$10,000 or more, and the chart on page 4 shows the rates we currently offer at various representative ages.

The payments you receive from a gift annuity will likely exceed the interest on popular investments like CDs, money market funds and bank savings accounts.

In addition, a contribution for a gift annuity will enable you to claim an income tax charitable deduction. Deductions for a \$100,000 charitable gift annuity contribution are also shown in the chart.

**Note:** If you itemize deductions on your federal tax return, this deduction will produce tax savings for you proportional to your marginal tax bracket. Even if you typically take the standard deduction because you do not have enough deductions to itemize, the deduction from your gift annuity may be large enough to allow you to enjoy the benefits of itemizing in the year you make your gift.

#### **Are there any other tax advantages?**

Definitely. You can claim a current income tax deduction for the charitable portion of your contribution (the amount by which the value of your contribution exceeds the present value of the annuity you receive). Just as with a commercial annuity, part of each payment you receive from a gift annuity over your life expectancy is deemed to be a return of principal and is tax-free.

Because of this, the real return from a gift annuity can be even higher than the stated rate of a traditional investment (such as the fully taxable yield from a CD, a money market fund or a bank savings account).

**Note:** If you use appreciated publicly traded stock to fund a gift annuity, you will avoid long-term capital gains tax on some of your paper gain; the gain you do

recognize will be spread over the balance of your life expectancy. In such cases, part of your annuity will be taxed as ordinary income, part will be tax-free and part will be taxed at low capital gains rates.

#### **Will a gift annuity cause more of my Social Security income to be taxable?**

No. And it is possible that a gift annuity can actually result in less of your Social Security income being subject to tax.

Why? All income—even *tax-exempt income*—can work against you for purposes of determining how much of your Social Security income is taxable. Here is the good news: The tax-free portion of your gift annuity payout is not “income”—it is a return of your principal. You may actually increase your cash flow and lower the amount treated as income.

#### **If I wait and direct a gift to the University of Wisconsin-Madison at my death, would my estate receive tax benefits?**

Maybe. Your estate will not get a federal income tax deduction for a testamentary gift, but a testamentary gift might generate federal estate tax savings.

The federal estate tax was modified by the American Taxpayer Relief Act (ATRA) enacted in 2013. The current amount exempted from the tax is \$5.34 million, and that amount is indexed for inflation. Gifts and bequests in excess of that amount are taxed at 40 percent, and that rate will remain in effect until changed by Congress. ATRA extended the 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.

Frankly, one of the reasons many people have chosen to accelerate their testamentary gifts—and instead make

*(continued on page 6)*

# A lifetime gift annuity may provide surprising benefits

continued from page 5

current contributions for a gift annuity—is to benefit from tax savings available during life. These savings could generate additional resources at death.

**Example:** Let's compare two scenarios considered by June, a 75-year-old donor in the 33 percent tax bracket. In one scenario, June has a \$100,000 CD that pays 1.5 percent—or \$1,500—and she plans to give \$100,000 to the University of Wisconsin-Madison under her will.

In another scenario, June contributes \$100,000 for a gift annuity with the UW right now, paying her 5.8 percent—or \$5,800—each year. The gift will generate a \$45,028 deduction and save her \$14,859 in federal tax.

If she lives 15 years and earns a 6 percent annual return by investing her tax savings and the additional net annual income from the gift annuity, June essentially adds \$137,829 to the amount available for other purposes at the time of her death. See the following table for a comparison of the two gift plans.

June's Gift Scenarios		
	By Will	Gift Annuity
Charitable contribution	\$100,000	\$100,000
Income tax deduction	0	\$ 45,028
Income tax savings	0	\$ 14,859
Value of savings—15 years at 6%	0	\$ 35,610
Additional annual net income over 15 years	0	\$ 60,759
Estimated earnings on additional income	0	\$ 41,460
Total additional value in 15 years	0	\$137,829

**I am concerned that my spouse will also need income from all of my assets. Can a gift annuity make payments to both of us and then to the survivor?**

Yes. As shown in the chart on page 4, a gift annuity can be payable for one or two lives. Adding a second beneficiary causes a small reduction in the annuity rate and changes the deductible amount.

## Request our free booklet to learn how a charitable gift annuity could benefit you!

- 1** Return the attached reply card to receive a free copy of our new booklet, *The Charitable Gift Annuity: 12 Ways It May Benefit You*.
- 2** Call us at 608-263-4545 to find out how a gift to the UW Foundation will further the university's mission and could provide income to you for life.
- 3** 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.
- 4** Request it online at [www.supportuw.giftplans.org/Income](http://www.supportuw.giftplans.org/Income).





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  - Gift annuities    Charitable trusts
  - Other \_\_\_\_\_

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