



WESTERN
ILLINOIS
UNIVERSITY

THE *WESTERN ILLINOIS UNIVERSITY*
PLANNER

Ideas on Financial, Gift, and Estate Planning

DEAR ALUMNI & FRIENDS,

In the closing weeks and months of the year, most of our charitably minded friends have already decided they will be making gifts to Western Illinois University Foundation again this year. They want to help us build our endowment.

Moreover, they have a great appreciation for the advantages to be gained from careful year-end planning.

For them, the key question is not **whether** to give, but **how best** to give.

The right answer to that question can transform a charitable gift into a powerful solution to your year-end planning goals. For some, simply writing a check is the best strategy; others require a more complex approach.

In this issue of *The Planner*, we want to help you identify ways to match your own planning objectives with your unique mix of assets to find the best solution for you to help make an important difference at WIU. Depending on your age, here are some solutions to get the most from your year-end planning.

Sincerely,

Brad Bainter
WIU Foundation

**YOUR PERSONAL ECONOMIC
STIMULUS PACKAGE:
5 SOLUTIONS FOR ALL AGES**

1 GOAL: GENERATE MORE SPENDABLE INCOME.

SOLUTION: CONVERT LOW-YIELDING CDs TO A CHARITABLE GIFT ANNUITY.

Interest rates on traditional investments continue to hover at near-record low levels. Many investors are discouraged to find that the rates they are being offered to renew their maturing CDs are substantially less than what they had been paid on the ones coming due.

Many of our friends committed to major support of Western Illinois University are finding that our charitable gift annuities have some significant advantages over CDs, including:

- Higher payout rates
- Substantial income-tax deductions
- Tax-free income

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5 Solutions for All Ages**

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Send for our year-end planning booklet,
Effective Year-End Tax Planning with Charity in Mind 4

WIU gift annuities pay income to you for life at attractive rates—determined by your age—and allow you to take a sizable charitable deduction for a portion of your contribution.

EXAMPLE: Bill and Karen T, both 72, have been getting a 4.5% return on a \$50,000 CD at their local bank. It will be maturing soon, and they are discouraged to learn that the rate offered for renewal is just 2.25%.

They would like to make a meaningful gift to WIU and generate income to meet their own needs, so they decide to transfer the \$50,000 to us for a gift annuity that will pay them 5.3%, or \$2,650, each year as long as either of them is alive. Better still, almost \$1,780 of their annual income will be tax-free for the balance of their life expectancy. In addition, they are entitled to a charitable deduction of more than \$16,500, saving them more than \$5,775 in their 35% tax bracket.

Charitable Gift Annuity Rates

ONE LIFE		TWO LIVES	
Age	Rate	Ages	Rate
55	4.8%	55–55	4.1%
60	5.0%	60–60	4.6%
65	5.3%	65–65	4.9%
70	5.7%	70–70	5.2%
75	6.3%	75–75	5.6%
80	7.1%	80–80	6.1%
85	8.1%	85–85	7.0%
90	9.5%	90–90	8.3%

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GOAL: ACCELERATE YOUR ESTATE GIFTS AND GENERATE TAX SAVINGS.

SOLUTION: GIVE A REMAINDER INTEREST IN YOUR PROPERTY.

Many of our friends have already made plans to make substantial charitable gifts that take effect at death—a wonderful way to make larger gifts that may not be possible during their lives. These gifts may also generate significant estate-tax savings—but only if an estate is large enough to be

subject to federal estate tax. Currently, everyone is entitled to pass on \$3.5 million of assets free of tax.

Even if you won't benefit from estate-tax savings, you can realize income-tax savings by making gifts during your lifetime. One of the best ways to accomplish this—without disrupting your current lifestyle—is to give the WIU Foundation the right to have your personal residence or farm at your death and retain what is known as a life estate for yourself.

EXAMPLE: A couple, both 75, give us a remainder interest in their home and keep a life estate for themselves. If their house is worth \$500,000, they would be entitled to an immediate tax deduction of just over \$262,500. This saves them more than \$91,800 in taxes in the 35% federal tax bracket.

Planning Pointer: Lower prevailing interest rates result in a higher deductible value for a gift of a remainder interest, which means this is an excellent time to consider such a plan.

GOAL: PROTECT YOUR GAIN IN STOCK INVESTMENTS.

3

SOLUTION: GIVE STOCK THAT HAS GONE UP IN VALUE.

Few among us will soon forget the drama that unfolded in the financial markets in the fall of 2008. What started in the summer as a slow slide turned into a prolific plunge by November. After a brief turnaround the market bottomed out early in 2009.

Since that time the market has posted a substantial gain, allowing some long-held investments to get back into positive territory—and creating handsome gain.

Many people are more attuned than ever before to protecting their hard-earned gain. One of the best ways to lock in the full value of an appreciated investment is to use that stock to fund your year-end gift.

Here's why: If you have owned a stock for more than one year, you are entitled to claim a deduction for its full market value. Even better, you do not have to recognize or pay tax on any of its gain in value.

One of the best ways to lock in the full value of an appreciated investment is to use that stock to fund your year-end gift.

If you sell appreciated stock and use the proceeds to make your gift, you will still get the same tax deduction, but you will face capital-gain tax on any proceeds in excess of your purchase price.

EXAMPLE: Ten years ago, Jean B paid \$25,000 for 1,000 shares of XYZ, Inc., stock. Despite the ups and downs of the stock market, the stock is currently worth \$100,000.

Jean wants to make a substantial gift to the WIU Foundation. If she sells her stock and gives us the \$100,000 proceeds, she will be entitled to a deduction in that amount. However, she will also be subject to a 15% capital-gain tax on her \$75,000 profit—a tax of \$11,250 that she will not have to pay if she gives us the stock directly.

WIU realizes as much benefit from a gift of stock as from a gift of cash. Because we are tax-exempt, we do not pay any tax on the gain if we sell the stock.



uncommon for a person to find later that he or she no longer needs the stream of income created this way.

Some of our generous supporters choose to give their income interests to WIU. Not only does this stop the flow of unneeded income that inflates the annual tax bill, it also allows the donor to claim a deduction for the value of the income interest.

EXAMPLE: Five years ago Betty W, 78, gave Western Illinois University Foundation \$400,000 for a charitable gift annuity that pays out 6.8%, or \$27,200, per year. The payments are scheduled to last for the rest of her life.

Betty has found that she really does not need this income and is dismayed that she pays additional taxes on it.

Given current interest rates, this is an excellent time to consider a charitable gift of an income interest.

Consequently, she decides to relinquish her income interest to us and take a current tax deduction for its \$158,400 value. In her 35% federal tax bracket, this saves her almost \$55,440 in taxes.

4 GOAL: MAXIMIZE DEDUCTIONS AND REDUCE TAXABLE INCOME.

SOLUTION: GIVE NO-LONGER-NEEDED INCOME INTEREST.

Many philanthropic people utilize creative charitable planning—such as a gift annuity—to create sources of lifetime income while making major provisions for favorite charities. It is not



Visit us at www.wiu.giftplans.org for more creative ideas for giving at year-end!

Low prevailing interest rates increase the value of income interests—including gift annuities and charitable remainder trusts—just as they do with the value of a remainder interest in a personal residence or farm. Given current interest rates, this is an excellent time to consider a charitable gift of an income interest.

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GOAL: TAKE ADVANTAGE OF A SPECIAL OPPORTUNITY SET TO EXPIRE THIS YEAR.

SOLUTION: TRANSFER FUNDS TO THE WIU FOUNDATION FROM YOUR IRA.

Charitably minded IRA owners have a new opportunity to use some of their IRA funds to make charitable gifts without historic pitfalls because of special legislation passed in 2006. **This opportunity has been extended until December 31, 2009.**

If you are 70½ at the time you make your gift to us, you can transfer up to \$100,000 from an IRA directly to WIU this year without those funds being treated as a taxable distribution to you. **Bonus:** A gift from your IRA will reduce the minimum distribution you will be required to take from your IRA in the future.

While IRAs are a substantial source of assets for many people and historically have been a logical source from which to fund charitable gifts, there were potential negative tax consequences for doing so. **Reason:** Amounts withdrawn from IRAs were treated as taxable distributions to the account owner in all cases. These negative tax consequences will resume in 2010!

Act now to take advantage of this opportunity to make a tax-free transfer. It is especially beneficial if:

- You do not itemize deductions.
- Your total giving exceeds the maximum deductible percentage of adjusted gross income allowed for 2009.
- Your state law does not provide for a charitable deduction.

HOW CAN WE HELP YOU?

This issue of *The Planner* covers several strategies to achieve your own financial-planning goals. Perhaps you saw yourself before 2009 ends in one or more of these concepts and are already making plans to incorporate them into your year-end planning.



Everyone's situation is unique. You may have additional questions about how some of these strategies might work for you—or you may have questions about how to utilize specific assets in your own planning. We welcome the chance to assist in that process and encourage you to call us or simply return the enclosed card to get your complimentary copy of our year-end planning booklet, *Effective Year-End Tax Planning with Charity in Mind*, as you make your moves.

NEXT STEPS:

Are you wondering what your next best step is? Maybe you'd like more information, or maybe you'd like to speak to us directly. Here are a few options:

1

Visit us online at www.wiu.giftplans.org to learn more about how you can help us build our endowment.

2

Return the reply card to receive a free copy of our new booklet, *Effective Year-End Tax Planning with Charity in Mind*.

3

Call us at (309) 298-1861 to find out about how a gift to WIU will further our mission and provide income to you for life.

4

E-mail Brad Bainter at BL-Bainter@wiu.edu. We're happy to answer any questions you might have or send you more information.

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