

*Rely on advisors for legal arrangements.*

# Making the Best Use of Professionals

A will is one of the most important legal documents you can create. The services of an attorney whose practice is devoted to estate planning should be sought when drawing up or revising an estate plan.

Because state laws govern wills, trusts, and certain other methods of transfer, it is advisable to retain an attorney who practices in the state where you legally reside.

In addition, your accountant may be uniquely equipped to suggest ways to plan for greatest tax savings.

When trusts or other financial management vehicles are in use, a bank trust officer plays an important role.

A life insurance professional, real estate broker, financial planner, and investment counselor may also be excellent sources of information and assistance needed to form the best overall estate plan.

We would be pleased to meet with you and your advisors as your plans take shape, with no obligation and in strict confidence.

NAWX-06



If you are interested in joining the Legacy Society by providing for the University of Alaska through your will or estate plan, or if you wish to learn more about charitable gift annuities, please contact the University of Alaska Foundation at the address below. If you have already provided for the University of Alaska in your will or estate plan, please let us know so we can thank you.

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# UNIVERSITY of ALASKA

## Foundation for the Future

Financial and Estate Planning Ideas for Friends and Alumni of the University of the Alaska • Fall 2006

### Why Not Speak for Yourself?

Traditionally Americans hold dear the right to speak their minds. It may seem ironic, then, that over half of all Americans do not have valid wills, the most well-known method of recording wishes regarding the future distribution of their property. Yet it's true.

#### *What happens without a will?*

When a person passes away without a will or other legal arrangement in place to distribute property, state laws take over. Added administration costs, delays, and arbitrary, impersonal distributions of property can result.

These problems can be easily avoided, however, by simply making the decision to speak for yourself.

#### *Formalize your wishes*

A last will and testament can direct outright distributions of cash, stocks, real estate, and personal property. It may also contain trusts that provide for management of property for heirs. Charitable gifts to the University of Alaska Foundation may also be included.

Revocable living trusts can hold and manage property during your life as well as distribute it at death. You can make virtually the same distributions through a trust as

you can through a will, including charitable gifts. Also, probate may be avoided, and your privacy is maintained. Provisions of a will and living trust should be carefully coordinated if you have both.

Life insurance and retirement accounts can make up a large share of an individual's assets. Payments to designated beneficiaries usually pass outside the probate process.

Gifts from life insurance and retirement plan assets may also be made to nonprofit organizations as well as loved ones.

Your attorney or other professional advisors can help you make plans that assure you speak for yourself.

#### INSIDE THIS ISSUE

- How charitable giving can enhance your estate plan
- How probate works
- Receive an income for life and support UA

### Adjust Your Policy

Changing the ownership or beneficiary of a life insurance policy is simple. Check your assets for "obsolete" insurance—protection that may no longer be necessary for its original purposes.

For example, you may no longer need policies to protect children or grandchildren who are now adults. Estate tax considerations may also affect the amount of insurance you need.



## IS IT TIME FOR A REVIEW?

The birth of a child, the death of a spouse, or a career change that brings substantially greater earnings are the types of life events that can call for a review of your will and other plans.

# What You Can Do About Estate Taxes

Even though estates of \$2 million or less generally escape federal estate tax under current law, an increasing number of people find themselves with estates exceeding that amount. They should thus be concerned about federal estate tax rates as high as 46%.

Charitable giving may help improve your estate tax situation. For example:

- Outright charitable bequests of any size are deductible for federal estate tax purposes and can serve to reduce your taxable estate.
- Certain assets in an estate—real estate, art objects, antiques, rare books, etc.—may be difficult to sell and can cause tax problems. High valuations of such property may force an executor to sell at “distress” prices to pay taxes. Leaving such assets to the University of Alaska Foundation may eliminate these problems.
- The “charitable lead trust” may also help minimize effects of the estate tax. This tax can erode bequests to children, grandchildren, and other heirs.

# How the Probate Process Works

Knowing something about what happens to a person's property during the probate process can help you make estate settlement as smooth as possible for loved ones.

The diagram below outlines the path followed by assets as they're distributed through probate. Your

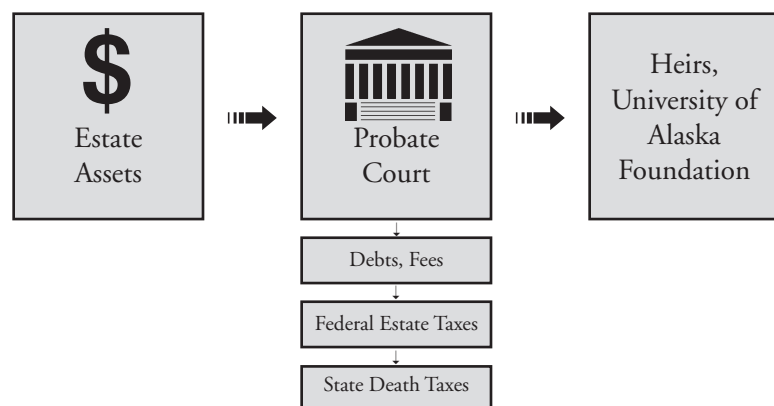
attorney or other advisors can elaborate on the rules in your locality.

After payment of the estate settlement expenses (including executor and other fees), any debts owed by the deceased, and state and federal death taxes which may be due, the remaining assets are distributed to individuals, the University Foundation, and other charitable organizations as the will provides.

In the absence of a valid will, the probate court must follow rigid state law requirements for distribution of property. Heirs will receive amounts according to formulas that do not take into consideration how needs of loved ones may differ, and no charitable gifts are possible under these rules.

Assets held in the form of jointly owned property, life insurance, trusts, and retirement plans will typically pass outside the probate process, but may still be subject to estate taxes.

How Property Passes Through Probate



The purpose of this publication is to provide general gift, estate, and financial planning information. It is not intended as legal, accounting, or other professional advice. For assistance in planning charitable gifts with tax and other financial implications, the services of appropriate advisors should be obtained. Consult an attorney for advice if your plans require revision of a will or other legal document. Tax deductions vary based on applicable federal discount rates, which can change on a monthly basis. Some opportunities may not be available in all states. ©2006 RFSCO, Inc. All Rights Reserved. NAWX-06

# A Way to Give and Receive

Like a bequest through your will, University of Alaska Foundation Gift Annuities can be a simple and convenient way to make a gift. Unlike a bequest, however, a gift annuity allows you to make a gift of cash or other appropriate assets to the Foundation during your lifetime and, at the same time, receive income payments for life. If desired, you can also provide for payments that continue for the life of one or two other persons you name.

## How much are the payments?

Gift annuity payments vary according to the age of the annuitant (person who receives payments) at the time the annuity is funded. See the chart at right for examples of rates for one or two persons. The older you are when you fund your gift annuity, the higher your payments will be.

## What stands behind the payments?

Under state law, all of the available assets of the University of Alaska Foundation serve to back the annuity payments.

## Enjoy tax savings

A generous charitable income tax deduction is allowed for the year in which your gift annuity is funded. Some of the capital gains tax that would be due on the sale of assets used to fund an annuity will be partially avoided, and the remainder is reported over the donor's lifetime. In addition, a portion of the income payments you receive are often tax free.

## Additional benefits

A gift annuity can be an excellent way to enjoy income tax savings today while assuring that the amounts used to fund the annuity will never be subject to estate tax.

## Payments for one person

Martha, in her late seventies, decides to fund a gift annuity using \$25,000 in cash. At her age, she receives payments from her gift annuity equal to 7.8% of the amount contributed. She is also entitled to an income tax deduction for approximately \$11,000, and for the first 10 years she will pay income tax on less than half of her payments.

## Payments for two lives

George and Susan, ages 70 and 72, decide to use stock that pays no dividends to fund an annuity that will continue payments for both of their lives. They are entitled to payments equal to 6% of the amount transferred as well as a generous tax deduction. In addition, the value of the annuity will be completely removed from their probate and taxable estate.

## Income for other loved ones

Barbara decides to create a gift annuity that will make payments to her sister for the rest of her sister's life. Barbara will be entitled to an income tax deduction for a portion of the amount contributed. In addition, she enjoys the knowledge that her sister will receive payments that are backed by all of the assets of the charitable recipient.

## Gift Annuity Payment Rates

Selected Rates for One Person		Selected Rates for Two Persons of the Same Age	
Age	Rate	Ages	Rate
65	6.0%	65/65	5.6%
70	6.5	70/70	5.9
75	7.1	75/75	6.3
80	8.0	80/80	6.9
85	9.5	85/85	7.9
90+	11.3	90/90	9.3

Please contact us for current benefits and rates for other ages.

For illustrative purposes only.