



financial advisor

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Dear Friend:

Charitable bequests have played an important role in the development of the University of Miami. Indeed, it would be difficult, if not impossible, to maintain the high standards of excellence without such thoughtful private support.

As financially-oriented people are aware, charitable bequests also can be an effective estate planning tool. By making a charitable bequest part of your estate plan, you can have a say in where your hard-earned assets go, rather than letting the federal government make that decision for you. Your estate may very well enjoy substantial tax savings as well.

In view of the recent market volatility and ongoing changes in the tax law, many of our supporters and friends are starting to review their wills on a more frequent basis. Perhaps you are too. If so, this may be an ideal time to consider a charitable bequest to the University of Miami. A well-planned bequest can help shape not only the future quality of education at the University of Miami but also play a positive role in your estate planning.

Have your assets grown substantially in value during the past two or three years? Has this perhaps affected your tax situation? Are you aware of scheduled changes in the estate tax exemption in the upcoming years? Perhaps it's time to review your will.

In this issue, we will highlight some of the reasons why you may want to review your will and some of the benefits you can enjoy with a charitable bequest to the University of Miami. For more information, why not send for our timely new booklet, *Charitable Bequests — How To Get the Most Out of Yours*, or give me a call. It's always a pleasure to hear from you.

Sincerely,

Tom Dieters



Charitable bequests can help make a difference in the quality of education at the University of Miami. They also may be able to make a difference in your estate plan.

Why You May Want to Review Your Will Now

There are many events that signal the need for a review of your will. It could be a move to a new state. Perhaps a change in marital status. Or, say, the death of a loved one, or birth of a child or grandchild.

In addition to these well-known signals, you need to stay tuned for ongoing changes in the tax law and in your financial situation. Many people, for example, have been pushed deeper into estate tax territory with the 1990s surge in stock prices. On the other hand, the estate tax exemption was raised to \$1 million for 2002 and 2003.

But exactly where does this leave you with your estate plan? If you have not checked your will in the past two or three years, it may behoove you to do so now.

When you review your will, you may want to consider a charitable bequest to the University of Miami. Since charitable bequests are fully deductible for estate tax purposes, it is — in a very real sense — a way to “extend your estate tax exemption.” Talk with your attorney about your situation. You may be able to enjoy some tax relief while becoming a partner in helping shape the future of the University.

Charitable Bequests Make a Difference at Miami

Take a leisurely stroll through campus and you can appreciate what charitable bequests by caring individuals have done. Bequests have contributed to new buildings, restorations of landmarks, the creation of classrooms, labs, studios, and sports facilities. Look behind the physical structures and you will discover faculty fellowships, student scholarships, and specific educational programs — all made possible through charitable bequests. Even a small bequest given to the University to memorialize a friend or relative adds significantly to the University experience.

Charitable bequests, of course, have brought enormous personal satisfaction to donors and their families. This is indeed the impetus behind just about every important gift — small or large. Yet one should not overlook the fact that charitable bequests can play an important role in reducing estate taxes. By coordinating philanthropy with your estate plan, you often get the best of both worlds.



Charitable Bequests Can Make a Difference in Your Personal Planning

Independent financial planners often recommend charitable bequests as a planning tool in one's overall estate plan. Indeed, charitable bequests can provide unique planning solutions for the astute donor who wants to achieve both personal and charitable objectives. Let's look at some examples:

- **MARY A** is a 76-year-old widow who decides to make a specific charitable bequest to endow a new fellowship in memory of her husband. The \$500,000 bequest will go into an endowed fund which will pay out 5% of the proceeds each year. The fellowship will be at least \$25,000 the first year, but it will grow as the fund grows. What's more, the giving will continue year after year...in perpetuity. So the effect of the charitable bequest is multiplied many times over.

Mrs. A's estate will receive a substantial estate tax charitable deduction based on the full \$500,000 — in the top 50% bracket in 2002, a \$250,000 tax savings — money that otherwise would have been lost to taxes. But under the charitable bequest arrangement she decides how her "social capital" will be used rather than leaving that decision to the government.

- **RITA B** owns some condos which have brought in a nice income over the years. But now that her retirement is secure, she no longer wants to be burdened with property management. She could sell the property, but she would incur selling expenses and a substantial capital gains tax — depletion of the assets she would find most unpleasant.

Instead, Ms. B decides to bequeath this specific property to the University of Miami. Since the bequest is unrestricted, the University can keep the condos for related use, or sell the units and use the proceeds to meet its ever-changing needs. Ms. B's estate will be entitled to deduct the full fair market value of her property at the time of her death. This will provide the heavily tax-burdened estate with tax relief — but also relief from the time-consuming and expensive chore of selling the property.

- **JOHN D** has been a collector of antique automobiles his entire adult life. He has investigated making a lifetime gift of some of his automobiles to the University of Miami, but found that his deduction might be limited to his cost basis in the automobiles since there was doubt whether the automobiles could be used for the University's charitable purposes. By making a charitable bequest of the automobiles, he will be entitled to an estate tax charitable deduction for their full fair market value, regardless of the use by the University. The deduction will provide much-needed tax relief for his heirs. What's more, the University has the option of retaining the automobiles or selling them and using the full proceeds for other purposes without fear of jeopardizing Mr. D's deduction.

- **DR. RUSSELL T**, age 77, and his wife, Virginia, age 68, have had a good life, thanks in part to the quality education they received at the University of Miami. Dr. T has talked for some time about "doing something" for the University of Miami out of a debt of gratitude. Yet, even though comfortably fixed, Dr. T is still concerned — as so many retired people are — about outliving his resources. Moreover, he is concerned about his wife's ability to manage the family's resources should he predecease her.

Dr. T's solution: He sets up a charitable remainder trust in his will which will be activated at his death. The charitable remainder trust will pay his wife a good, fixed annual income. After her death, the remainder interest will go to the University of Miami to further its good work. His estate will receive tax relief in the form of an estate tax charitable deduction for the present value of the University's remainder interest.

Dr. T learned about this planning opportunity from a colleague who had set up a CRT through his will to take care of a disabled child. Both doctors are happy with the arrangement which allows them to "give back" while taking care of important family needs.

Why Bequests Are So Popular

Despite the many new planned giving opportunities created by our federal tax laws, charitable bequests remain the most popular gift vehicle. There are several reasons why.

Certainly charitable bequests are easy to make. As a donor, you do not have to contend with the complex rules applicable to the income tax. What's more, you retain full use of your property during life. So there is no disruption of your lifestyle, and no immediate out-of-pocket costs.

With a charitable bequest, you simply direct that part of your estate go to your favorite charity(ies). One major reason for having a will is that it gives you the opportunity to direct the use of your "social capital" through charitable bequests. Without a valid will, state law will make that decision for you.

A charitable bequest to the University of Miami can take many forms, which gives you considerable flexibility. You also can designate exactly how you want your bequest to be used...or leave it unrestricted so that we have the flexibility to meet our ever-changing needs. Most importantly, you can change any bequest provision should your personal circumstances change. So you remain completely in control of the planning process.

Tax Benefits

While a charitable bequest offers no income tax benefits, every single dollar is deductible for estate tax purposes. Many people don't realize that estate taxes can be even more punishing than income taxes. Rates

on taxable estates (estates valued at \$1 million in 2002 and 2003) start at 41% in 2002 and quickly rise to a staggering 50%. So the estate tax charitable deduction is a major tax incentive.

Beyond tax benefits, charitable bequests give virtually everyone the

opportunity to leave some kind of lasting legacy. Every charitable bequest — whether small or large — helps preserve the educational experience for future generations of students. The opportunity to participate in that future is what motivates most bequests to the University of Miami.

More Ideas about Planning an Effective Bequest

In this issue, we have only scratched the surface about planning bequests. You are bound to have unanswered questions.

What form should your charitable bequest take? Should it be a specific asset or specific dollar amount? Or would it be better to make your bequest based on a percentage of your estate? Or better still to have it come out of the residue (what's left after costs) of your estate? There are advantages and disadvantages to each approach. The best option depends upon your specific situation.

How can you make a deferred bequest so that you ensure that dependent relatives' needs are met before ultimately providing for the University?

How can you add the University of Miami to your list of beneficiaries in an existing will?

You can find the answer to these and other questions in our timely new booklet, **Charitable Bequests — How to Get the Most Out of Yours.** To get a free copy, simply use the enclosed reply card or give us a call.



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