

New Tax-Saving Opportunity for Donors Aged 70½ or Older

On Aug. 17, President Bush signed into law new tax incentives for charitable gifts from donors who are 70½ or older. The Pension Protection Act of 2006 encourages financial support of charitable organizations across the United States.

Under the law, you can make a lifetime gift using funds from your individual retirement account (IRA) without undesirable tax effects. Previously you would have had to report any amount taken from your IRA as taxable income, then take a charitable deduction for the gift, but only up to 50 percent of your adjusted gross income. In effect, this caused some donors to pay more in income taxes than if they didn't make a gift at all.

Fortunately, now these IRA gifts can be accomplished simply and without tax complications. Plus, you can make the gift now—while you are living and able to witness the benefits of your generosity.

You may contribute funds this way if:

- You are age 70½ or older
- The gift is \$100,000 or less each year, in 2006 and 2007

- You transfer funds directly from an IRA or Rollover IRA
- You transfer the gift outright to one or more public charities

How The New Law Works

Pat, aged 80, has \$450,000 in an IRA and has pledged to give UM \$75,000 this year. If Pat transfers \$75,000 to us from the IRA, she will avoid paying income tax on that amount. She cannot, however, claim a charitable deduction—it is a pure “wash.”

The legislation allows a maximum \$100,000 gift in both the 2006 and 2007 tax years. So Pat could give \$100,000 each year. Plus, if her spouse is 70½ or older and has an IRA, he can also give \$100,000 each year.

How to Make a Gift

To transfer your desired gift amount to UM, contact your IRA custodian, and remember that it is always wise to consult your tax professional. ■

Charitable Tax Code Limits

Yearly deductions are based on a percentage of your adjusted gross income, as follows:

- cash—50 percent
- securities held long term—30 percent
- real estate held long term—30 percent
- tangible property—30 percent if the property will be used by the charitable organization in a way related to its exempt purpose

You are, however, allowed a five-year carryover of any “excess” deduction for use in subsequent years.



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Send for our FREE year-end giving guide!



Discover how a year-end gift can help you avoid unnecessary taxes, increase your day-to-day income, and benefit family members and loved ones. To receive **Your Guide to Year-End Giving**, simply return the enclosed reply card.

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Dear Friends,

Few pleasures in life offer more personal satisfaction or endure longer than helping others achieve their dreams.

As you think about special holiday gifts for family and friends, remember that making year-end charitable gifts can be one of your most heartwarming experiences. Charitable gifts fuel our mission, inspiring our beneficiaries, staff and other donors, and expanding our work through your much-needed support.

As a donor, your greatest gift to us is actually a gift to yourself. You have the gratification of knowing you are helping the University of Miami achieve its goals. You can also witness firsthand the positive changes we are making and, in some instances, personally meet the beneficiaries of your generosity.

Depending on the gift arrangements you choose, you can also reduce your income and estate taxes; increase your spendable income; avoid capital gains tax; and attain no-cost, worry-free asset management as a result of your generosity. Make your charitable gifts to us before Dec. 31 and you will see a tax break for the year (when you itemize deductions).

Be assured that your generosity and compassion will leave a lasting legacy at the University of Miami.

Sincerely,

Lucy Morillo, Esq.

Executive Director, Estate and Gift Planning

As a donor, your greatest gift to us is actually a gift to yourself.

Important Questions for Year-End Planning

- Did you know that all gifts must be completed by Dec. 31 to qualify for an income tax deduction this year?
- Did you know you may be able to make a lifetime gift using funds from your IRA without unwanted tax consequences?
- Did you know that there is a charitable way to improve your fixed income?
- Did you know that appreciated property can be a tax-efficient way to make a charitable gift?

Make Your Gift Count: Strategies for Year-End Giving

The end of the year is a time to reflect upon the past and anticipate all that the future holds. It is also an excellent time to consider the advantages of year-end giving.

Completing a charitable gift by Dec. 31 demonstrates your commitment to making a difference through helping others—and can reduce your federal and state income taxes in the current tax year. Consider the following strategies as you map your charitable and financial goals for this year.

First Things First

To begin, make a list of the causes you would like to support. Depending on your resources, you may want to narrow that list to charitable organizations with the greatest needs or those for which you have the most passion.

For an idea of tax liability, calculate your income. If, for example, you sold appreciated assets this calendar year, or if for any other reason you may owe a larger-than-normal tax bill, move some of your anticipated giving for next year forward to create a larger deduction this year.

If you don't regularly itemize, try "grouping" your gifts in alternate years so that you can take advantage of an itemized tax return at least every other year. Prepaying pledges is one way to accomplish this, as a pledge is deductible in the year it is paid.

Consider Assets and Needs

Cash, real estate, personal property and stocks are among the most popular charitable gifts; gifts of appreciated property that have been owned for more than a year offer special tax breaks.

Depending on the gift, you are generally eligible for a charitable income tax deduction of as much as 30 percent to 50 percent of your adjusted gross income. If appreciated property is used to make a gift, you can first claim a charitable deduction based on the property's fair market value and then avoid paying capital gains taxes on the appreciation.

Even property that has lost value can provide you with tax advantages. By selling the devalued asset and donating the proceeds, you can claim a loss on your taxes and receive a charitable deduction.

Many people would like to make a charitable gift but need the security of an income. If this sounds familiar, a life income gift, such as a gift annuity, may fulfill your needs. The tax benefits can be outstanding, and you'll receive regular payments for life.

Make your charitable gift before Dec. 31 to reduce this year's taxes—and witness firsthand the difference your generosity makes in the lives of others!

Watch the Calendar!

All gifts must be completed by Dec. 31 in order to qualify for an income tax deduction this year. So if your year-end giving is about to live up to its name, make sure you have enough time to transfer the gift—especially if you are donating non-cash assets such as real estate or stocks.

With checks, the mailing date is the delivery date. If you are giving irrevocable stock

power and have arranged for the certificate to be reissued in the name of a charitable organization, delivery is effective on the date the security is postmarked or physically delivered to the charitable organization.

- To play it safe, give early.
- To be doubly safe, contact a tax advisor to discuss the full range of year-end giving options and strategies.

We can help you time the delivery of your gift. Just give us a call!

Strategies for Year-End Giving, Part 2

You can limit the amount you will owe Uncle Sam next April 15. Regardless of what type of gift you give, donating before the end of the year qualifies you for a charitable deduction—if you itemize when filing your taxes.

When deciding what type of gift to give, feel free to contact our Office of Estate and Gift Planning to learn more about our areas of service and current programs. Or, if you don't wish to donate to a specific area, we always welcome unrestricted gifts. This type of gift allows us to designate your funds to meet our most pressing needs. You always have the option of giving cash, writing a check or using your credit card. You'll receive a deduction in the year you charge your gift—rather than when you pay the credit card company.

If you are considering gifts of appreciated stock or real estate, remember that these types of gifts avoid capital gains taxes and you can usually deduct the fully appreciated value of the gift for income tax purposes. But unlike writing a check or giving cash, these gifts take more time to complete. Be sure to plan ahead if you want to take a deduction for the current year.

So whether you face high taxes, suddenly receive an unexpected amount of money, wish to take advantage of your employer's matching gift program or want to help the University of Miami, make your gifts now against this year's taxable income. ■

Friends of Music Forever

Adele Neumann believes “it's both a privilege and a duty to give as much as possible to enhance the lives of others.” An enthusiastic supporter of the University of Miami Frost School of Music, Adele, who claims no musical talent, has a powerful love of music that was instilled in her by her parents from the moment she was able to recognize melody.

Trained as an accountant, Adele was employed with a Big Five firm and was later a systems engineer with IBM until meeting her late husband, Ken. As Ken's Air Force career took them around the world, they learned that the universal language of music was a great way to make new friends.

Settling in Miami after Ken's retirement, the Neumanns were introduced to Bill and Frankie Hipp. The meeting sparked a lasting relationship with the Frost School of Music. Also a music lover from an early age, Ken was founding president of *Friends of Music*, a support group for the school.

Adele is proud to have been able to establish scholarships at the Frost School of Music to help talented students train and develop skills to one day share their gifts with others. “It is much more fun to

give while you are here, to feel that you are really doing something tangible,” Adele says.

Ken and Adele chose to give to the school by establishing gift annuities. Gift annuities are wonderful giving vehicles for those with modest estates because they allow individuals to transfer their appreciated assets into a cash flow for retirement while minimizing tax consequences.

The Neumanns also donated a portion of their IRA to the school. The Frost School of Music will be able to receive the entire proceeds from their gift without them being subject to estate taxes, thus lowering their total estate value at the time of Adele's passing, and saving tax expenses for her family.

Have you considered your legacy? Join Adele Neumann and the university as we prepare to meet the challenges of tomorrow by leaving a legacy for future generations. ■



Adele Neumann

“It is much more fun to give while you are here, to feel that you are really doing something tangible.”