



GETTING THE MOST OUT OF YOUR GENEROSITY:

STRATEGIES FOR EFFECTIVE CHARITABLE PLANNING

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“To give away money is an easy matter and in any man’s power. But to decide to whom to give it and how large and when, and for what purpose and how, is neither in every man’s power nor an easy matter.”

- Aristotle

What motivates people to give to charity?



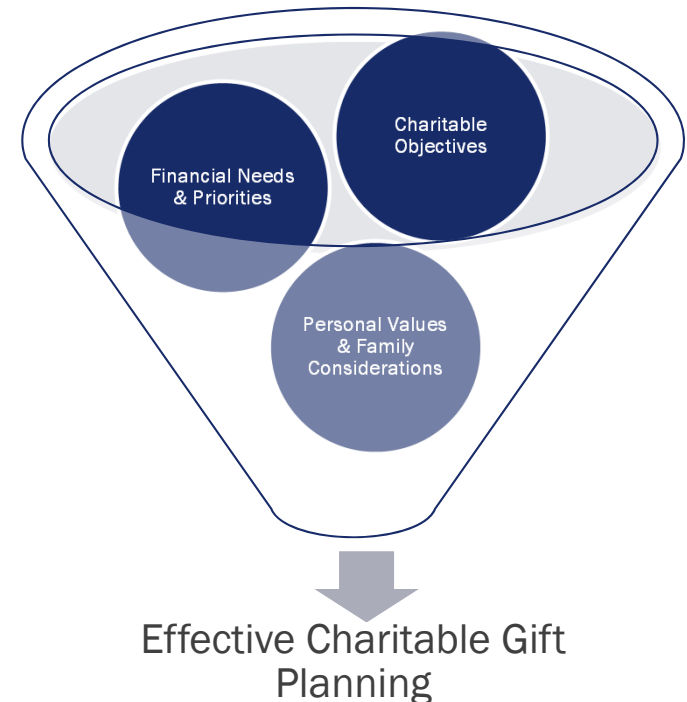
OVERVIEW

- Factors to consider
- Assets and Charitable Giving Instruments
- Gifts in action
- Questions and Answers



GETTING THE MOST OUT OF YOUR GENEROSITY REQUIRES - - -

- An evaluation of your charitable objectives
- Assessment of personal financial needs and priorities
- Personal values and family considerations
- *Aligning tax incentives with assets and giving instruments to make the most cost-effective gift while maximizing the impact of your giving.*



CASH

- Check, credit card, wire
- If itemize, deductible up to 60% of Adjusted Gross Income
- 5 year carry forward



APPRECIATED ASSETS

SOMETIMES CASH ISN'T KING

- Highly appreciated assets – low cost basis
- Held for longer than one year to qualify
- Immediate tax deduction equal to fair market value (if you itemize)
- Deduct up to 30% of AGI with 5 year carry forward
- Zero capital gain tax

Note: Assets with a fair market value below cost basis, should be sold for a loss and proceeds donated.

Income Tax Bracket	Long-Term Capital Gain Tax Rate
\$0 to \$78,750	0%
\$78,751 to \$488,850	15%
\$488,851 or more	20%

APPRECIATED ASSETS

A \$10,000 GIFT OF APPRECIATED ASSETS (\$2,000 BASIS) VS CASH

	Cash Gift	Stock Gift
Current fair market value	\$10,000	\$10,000
Income taxes saved	\$3,500	\$3,500
Capital gains taxes saved*	\$0	\$1,200
Total tax savings	\$3,500	\$4,700
Cost of gift	\$6,500	\$5,300

Note: The total tax savings from this gift of appreciated assets actually dwarfs the original cost of the investment, i.e. \$2,000. This is why people choose to give appreciated assets over cash.

*Assumes 15% capital gains tax

GIVING IN ACTION

REUSS DONATES FAMILY FARM TO ESTABLISH FAMILY LEGACY



Richard (Dick) Reuss ('54) recently donated his family's Centennial Farm to establish the "Lawrence Reuss and Florence House Reuss Family Scholarship Fund," which bears the names of his parents. "The Reuss and House families both have several U of I alums going back to 1920," Dick says. The farm income will provide dozens of scholarships each year to disadvantaged students with a focus on those in Moultrie County, Illinois, where his father was raised, and Washington County, Illinois, where his mother grew up.

"The gift to the U of I was originally my dad's idea, and I completely agreed; so when he passed, I put the gift in my will," Dick explains. "I only recently decided to give the land now instead of letting it pass at my death. This will permit me to see how it helps the scholarship recipients, and it also results in major income-tax savings. I'm anxious to learn more about the first group of recipients this fall," he adds.

This exceptional gift by Dick Reuss will stand as a permanent reminder of his family's generosity and commitment to providing others the same opportunities they had to go to college and achieve a life of success and fulfillment.

*"I believe the education we received had a major impact on the success and quality of life for both families. This scholarship fund is our way of giving back in acknowledgment of that fact."
—Dick Reuss*

RETIREMENT ASSETS

GIFT AT DEATH VIA BENEFICIARY DESIGNATION (IRA, 401K, 403B, ETC.)

- Avoidance of estate tax (Federal Estate >\$11,580,000; Illinois Estate >\$4,000,000)
- Flexibility
- Avoids income taxation

Note: There are more attractive assets to pass to heirs (stocks, real estate, etc.).

RETIREMENT ASSETS

SHOULD I GIVE MY HEIRS THE RETIREMENT PLAN OR OTHER PROPERTY?

	\$500,000 stocks to UIF via will/trust	\$500,000 IRA to heirs	\$500,000 to heirs via will/trust	\$500,000 IRA UIF
Estate Tax (not a taxable estate)	\$0	\$0	\$0	\$0
Capital Gains Tax (tax-free to charity and step up in cost basis for heirs)	\$0	\$0	\$0	\$0
Income Tax (taxable at 32%)	\$0	\$160,000	\$0	\$0
Net Proceeds	\$500,000	\$340,000	\$500,000	\$500,000
Total Combined Net Benefit	\$840,000		\$1,000,000	

CHARITABLE IRA ROLLOVERS

TAX-FREE GIFT FROM YOUR IRA – QUALIFIED CHARITABLE DISTRIBUTION (QCD)

- 70 ½ or older
- Counts toward your required minimum distribution (RMD)
- Cannot exceed \$100,000 per year per taxpayer
- Transfers to UIF directly from IRA administrator
- Must be an outright gift with no benefit, such as income or athletic ticket preference

Note: The QCD is particularly attractive to donors who do not itemize deductions.

THE *SECURE* ACT OF 2019

- RMDs start at age 72
- Can still make QCDs at 70 ½
- *Tax deductible contributions allowed at any age*
- *Tax deductible contribution will affect your QCD*
- No more “stretch IRA”
 - Non-spousal heirs are now required to take the entire IRA balance out within 10 years.

Note: *This change is particularly taxing to younger heirs. Prior to the SECURE Act these individuals could stretch out the IRA distributions and the taxation over their entire life expectancy*



SECURE ACT

GIVING IN ACTION

- Dr. Robert Jordan (Uni '62, History '66)
- Son of Professor Edward C. Jordan
- Spearheaded Jordan Professorship
- Invested in the Engineering Visionary Scholarships
- Pledged IRA tax-free rollover support

“I chose to make the tax-free IRA gift because it counts toward my RMD, but isn’t included in my taxable income. It’s like getting a deduction on my income, but I also get to claim my standard deduction. It’s very simple and saves a lot of income tax.”



GIFTS THAT PROVIDE INCOME

BENEFITS

- Lifetime income
- High rates of income (*usually exceeding bank deposits, stocks, bonds, etc.*)
- Converts risk assets, such as stocks, into secure source of income
- Capital gain tax savings when donating appreciated assets
- Immediate charitable deduction and income tax savings if you itemize
- Increase retirement income

GIFTS THAT PROVIDE INCOME

■ Charitable Gift Annuity

- Fixed lifetime payments based on age
- Two lives jointly or two successive lives
- Income for yourself and/or others
- Immediate or deferred payments
- Minimum age 60
- Immediate charitable deduction
- Some level of tax-free income
- Avoids capital gain tax

■ Charitable Remainder Unitrust

- Variable payments (changes annually)
- Minimum 5% payments
- For life, lives or term of years
- UIF serves as Trustee (minimum age 55)
- Immediate charitable deduction
- Avoids capital gain tax

CHARITABLE GIFT ANNUITY

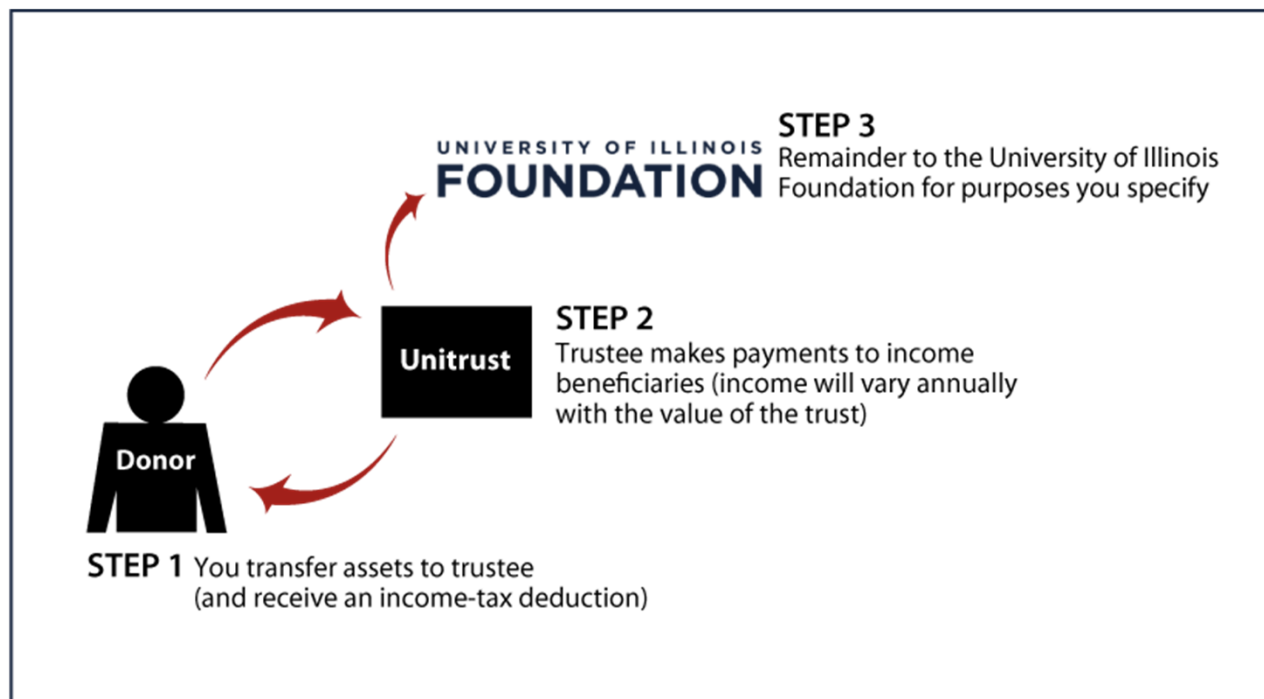
STEP 1 You give the University of Illinois Foundation a gift of cash or property
(and receive an income-tax deduction)



STEP 2 The University of Illinois Foundation makes fixed payments to you and/or another beneficiary starting now

STEP 3 Remainder to the University of Illinois Foundation

CHARITABLE REMAINDER TRUST



GIVING IN ACTION

RECEIVE LIFETIME INCOME FROM YOUR GIFTS

- Allen Avner ('64) and his late wife, Elaine ('63, '65) established a CRT in 1997. Allen still receives payments.
- Allen established a CRT for an elderly family member and a CRT for a younger relative with payments beginning in 2028 for their retirement.
- In each case, Allen received an immediate tax deduction that reduced his income taxes.
- The University Library will ultimately benefit from the remainder interest in these gifts



Age	Annuity Rate
65	4.7%
75	5.8%
85	8.0%
Age	Annuity Rate
65/65	4.2%
75/75	5.0%
85/85	6.9%

GIVING IN ACTION

- Ed Zielinski ('74 BS)
- Established a deferred gift annuity
- Appreciated stock with low basis
- Immediate income tax deduction
- Enhance retirement income
- Remainder will benefit The Grainger College of Engineering



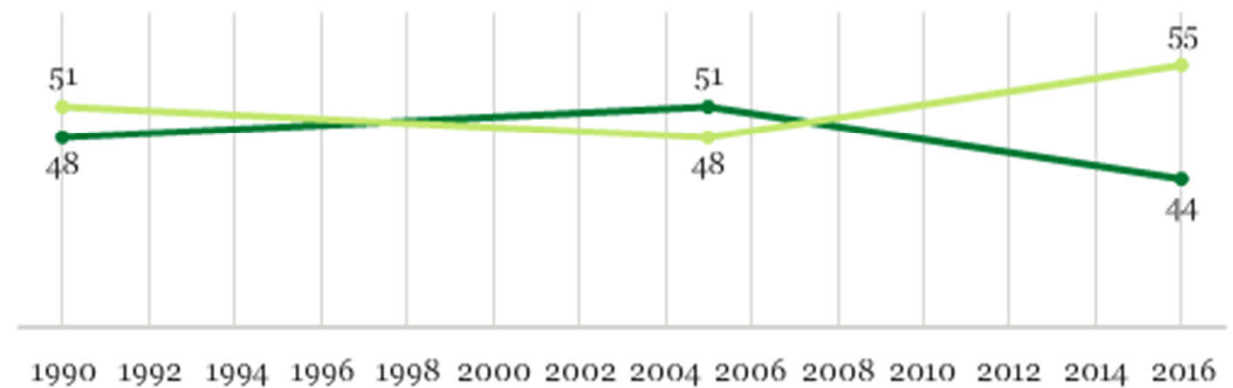
"It was the perfect plan for me, primarily because I was able to get immediate tax benefits, but defer the start of my income until closer to retirement."

ESTATE GIFTS

- Simplicity and flexibility
- Specific amount, percentage, residual
- Opportunity to make a larger gift than during lifetime
- Avoidance or reduction of taxes

Do you have a will that describes how you would like your money and estate to be handled after your death?

■ % Yes ■ % No



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FORMS OF ESTATE GIFTS

- Wills and trusts
- Beneficiary designations
 - Life insurance
 - Retirement plans
 - Tax deferred annuities
 - Donor advised funds
- Transfer-on-death (TOD) and Payable-on-death (POD) plans
 - Bank accounts
 - Brokerage accounts
 - Real estate



GIVING IN ACTION

Estate Gift Creates Endowed Fund

Leaving a legacy does not come without sacrifice or hard work—which is why when you discover the life of individuals such as Barbara A. Yates, you can't help but share their stories. As a visionary and professor, with a heart and passion for her field, Barbara made an indelible impact on The Women and Gender in Global Perspectives Program (WGGP) at the U of I.

Prior to her death last year, she also established a generous estate gift provision which, in effect, extends her work beyond her lifetime. The Barbara A. Yates Graduate Fellowship and Barbara A. Yates WGGP Program Series will allow students from across disciplines to develop a better understanding of the ways in which gender equity and human development are shaping the world.

Barbara's Illinois story began when she joined the faculty in 1966 in the department of Education Policy Studies within the College of Education. She then served as the Associate Director for the International Programs and Studies before founding the Women and Gender in Global Perspectives Program in 1980 and serving as its first Director. After retiring in 1986, she created the Barbara A. Yates International Research Award for WGGP Graduate Students—which has provided more than 28 students a truly exceptional learning experience.



“Barbara has made a lasting impact on our campus and future scholars with her generous endowment gift. Her gift will allow the University to further expand its commitment to providing a global classroom for its students.”

- Colleen Murphy, Director of the Women and Gender in Global Perspectives Program.



QUESTIONS

ANSWERS



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