

## Profiles in Giving

*Gift brings benefits to donor and UAA Library*



Jean Parsons

"I believe in the power of education," said Jean Parsons, University of Alaska Anchorage '73. Her belief in that power recently led her to make a gift in support of UAA using a charitable gift annuity. "I decided to give through a gift annuity because it benefits both the University and me," said Mrs. Parsons, whose UAA business degree led to a successful career at BP and gave her the entrepreneurial skills to run her own business after retirement.

Under the terms of a gift annuity agreement, a donor makes a gift to the University Foundation and in return receives generous quarterly payments for life. A portion of the payments are received free of tax, and donors who itemize are also entitled to an immediate income tax charitable deduction in the year the gift is made.

Mrs. Parsons directed that her gift be used to support the UAA Library. "It is really the center of the University. The library helps UAA run more smoothly and is an excellent resource for students and the community."

*Retired UA Chancellor uses IRA "window" for gift to University*



Marshall Lind

Marshall Lind, past chancellor at both the Southeast and Fairbanks universities of the UA system, and his wife Lois have recently made gifts in support of both entities using a special provision of the Pension Protection Act of 2006. The provision, which is now set to expire December 31, 2007, allows donors over age 70½ to transfer up to \$100,000 from a traditional or Roth Individual Retirement Account (IRA) directly to a qualified charity such as the University on a totally tax-free basis. A couple with separate IRAs can each give up to that amount. These distributions do not count toward limits on deductions and are not subject to withholding tax.

The Linds' gift will be used to support student scholarship funds at both UAF and UAS and in support of the Georgeson Botanical Garden at UAF.

To learn more about how these and other gift planning tools may provide an income supplement, tax savings, or other benefits to you, your loved ones, and UA, please contact the office listed below.



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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 to the right. 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.

# UNIVERSITY of ALASKA

## Foundation for the Future

Financial and Estate Planning Ideas for Friends and Alumni of the University of Alaska • Fall 2007

## Plan for a Brighter Future

**H**ave you made plans for the rest of the week? For the next month? For the next year? As we look further into the future, planning our lives naturally becomes more challenging. This is one reason many people put off making long-term plans to help assure their financial security and that of loved ones.

The same can also be said for many of the institutions like the University of Alaska that help educate and nurture tomorrow's leaders. That is why we are constantly taking steps to assure the availability of the resources necessary to fulfill our mission in the coming years. But this can only happen with the help of alumni and friends who make thoughtful provisions each year for the future of our work.

We are pleased to offer the information in this issue of *Foundation for the Future* as a service to those who would like to make a "gift of a lifetime" after first providing for their loved ones.

### *Not to plan is to plan*

Estate and financial plans can easily get "lost in the shuffle" and all too often be delayed until it is too late. But **not** to plan actually **is** to plan.

Without a valid will and/or other basic provisions in place, state laws will automatically distribute your property among relatives without regard to what your wishes may have been. In this issue, we share some simple guidelines for taking charge of the planning process for your benefit and for the well-being of your family and other loved ones.

### INSIDE THIS ISSUE

- Wills form the foundation of plans
- Reducing the cost of probate
- Gifts that increase income

## A Planning Checklist

- Have you given serious thought to your long-term financial arrangements?
- Do your plans take into account changes in the makeup of your family?
- Have you considered the impact of growth in the value of your assets since your last review?
- Are you aware of what your estate tax liability might be and how such taxes will have to be paid?
- Are those who assisted you in the past still able to help carry out your wishes?

If you answered *no* to any of the above questions, you may be due for a review.

## TAX POINTERS

- The 2001 Tax Act continues to affect virtually every taxpayer. Gift, estate, and financial plans should be reviewed with your professional advisor.
- You can now leave up to \$2 million to heirs free of federal estate tax.
- Retirement accounts may be taxed more than other assets.
- Unlimited amounts may be left to a spouse tax free.
- Full tax rates apply at the death of the surviving spouse.
- There is no limit to the amount deductible from federal estate tax for charitable gifts.
- It is possible to provide for loved ones, make charitable gifts, and reduce or eliminate estate taxes.

# Begin With a Will

As in the case of other important projects, beginning the estate planning process with the correct tools in mind can make all the difference in the outcome. Experts frequently recommend beginning with a will, the planning vehicle that typically forms the basis of even the most complex estate plans.

### Exercise your rights

In a society where private ownership of property is allowed and encouraged, the right to decide who should eventually receive your property is a vitally important responsibility. The last will and testament has been carefully designed over centuries to be a primary vehicle for use in directing future disposition of your property.

### A versatile instrument

Wills are extremely flexible. Through your will, you can provide others with particular amounts of money, specific properties, or percentages of your estate. You can mix methods as well. For example, you may choose to leave exact amounts to certain heirs while directing that others, such as UA and other charitable interests, split the remainder of your assets in percentages you determine.

### Coordinate with other plans

Remember that your will by itself may not determine who will receive many of your assets. One of the biggest mistakes made is to ignore the impact of other ways to



distribute property to heirs.

To illustrate, if you own real estate jointly with another person, your will may have little or no effect on who will ultimately own the property. The same is true for proceeds from life insurance policies and retirement plans. A beneficiary designation completed years ago could determine who receives the benefits, **not** the terms of your current will.

For this reason and others, you should only undertake revision of your will with competent advice in connection with a thorough review of all of your assets and the forms in which they are held.

## Reducing the Cost of Probate

Here are a few ways to help accelerate the distribution of property while minimizing the expense associated with the probate process:

- **Have a valid, up-to-date will.** Make sure your executor (in some states known as a "personal representative") is still capable and willing to serve.
- **Consider a living trust.** Many people have found living trusts to be a welcome addition to their plans. Your attorney, trust officer, or other qualified professional advisor can provide more information about the usefulness of such trusts for you.
- **Carefully review the beneficiaries of your life insurance policy(ies) and retirement plans.** Make certain the persons named to receive funds still reflect your wishes. Talk to your life insurance professional, your employer's employee benefits manager, or others who may manage your retirement plans.
- **Review joint ownership.** Joint ownership of real estate, bank accounts, brokerage accounts, and certain other types of property can be a good way to minimize the delays and fees associated with probate. But beware of overuse of joint ownership, especially if you believe your estate may be subject to tax.

## Increase Income While Making Gifts

Much like a bequest through your will, you may find that a University of Alaska Foundation Gift Annuity 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.

### How much are the payments?

Gift annuity payments vary according to the age of the annuitant (the 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. Typically, the older you are when you fund your gift annuity, the higher your payments will be.

### 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 are received free of tax.

### Additional benefits

A University of Alaska Foundation 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.

## Time Is Running Out!

If you are over age 70½, you have until December 31, 2007 to make tax-free gifts up to a total of \$100,000 directly to UA using traditional or Roth IRA funds.

For more information, contact Scott Taylor at (907) 450-8030 or (888) 907-4823 or [scott.taylor@alaska.edu](mailto:scott.taylor@alaska.edu).

### 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 write for current benefits and rates for other ages.

For illustrative purposes only.