



Strategic Gift Planning: Out of Chaos Comes Opportunity

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The Current Legislative Landscape -- It's Not Just the Economy Causing Problems

- The 2001 Tax Act is still law – but something's got to give
 - 2009
 - Federal estate tax exemption: \$3,500,000
 - Lifetime gift tax exemption: \$1,000,000
 - Federal tax rate of 45%
 - 2010
 - No federal estate tax
 - Gift tax exemption: \$1,000,000
 - 2011
 - Federal estate and gift tax exemption: \$1,000,000
 - Top federal tax rate of 55%

Legislative Landscape

- Reform proposals under consideration (those having greatest chance of passage):
 - Taxpayer Certainty and Relief Act of 2009 (S. 722) (Sen. Baucus)
 - Retain 2009 exemption levels and tax rates (President Obama's campaign position – assumptions used in Administration's budget proposal)
 - Reunify estate and gift tax provisions
 - Create portable exemption amount (between spouses) – reduces need for more complicated estate planning
 - H.R. 436 (Rep. Earl Pomeroy)
 - Retains 2009 exemption and rates
 - Limits use of minority discounts
 - H.R. 498 (Rep. Harry Mitchell) – increases exclusion to \$5MM by 2015, reduces rates, portability

Other Items of Note

- IRA rollover extended through 12/31/09
- *Proposed legislation* – H.R. 1250, Rep. Earl Pomeroy -- Making IRA rollover permanent; include rollovers to life income plans; do away with contribution limitation; reduce age to 59-1/2
- RMDs suspended for 2009
- *Proposed legislation* -- FY 2010 budget proposal to limit charitable deduction for high income earners to maximum 28% benefit -- unlikely

Finally – And Very Quickly

- UPMIFA – new endowment legislation in North Carolina
- Specifically relating to Planned Giving
 - Early termination of CRTs under scrutiny – beware 3rd party purchasers (Notice 2008-99)
 - New, lower ACGA rates
 - Low §7520 rates provide complexities for CRTs and CGAs, opportunities for CLTs
 - IRS issues new actuarial tables; longer life expectancies

Oh, the Pain!

So What Do We Do Now?

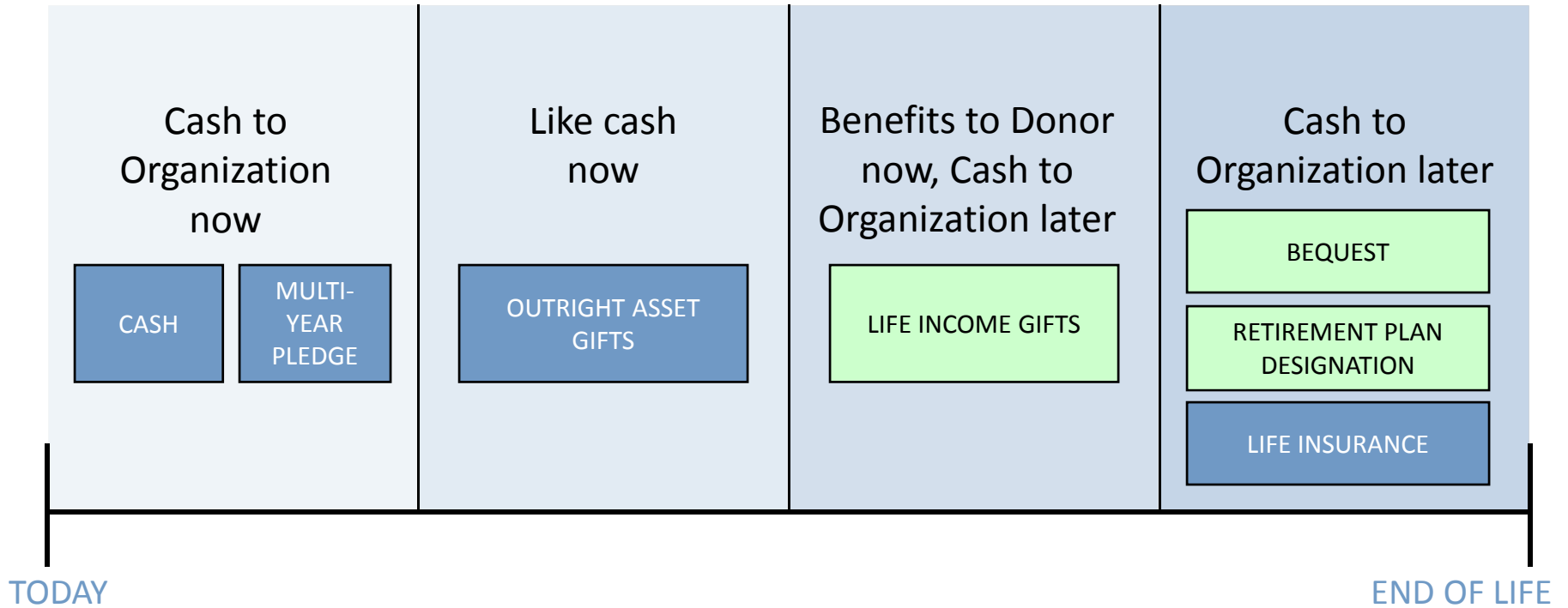
- In difficult times, it is imperative to develop deeper, more meaningful relationships with your donors
 - Value-based probing
 - Cultivate, engage, explore
- Invest the time in developing a more robust pipeline of prospects for the coming good times
- Enhance your contacts, do not back off – donors need to know they make a difference and their support is meaningful
- Another door is always opening – if can't make a current gift, the discussion of a deferred gift is a natural follow-up

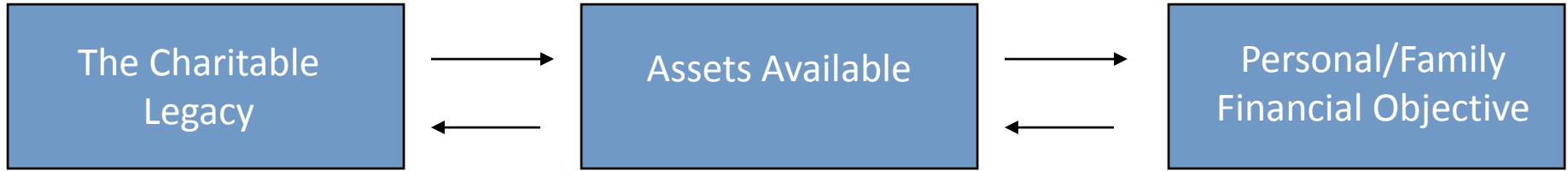
So What Can Planned Giving Do To Help?

- In difficult times, donors appreciate being educated on *all of their options* – and they particularly appreciate leverage opportunities.
- In difficult times, we have to be more creative.
- Focus on combination asks – as much cash as possible, the remainder deferred. Don't be afraid to ask – donors still want to make gifts.
- Life income gifts are actually more popular right now and we have a great story to tell.
- Where there's a will, there's a way! Bequests to the rescue.

Simplifying the Major Gift Continuum

- A planned giving refresher – What is it? Where does it fit among all of the giving options?
- The 3 most popular planned giving options – 95% of what you need to know about planned giving
- Fun, easy, rewarding – a description of planned giving?





- Build/name a building
- Name a professorship
- Name a scholarship
- Support a program
- Honor a family member
- Honor a colleague/mentor

- Cash
- Appreciated stock
- Appreciated Real Estate
- Retirement Plan Assets
- Other

- Charitable deduction
- Income for self
- Income for others
- Diversification/
Concentration issues
- Leverage transfer of wealth
to future generations

Cash Outright Asset Life Income Gifts Lead Trust Bequest/Retirement Plan

TODAY

END OF LIFE

Life Income Gifts

Charitable Income Gifts

Case Study #1

Unlocking the Value and Income Potential of Appreciated Assets

An investor has demonstrated a pattern of consistent, yet modest, annual giving to your organization. This donor owns a concentrated position of investment securities that have been held for a number of years and have appreciated significantly -- yes, these types of assets do still exist. The shares currently generate a modest income but the investor is looking to increase income in his later years and to diversify this concentrated holding. The investor is tax-averse and has consistently sought to minimize or avoid capital gains taxes, which would diminish the amount of proceeds available for reinvestment.

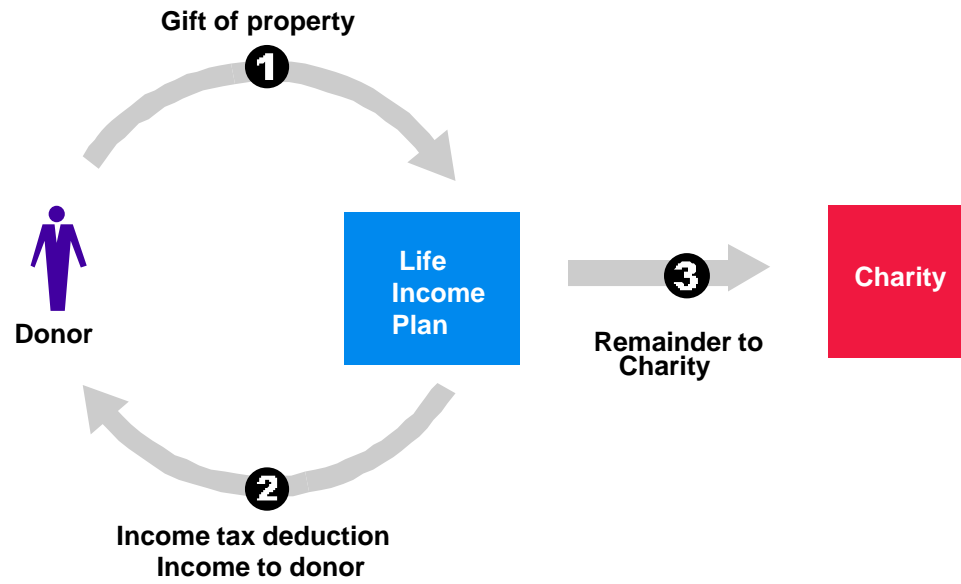
What might he (and you) consider?



- Scholarship
- Endowment for operations
- Unrestricted support

- IBM stock
 - MV \$1,000,000
 - cost basis \$100,000
- Current income
 - \$22,000 annual

- Interested in increased income – retirement
- Avoid capital gains tax on sale of asset
- Concentration risk



Benefits to donor (age 75) – Life Income Gift

- Increased Income
 - Pre-CRT – \$22,000
 - Post-CRT – \$71,000 (7.1% annuity payout)
- Income Tax Charitable Deduction – \$415,470 (donor age 75)
- Capital gains tax savings on sale of stock
 - \$900,000 LT Cap Gain avoided (or deferred)
 - \$135,000 Fed Cap Gains tax savings (plus applicable state taxes)
- Reduced portfolio concentration
- Important legacy realized – win/win!

Case Study #2

Planning for the Transfer of Family Wealth:

Doing Right by Doing Good

A high net worth individual desires to transfer assets to succeeding generations and avoid estate and gift taxes – not a unique goal. This individual has been a loyal supporter of your organization over the years and has long desired to do something “transformational.” While still clinging to the hope that the estate tax may be permanently repealed, she now knows that the present political climate makes such a possibility quite remote.

Thoughts?

Is It Really Possible To Provide **Current** Charitable Gifts and Benefit Family?

Under a charitable income plan, each year a sum is distributed to charity and, at the termination of the plan, the balance is typically distributed to family. For transfer tax purposes, the value of the income interest designated to charity can significantly reduce the value of the family gift. For 2009, taxable estates of \$3,500,000 or more are subject to estate tax at a maximum 45% transfer tax rate. Because of the nuances of the IRS valuation methodology, the current low interest rate environment makes charitable income plan gifts particularly attractive options [OK, so maybe they're called "non-grantor charitable lead annuity trusts," but you get the concept].

Bequests

Sample Bequest Language

DAVID SAYS:

“I give, devise and bequeath [specific dollar amount, asset, percentage of or remainder of estate] to DUKE UNIVERSITY, located in Durham, North Carolina, to be added to the Coach K Scholarship Endowment Fund.”

Gifts of Retirement Plan Assets

Individual Retirement Accounts
Estate and Income Tax Consequences
The Incredible Shrinking IRA

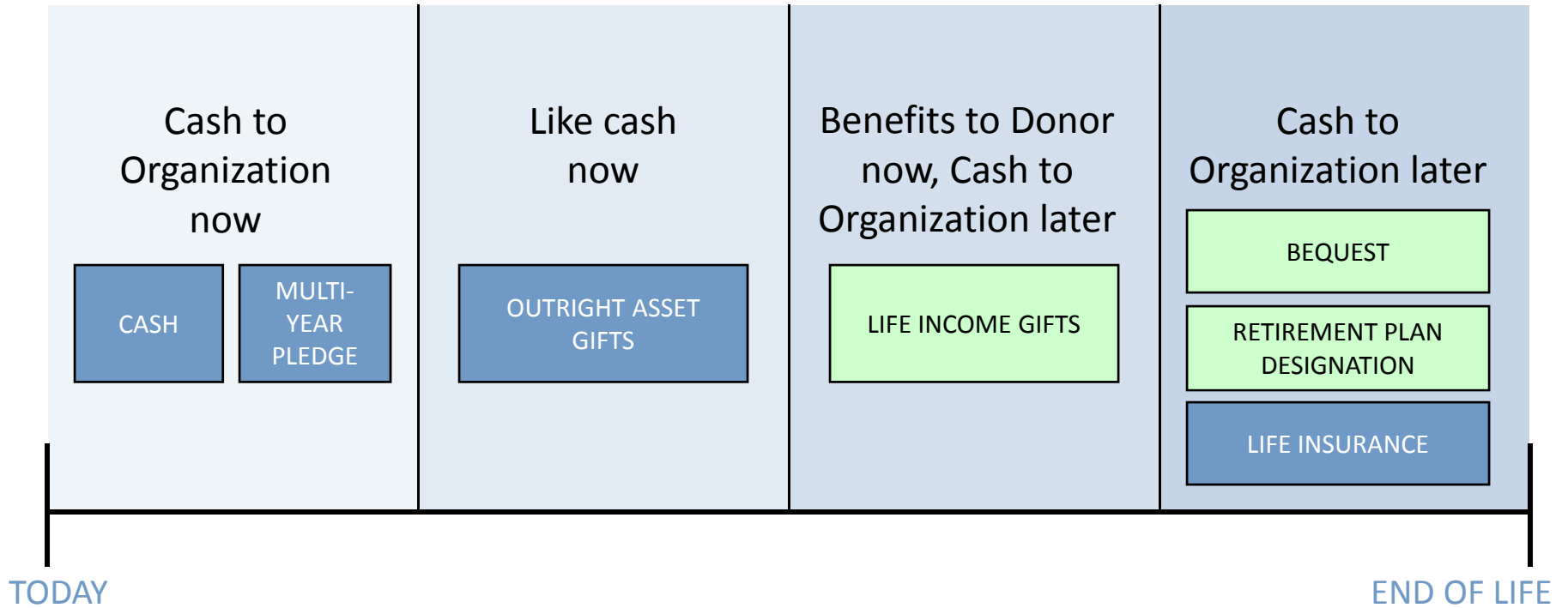
Total Estate Value	\$5,000,000
IRA Value	\$1,000,000
Less Federal/State Estate Tax on IRA	\$ 460,000
Net IRA Remaining	\$ 540,000
Less Federal/State Income Tax*	\$ 250,000
After Tax Benefit	\$ 290,000

Approximately 70% of asset depleted through estate and income taxes!

**based upon 35% federal income tax bracket and 8.25% state income tax bracket, after applicable federal and state deductions for estate taxes paid.*

Retirement Plan Assets – Most Common Gift Strategies

- By Beneficiary Designation – request proper form from retirement account investment manager or trustee
- Charitable IRA Rollover Gift (just extended!)
 - Must be at least 70½ at time of gift
 - Up to \$100,000 in '08 and '09
 - Can satisfy *required minimum distribution* requirement
 - Distribution must be made to a qualifying charity



Planned Giving – The Pitch to Donors

At the End of the Day, It's About Your Cause

- Be a part of the long procession of planned gifts that helped make [YOUR ORGANIZATION] what it is today.
- Be associated with [YOUR ORGANIZATION] ... *forever*.
- Please consider a combination gift – as much cash as possible, the remainder deferred.
- It is easier than you think and will make you feel better than you could ever imagine.



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