



WESTERN
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the WESTERN ILLINOIS UNIVERSITY PLANNER

Ideas on Financial, Gift, and Estate Planning

Dear Alumni & Friends

I'm pleased to present you with the latest issue of *The Planner*.

Our newsletters navigate you through both traditional and lesser-known financial and charitable planning opportunities. In this issue we outline the basics of the charitable gift annuity but go beyond to explore uses for this popular gift you may or may not have considered, as well as unusual ideas for funding it.

There is even more to the story of gift annuities than its much-touted simplicity. As you consider your current situation, I hope you may find some ideas for benefiting Western Illinois University that can also benefit you. I would be happy to talk with you and provide a sample illustration of how it can benefit you.

I look forward to the opportunity to serve you.

Sincerely,

Brad Bainter
WIU Foundation

McEntire Dietetics Scholarship

"I'll never forget the day I came home from school and drove past the snowman doing a head stand!" says Nola McEntire. "LaVern and the boys decided to make their snowman unique, so they stuck the legs out the top so it looked like it was upside down. It was quite a funny surprise when I came home from teaching."

This sense of humor and enjoyment of life is evident in both the McEntires during a recent visit. "It all comes down to a



Nola and LaVern McEntire

positive attitude," says LaVern. "It's the only way to survive." They have much more than survived; they have enjoyed the benefits of a positive lifestyle and now have decided to share their zest for life and for education with dietetics students at Western Illinois University.

LaVern and Nola McEntire met on a blind date December 18, 1946, in Grote Hall on the campus of Western Illinois University. Nola had come to Western from Cameron, Illinois, to study home economics; LaVern had grown up in Industry, Illinois. Today, more than 60 years later, the Nola and LaVern McEntire Scholarship Endowment has been established with funds from their IRA. The McEntires took advantage of

legislation that allowed them to direct required disbursements from their IRA directly to charities of their choice. As a result of this legislation, they did not have to claim the disbursements as income for the 2007 tax year.

Nola earned her bachelor of science degree in home economics in the spring

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The Secret Benefits of the Gift Annuity

You've read about them in *The Wall Street Journal*, *The New York Times*, and recent issues of *The Planner*. You, undoubtedly, are already familiar with the essentials of charitable gift annuities:

- You transfer assets (usually cash or publicly traded securities) to a charity.
- One or two beneficiaries receive income for life, the amount depending on the beneficiaries' ages at the time you establish the annuity.
- A portion of each income payment is usually tax-free.
- You receive a charitable deduction that can reduce your current taxes.
- There are potential gift- and estate-tax savings.
- You make a valuable charitable gift of whatever remains after the payment obligation is satisfied.

What you may not realize is that a gift annuity has multiple uses and that you may fund it with a variety of assets. Read on to learn many little-known uses, applications, and funding ideas...

Have You Heard? A Gift Annuity Can...

The typical gift annuity agreement is established with income beginning immediately, either by a single donor who is also the beneficiary or by a



couple who are joint and survivor beneficiaries. Surprisingly, there are many other applications.

Support an elderly parent with additional income

Roger's mother, aged 82, lives in a retirement home, and Roger has been supplementing her income with a monthly stipend of \$675. In his 35% bracket, he must earn \$1,038 to pay the \$675 subsidy.

To provide for his mother in a more tax-efficient manner and to support Western Illinois University, his mother's favorite charity, he decides to contribute stock worth \$100,000 for a gift annuity, naming his mother as beneficiary. She receives \$708 per month; and her after-tax income is essentially the same as the amount Roger had been giving her.

Roger pays taxes on some of the gain in the stock because he is not a beneficiary but still realizes net tax savings generated by the charitable deduction. He also makes a taxable gift to his mother but pays no gift tax because of his lifetime exemption.

Support other people you care about

Consider establishing a gift annuity to provide assistance for a sibling or non-family members such as a friend or retirement income to an employee, such as a longtime domestic worker or gardener.

Supplement your future retirement income

Joan, 50, would like to supplement her retirement income. She contributes stock valued at \$50,000 for a deferred gift annuity with payments to begin when she turns 65. She receives a current tax deduction of \$17,390 and can count on payments of \$6,400 per year when she turns 65. She plans to establish additional gift annuities in upcoming years.

Provide income for you "just in case"

Louise has considered making a \$100,000 outright gift to WIU, but worries that her circumstances could change. "Just in case," she arranges a deferred gift annuity with a flexible

beginning-payment date and elects to begin receiving income only if she needs it.

Little-known applications: She might start her payments now and then contribute them back to WIU until she needs them; or if she determines that her other income will always be sufficient, she could assign her future right to payments to us and get another charitable deduction.

Turn These Assets Into Income

From an income standpoint, appreciated assets that are not generating current income are “idle assets.” You may be better served by converting such assets to a stream of income that can both supplement your retirement income with payments for life and benefit Western Illinois University. Here are a few examples.

Your gift annuity with WIU can provide security for your elderly parent, a friend, or domestic worker.

A paid-up life insurance policy

John, 74, no longer needs his life insurance policy with a face value of \$100,000. The cash value is \$40,000, and the adjusted cost basis is \$22,000. He decides

to transfer ownership of the policy to WIU for a gift annuity that pays him \$2,760 annually for life. A portion of his payments will be tax-free for the duration of his life expectancy, and he will receive a charitable deduction of \$16,688. Had John surrendered the policy for cash, the gain (\$18,000) would have been taxed as ordinary income.

A deferred variable annuity

Margaret, 79, paid \$50,000 to an insurance company for a deferred variable annuity that now has a cash value of \$80,000. She could surrender the contract and pay taxes on her \$30,000 gain, or she could have the company pay her an annuity for life. Since she would like to make a gift and could also use some extra money now, she surrenders the contract and contributes the proceeds for a gift annuity with WIU. She will receive \$6,240 per year for life and will pay no taxes on more than

69% of her payments during her life expectancy. The taxable gain in the variable annuity will be more than offset by a charitable deduction of \$37,117; and she will realize some tax savings.

Series EE savings bonds

Robert and Linda, 76 and 75, made purchases of Series EE savings bonds totaling \$40,000. Their value has grown to \$66,000. To receive income and also make a gift to WIU, they surrender the bonds and contribute the proceeds for a gift annuity. *Results:* Their annual income payments will be \$4,224; more than half of the income will be tax-free for the duration of their life expectancy; and they receive a charitable deduction of \$22,478, offsetting the tax on the gain. Had they invested the proceeds, there would have been no deduction offsetting the gain and they would have paid several thousand dollars in taxes.

Real estate and collectibles

While non-cash assets such as publicly traded stocks, bonds, and mutual funds are always acceptable for a gift annuity, as are assets like those in the above examples that can readily be converted to cash, we are happy to evaluate less-liquid assets such as real estate and collectibles, taking into consideration marketability and probable selling costs. Allow us to advise you regarding their acceptability and the size of the annuity that we can offer you.

IRA assets

Sue is 73 and is required to take \$40,000 from her IRA this year. She requests her mandatory distribution, 20% of it is withheld for income tax, and the net amount she receives is \$32,000. Then Sue contributes the \$32,000 for a gift annuity that will pay her \$2,112 each year for life.

The charitable deduction reduces the tax she would otherwise owe on the distribution, and the \$8,000 withheld should cover the tax. If she had not established the gift annuity, she probably would have paid several thousand dollars of additional tax on the distribution.

Little-known application: Sue could name Western Illinois as beneficiary of all or a portion of assets remaining in her IRA at the end of her life, with the agreement that the amount we receive will fund an annuity for her nephew Joe. Thereby, she

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McEntire Dietetics Scholarship *continued from page 1*

of 1950; she and LaVern were married on June 30 of the same year (LaVern insisted she finish her degree before the wedding). LaVern was called to service for the Korean War in 1952 and served in France until 1954. During this time, Nola taught at Bardolph (Illinois) High School and completed courses toward her graduate degree. LaVern returned, and their first son was born in 1957, followed by a second in 1959.

“WIU played a major part in my life, and I have loved it...

—*Nola McEntire*

“I stopped teaching to stay home with my children,” says Nola. “When Western called and asked me to teach in 1966, I didn’t think I could manage it with the boys. But I did, and I loved it.” She taught nutrition until 1981 and then spent two years as director of food service for the residence hall system, retiring in 1983.

“WIU played a major part in my life, and I have loved it,” says Nola. “I remember how badly I wanted to go to school, so LaVern and I would like to provide assistance for young people in need of financial support.”

LaVern’s career was spent with McDonough Power Cooperative from 1949 to 1991. He has committed funding to construct a new veteran’s memorial in City Park in his hometown, Industry, Illinois. LaVern recalls that he rode his horse or bicycle his first two years of high school; the barn where he stabled his horse is now the site of the Industry Fire House. From the barn he walked to the high school, passing a park where a board had been assembled with the names of all the local boys who had served their country. Himself a veteran, LaVern decided he would like to honor hometown soldiers in the main part of town for all to see. The memorial is due to be dedicated this November on Veteran’s Day.

“We have been very lucky in many ways,” adds LaVern. “We are pleased to be able to share what we have to help others today.”

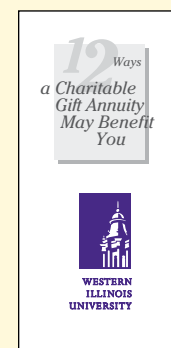
“LaVern and Nola have stepped forward and made a wonderful commitment to both Western Illinois University and to the village of Industry,” stated Brad Bainter of the WIU Foundation. “Students pursuing careers in the important area of dietetics at Western will have scholarship support in perpetuity, and the veterans from Industry who have served the United States will forever be remembered with the new Veteran’s Memorial located in Industry.”

Assets... *continued from page 3*

provides fixed payments to him and eliminates investment risk. **Pointer:** If Joe instead received payments from her IRA, the payments would escalate with age and could be exhausted with longevity and/or poor investment performance. A charitable gift annuity with WIU ensures level payments for life, along with your charitable gift.

For More Information

To learn more about gift annuities and their creative uses, please request our



complimentary booklet, ***12 Ways a Charitable Gift Annuity May Benefit You***, by returning the enclosed response card and visiting our Web site.

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.

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