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Dividends

JEFF MILLER, UW-MADISON, UNIVERSITY COMMUNICATIONS

Who will receive your assets? The state or your beneficiaries?

Doctor revises estate plan for UW ‘payback’

Some donors contribute to the University of Wisconsin-Madison with cash, some use appreciated securities, some use real estate. It’s rather unusual to do all three. But Dr. Joe Mnuk has an unusual story—how he wound up at the UW-Madison in the first place and how he and his wife, Julie, decided to revise their estate plans and give back.

> *“They were very good to work with—responsive, flexible, informative. We had our accountant involved and our financial planner involved and the foundation involved, and it went smoothly.”*
>
> —Dr. Joe Mnuk

Joe initially grew up in Texas but moved around as his father was transferred every few years. He completed high school in Wisconsin and finances were slim. The only viable option was a state school.

“Little did I know what a bargain I was getting!” Joe exclaimed. “If you had to describe a state school with all the good aspects of it—a vibrant setting, multinational student body and course offerings that are just endless—you might mention Berkeley, the University of Michigan, probably UT Austin. And that’s exactly what I got at the UW. I can’t believe I was lucky enough to be in a place with such intellectual stimulation.”

Joe earned an undergraduate degree in history in 1976 and then went straight to medical school. “I applied to quite a few places, but once I got my acceptance to the UW, it was case closed,” Joe said.

He trained as an interventional cardiologist; when people have a heart attack and are rushed to the hospital, he’s the one called. Feeling lured to his native west, Joe practiced in New Mexico for 20 years but moved back five years ago. Shortly after arriving in Madison, Julie was diagnosed with a rare form of cancer and underwent surgery and chemotherapy through the UW-Madison.

“I can’t tell you how happy I was to be back at a center that had a very strong oncology program,” Joe said. “I felt so confident about her care. We were blessed to be in this place.”

Still in private practice in Madison, Joe said that about a year ago he came into a “large windfall” through his business. “We already had written into our will a substantial donation to the UW, but when this came through we thought we should make the donation now,” Joe explained. He met with the University of Wisconsin Foundation and structured a gift that includes cash, appreciated securities and real estate—a retained life estate gift so that the Mnuks remain in their home for the rest of their lives.

"They were very good to work with—responsive, flexible, informative," Joe said. "We had our accountant involved and our financial planner involved and the foundation involved, and it went smoothly."

Joe encourages other alumni to contact the foundation. "This is a field that most of us have no expertise in," he said. "If you have questions, contacting the foundation is helpful and does not obligate you to anything. Lay out your wishes, needs and ultimate goals, and they can come up with something that fulfills those needs."

The Mnuks' total gift is more than a million dollars. Joe says he is glad to give it. "It's payback," he said. "The prosperity and the blessings that my family have are derived from my education."

Very much into outdoor activities, Joe and Julie run or bike through the campus almost every day. He said he is impressed with the new facilities from when he was in school, including the hospital and medical school.

"There's a reason Madison has been ranked as the best place to live in the United States several times in the last 20 years," Joe said. "We're grateful to be back and to give back."

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. 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!

Who will receive your assets? The state or your beneficiaries?

One of the most important components of effective estate planning is identifying the people and organizations you want to be the beneficiaries of your assets.

How you make those decisions varies greatly depending on your unique circumstances and significant life values. But to ensure that your decisions are honored, it is absolutely vital to express your wishes in a well-crafted and effectively executed will or trust.

If you don't have a will or trust, your state will weigh in with its best guess of what you would have chosen to do with your assets. These are known as laws of intestate succession, and they vary from state to state. In some cases the state's guess may be close to what you want, while not in others.

Married? Have children? Be sure to plan

Married couples often want to be sure that the surviving spouse has adequate resources if one of them passes. And if there are children or grandchildren, couples frequently want to make provisions for them. Even in these fairly common situations, not everyone wants the same outcome.

For example, a surviving spouse may have ample assets of his or her own. One child may have more needs than another child for various reasons—health, education, business success, etc.

Single? No children? Be sure to plan

It becomes even more difficult to guess the wishes of single people, especially those who have no children. In no case will state law provide for the distribution of your assets to someone who is not a relative—such as a dear and trusted friend or a valued charitable organization such as the University of Wisconsin-Madison.

Regardless of your intended beneficiaries, be sure to make your wishes known in a thoughtful and well-planned will or trust.

Create a back-up plan: You may outlive your current beneficiaries

It is possible to create a back-up plan for your will or trust to anticipate those situations where your original wishes no longer apply. For instance, your entire plan could be thwarted if you outlive all your intended beneficiaries. By selecting an alternative beneficiary, you can create a plan in case you are not survived by the first beneficiary.

Rather than allowing assets to pass by default under state law, many charitably minded people choose to include contingent language that directs assets to charity if such circumstances occur.

Estate tax now made permanent

The final outcome of the American Taxpayer Relief Act of 2012 (ATRA) was to increase the estate tax rate from 35 percent to 40 percent while retaining the high exemption. For 2014 the exemption is $5.34 million per person, and it will be indexed for inflation in future years. The new law keeps the gift tax and estate tax unified as one system and also allows a surviving spouse to use any part of the exemption not used by the estate of the first spouse to die.

Birth of a child. Divorce. Death of a spouse. Three triggers for updating your beneficiary designations

Gifts under your will, known as "charitable bequests," are a simple way to make a gift to the university. It is important, though, to regularly review your will. The following triggers should alert you to update it:

1. Birth of a child, grandchild or other potential beneficiary.
2. Divorce.
3. Death of a spouse or other intended beneficiary.

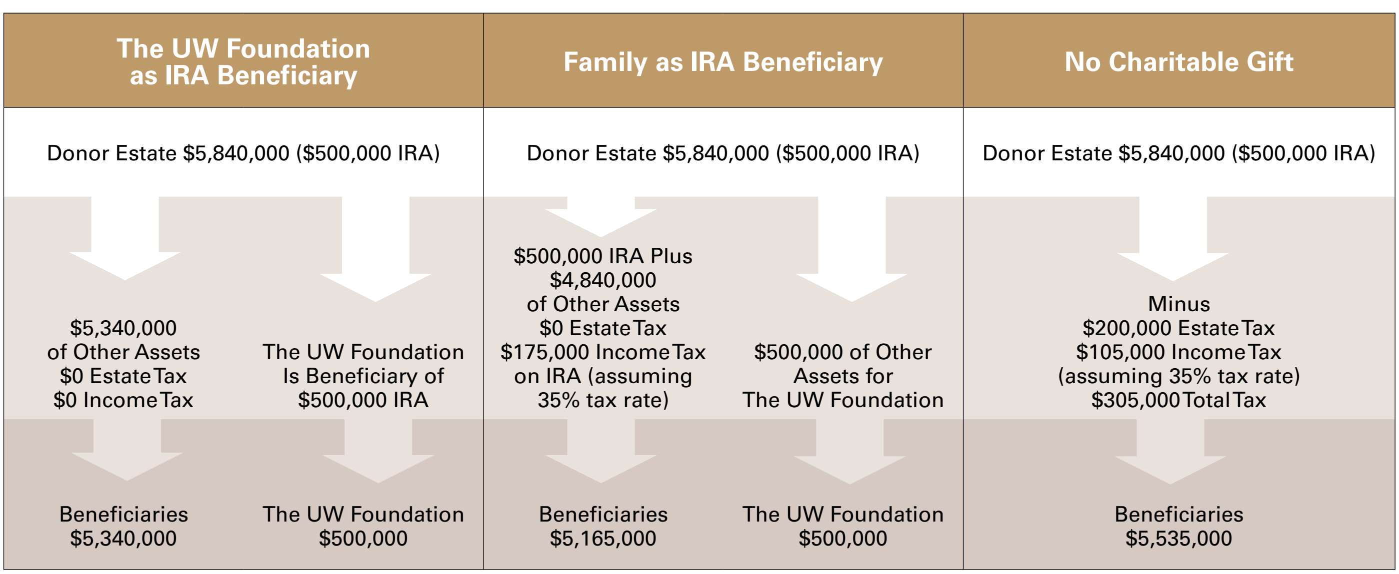
Most states set aside will provisions for former spouses after divorce. The law is less absolute in regard to other beneficiary designations. For instance, Barbara has two children, Mason and Skyler. Barbara designates Mason and Skyler as beneficiaries of her will. Later, another child, Sophia, is born, but Barbara does not change the beneficiary designation. Barbara must add Sophia as a beneficiary; otherwise, Sophia may not receive any assets through Barbara's will.

One of the most common planning mistakes: Letting your IRA or 401(k) pass through your estate to your family

There are many ways to distribute assets at your death other than through a provision in a will or trust. In fact, for many people it is possible to dispose of the majority of an estate by using "beneficiary designations."

1. **"Pay on death" beneficiaries.** Many states have provisions that allow you to designate a "pay on death" beneficiary for most types of accounts. If you choose to make such a designation, the transfer will be honored automatically, without the need for probate.

(continued on page 6)



Common planning mistakes

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2. Life insurance and retirement plan beneficiaries. Similarly, you have complete freedom to choose the beneficiary of life insurance policies and, with very few restrictions, retirement plans such as an individual retirement account (IRA) or 401(k). ***Note:*** Certain plans may require the consent of a spouse for any beneficiary designation that diminishes his or her interest in the plan assets. Be sure to check with your advisors and with the plan administrator before adopting a primary beneficiary designation for anyone other than your spouse.

Passing your retirement plans to family can be costly. There might be a better way.

If you are planning to make provisions for the University of Wisconsin-Madison or other charitable organizations at your death, you may find your IRA, your 401(k) or another type of retirement plan to be the most advantageous asset to direct to charity. ***Reason:*** Some or all of the value of retirement plan assets is treated as taxable income to the person receiving it. (See example 1.)

Example 1

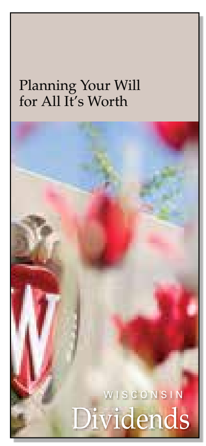
Gene B, a widower, wants to leave the University of Wisconsin-Madison approximately $200,000 at his death and leave the balance of his estimated $2,000,000 estate to his children, Brent and Anna. His assets are made up of his home worth $500,000, stocks worth $500,000, bonds worth $500,000, CDs worth $300,000 and an IRA account worth $200,000.

Right now the children are the beneficiaries of his IRA, and his will directs $200,000 of his stock to us. If the IRA were to pass to the children, they could face up to $70,000 of federal income tax upon receipt. For that reason, Gene decides to give the $200,000 IRA to us and all of his stock to the children.

Even though the $200,000 value of the IRA represents taxable income, we face no tax liability because we are tax-exempt. The children will have no income tax consequences on receipt of the stock. As such, Gene will be able to increase the net value of his distributions by up to $70,000.

Request our free booklet to start planning your will today!

1. **Request it online at** www.supportuw.giftplans.org/YourWill.
2. **Return the attached reply card** to receive a free copy of our new booklet, ***Planning Your Will for All It's Worth.***
3. **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.
4. **Email us at** uwf@supportuw.org. We are happy to answer any questions you might have or send you more information.



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The information contained herein is offered for general informational and educational purposes. The figures cited in the examples and illustrations are accurate at the time of writing and are based on federal law as well as IRS discount rates that change monthly. State law may affect the results illustrated. You should seek the advice of an attorney for applicability to your own situation.

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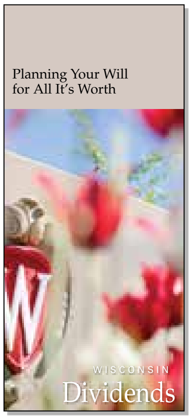

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