



## GIFT PLANNING WITH THE UNIVERSITY OF IOWA FOUNDATION: CREATING YOUR IOWA LEGACY

**Gift planning can maximize your support for The University of Iowa while you achieve your personal financial and philanthropic objectives.**

How you choose to help build a secure future for The University of Iowa will depend on a number of factors. We realize you need to balance family needs, personal lifestyle, and financial resources with your commitment to the University as you consider your gift. This requires careful planning, and the UI Foundation's professional staff is ready to assist you along the way.

**"The deep rewards  
of giving go to those who  
give out of a concern  
for others, and take  
pains to see that their  
giving is wisely done . . ."**

F. Emerson Andrews  
(1902-1978)  
American author

In the process of gift planning, it's important to begin by identifying your charitable goals and desires. Once we understand how you envision making an impact on the University and future generations of students and faculty—as well as the many health-care patients and other citizens the UI serves—we can then work with you, your advisors, and representatives of the UI college or program you'd like to support in putting together a gift plan. Ideally we will be able to develop a plan that benefits you, your family, *and* The University of Iowa.



#### Stock gift example:

Mrs. Johnson owns 1,000 shares of appreciated stock currently valued at \$50 per share (\$50,000).

She purchased the stock 15 years ago at a price of \$10 per share (1,000 shares x \$10/share = cost basis of \$10,000). If she gives the stock to the UI Foundation, she could claim a charitable deduction of the full market value of the gift (\$50,000).

And, since a gift to the Foundation is not a sale, she would not owe any capital gains tax on the transaction. If she were to sell the stock herself, she would incur \$40,000 in capital gain (\$50,000 market value - \$10,000 cost basis). After she pays \$6,000 in tax on this gain (\$40,000 x 15 percent capital gains tax rate), she would be left with \$44,000 with which to make a gift to the UI Foundation.

Planned gifts can be outright (such as cash gifts or gifts of appreciated securities) or deferred (gifts to be received at a later date), or a combination of the two. The planning ideas described in this publication are not meant to be all-inclusive. Instead, we hope this brochure prompts you to consider the best giving options for your situation and to ask questions about them. We stand ready to help you establish your Iowa legacy and advance our great University in any way we can. *It is important that you confer with your professional advisors before making any final decisions.*

#### GIFT-PLANNING OPTIONS

**1. Outright gift of cash or appreciated securities:** *These gifts assure maximum benefit to the UI and maximum immediate income tax deduction for you based on current fair market value.*

For gifts of cash, you qualify for an income tax deduction equal to the full value of your gift if you itemize. This deduction can be claimed for an amount of up to 50 percent of your adjusted gross income, with a five-year carry-over period for the excess.

For gifts of appreciated stock or mutual fund shares, you qualify for an income tax deduction equal to the current market value of the transferred assets, if you itemize deductions. This deduction can be claimed for an amount up to 30 percent of your adjusted gross income, with a five-year carry-over period for the excess. By transferring these assets directly to the Foundation, you also avoid paying capital gains tax. For most donors, this double tax savings can make a gift of appreciated securities the most cost-effective gift option available.

**2. A two- to five-year pledge of cash or appreciated securities:** *These gifts allow you to maximize your commitment to the UI by spreading your gift over several years.*

For example, a \$100,000 gift might be made with a written pledge of \$50,000 a year for two years, or \$20,000 a year for five years.



**Charitable bequests:  
Flexible philanthropy**

Charitable bequests can be an ideal way to ensure that, once your family is provided for, you can establish a far-reaching and meaningful Iowa legacy.

While some 70 percent of Americans make charitable gifts during their lifetime, only about 10 percent think to extend their philanthropic activities beyond their death through a bequest. Often, people are concerned about being “locked in” to their bequest even in the event of a financial emergency in the family. However, bequests can be amended to reflect your changing circumstances.

A *specific bequest* designates a fixed dollar amount or specific property to the UI Foundation. This type of bequest is appropriate when you have an item of value (stocks, retirement plan, or real estate) or a definite dollar amount that you wish to leave to the UI Foundation.

*Percentage or residual bequests* automatically adjust to a changing estate size.

If you wish to use your bequest to establish a permanent named fund, UI Foundation staff will work with you to create a Statement of Gift Intent.

**3. Charitable bequest in a will or trust:** *These revocable gifts enable you to retain total control of your assets during your lifetime. If your family’s financial situation changes, you are free to make changes to your bequest as well. Bequests are often an effective tool for minimizing your estate and income tax liabilities where applicable.*

When preparing a will or trust, your heirs’ well-being will always come first. Then, once you have ensured that your loved ones are provided for, you may want to include a charitable bequest in your will or trust to benefit the UI area that is most meaningful to you. For many UI alumni and friends, including the UI Foundation in a will or trust is the most effective way to make a major gift commitment. Whether providing for a spouse, children, grandchildren, or charitable organization, your will or trust should be prepared with the help of an attorney and reviewed regularly. Deferred gifts in wills or trusts should incorporate our full legal title, **The State University of Iowa Foundation.**

**Suggested language for a bequest in a will or trust:**

“I give to The State University of Iowa Foundation, an Iowa nonprofit corporation in Iowa City, Iowa,

*(choose one of the following to indicate gift amount)*

1. the sum of \$ \_\_\_\_\_
2. \_\_\_\_ percent or all of the residue of my estate
3. all of my interest in the following described property: \_\_\_\_\_

*(choose one of the following to indicate gift purpose)*

1. to be used in accordance with a Statement of Gift Intent on file with The University of Iowa Foundation
2. to be used as the board of directors of the UI Foundation shall determine.
3. to be used for the purpose of \_\_\_\_\_ .  
*(for example: student financial aid, research, faculty development, other purpose)*
4. to be used for the benefit of \_\_\_\_\_. *(name of UI college, department or program).*”



**4. Designation of the UI Foundation as beneficiary of an IRA, retirement plan, pension benefits, or annuity:** *As with charitable bequests, you retain control throughout your lifetime over the designation of these assets, and you may be able to bypass potential estate and income tax.*

Retirement assets  
gift example:

Mary Smith has a \$100,000 IRA account (or other qualified retirement plan). She may designate the UI Foundation as a beneficiary upon her death so that—after drawing on the assets throughout her retirement years—a percentage or all of the remaining assets are used to support the UI as she directs. When Mary dies, the designated percentage goes to the Foundation free of tax. Had Mary named her children as beneficiaries, the retirement assets would be included in her estate with possible estate tax consequences. In addition, her children would need to pay ordinary income tax on the money they receive.

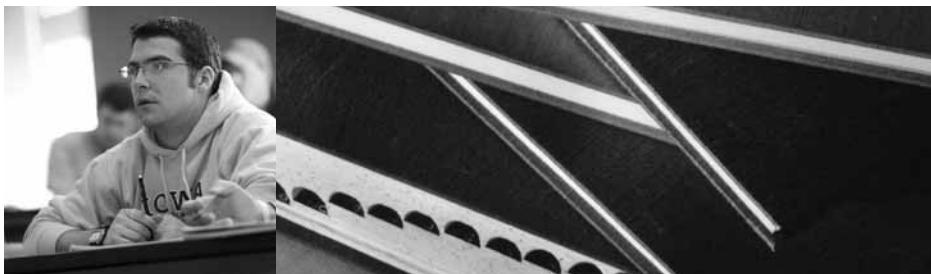
In many cases, these assets will have significant value upon a donor's death. A percentage of your retirement plan can be assigned to the Foundation by naming **The State University of Iowa Foundation** as the successor beneficiary of the plan. In most cases, these assets could otherwise be severely diminished for heirs by both estate and income tax; a gift to the Foundation can bypass both of those tax liabilities.

These plans typically have a plan administrator who can be contacted for a change of beneficiary form. As in all other legal documents, the change of beneficiary form should specify **The State University of Iowa Foundation**. While the tax advantages can be quite significant, this type of gift requires careful planning; please consult with your plan administrator and professional advisors.

**5. A gift that provides you with guaranteed income during your lifetime:** *Gifts with retained right to receive income, or “life income gifts,” are like giving an apple tree while keeping part of the yearly harvest for yourself or others.*

A life income gift is one in which you contribute assets to the UI Foundation while retaining the right to receive an income. One of the key benefits is the bypass of immediate capital gains tax, allowing the full value of the asset to generate income for you or others and eventually support the mission of the UI.

Life income gifts can be structured to fit a variety of needs, including a choice of a fixed income or a market-sensitive income. The two main types of life income gifts are charitable remainder trusts and charitable gift annuities. Each has a slightly different use and tax result.



### Charitable gift annuity example:

Jane and John Doe, 70 and 68 respectively, establish a charitable gift annuity by transferring appreciated stock to the Foundation with a current value of \$100,000, for which they originally paid \$20,000. In return, the Foundation arranges to pay a guaranteed annuity back to Jane and John each year for life. Based on their ages, they will receive 5.8 percent or \$5,800 a year for their lives. The Does receive a current income tax deduction based on their ages and the annuity rate. Neither the Does nor the Foundation pay capital gains tax on the transfer and subsequent sale of the stock. Finally, the stock is removed from Jane and John's taxable estates. Upon the death of both Jane and John, the gift principal passes to the Foundation for their designated purposes within the UI.

Sample CGA Payout Rates*	
(as recommended by the American Council on Gift Annuities)	
Age 70 -	6.5%
75 -	7.1%
80 -	8.0%
85 -	9.5%
90+ -	11.3%

\*One-life rates; ask about our joint-life rates.

### Charitable Remainder Trust

A charitable remainder trust is created when you place assets into an irrevocable trust and name a trustee (for example, the UI Foundation). The trust invests the assets and agrees to pay an income to you or other beneficiaries you select for life or for a set term of years. When the trust ends the remaining assets are used for the purpose(s) you designate. There are two types of charitable remainder trusts that may assist with your planning:

*Charitable remainder annuity trusts* provide a lifetime or term income that is a fixed annuity, based on a percentage of the initial value of the trust assets. The annuity trust is most often used when your primary goal is fixed income.

*Charitable remainder unitrusts* provide a lifetime or term income that is a percentage of the trust's assets revalued annually. Income payments vary with the changing value of the trust. This trust provides a hedge against inflation as income payments may increase over time.

### Charitable Gift Annuity

The charitable gift annuity is not a trust, but is an irrevocable contract between you and the UI Foundation. Working with your attorney or financial advisor, we draw up a simple contractual agreement between you and the UI Foundation in which you transfer assets to the Foundation in exchange for our promise to pay a fixed sum each year for life to one or two annuitants named by you. The older the annuitants are at the time of the gift, the greater the fixed amount the Foundation will agree to pay (see accompanying sample annuity rates). Upon the death of the annuitants, the principal of your gift is used to support the UI as you specify.



**6. Outright gift of real estate:** *Give land or a home to support your UI interests.*

Most real estate held for a length of time has appreciated in value and offers great potential for charitable planning.

As with appreciated stock and other non-cash assets, for gifts of appreciated real estate you qualify for an income tax deduction equal to the current appraised value of the property. This deduction can be claimed for an amount up to 30 percent of adjusted gross income in the year of the gift, with a five-year carry-over period for the excess. By transferring real estate directly to the Foundation, you also avoid paying capital gains tax.

We would be happy to explore with you a gift of a home, vacation property, commercial property, or undeveloped property in support of the UI. The Foundation will consider marketability and potential environmental liability in evaluating gifts of real estate. All gifts of real estate are subject to approval and must be accompanied by a qualified appraisal.

**7. Gift of life insurance:** *You may convert existing or new policies into a charitable gift.*

Gifts of life insurance may be made to the Foundation with either an existing policy or a new policy. Consult with the UI Foundation staff for details.

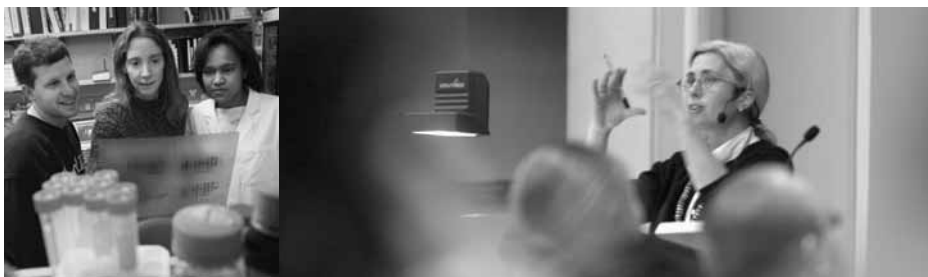
**8. Creative combinations:** *Combine strategies to fit your circumstances.*

You can make a gift to support The University of Iowa using any of the above options or combine the options in creative ways to fit your unique goals and charitable intentions.



"It gives me wonderful peace of mind to remember my father this way and to be sure that my estate will be used in a way I believe in."

—Janet Hawkins of Iowa City, who used a charitable gift annuity to establish a scholarship gift in her father's memory in the UI College of Dentistry



## RECOGNIZING YOUR GENEROSITY

Have you heard  
the latest?

Planned gifts for the UI can take many forms, but they all have the same result: crucial support for the University's students, faculty, and programs. We'd like to help you stay informed about your gift planning options and the impact private support has on the UI by including you on our mailing lists for our Gift Planning at Iowa newsletter and e-newsletter. If you don't already receive these and would like to sign up to receive them, please contact us using the information on the back page of this brochure. In addition, at our regularly updated web site, [www.uiowafoundation.org/giftplanning](http://www.uiowafoundation.org/giftplanning), you can request free e-brochures, read stories of UI supporters, stay abreast of laws and regulations regarding gift planning, and more.

### **The 1847 Society**

On February 25, 1847, only two months after Iowa was admitted to the Union, the First General Assembly established a public university in Iowa City. This commitment to higher education provides a bedrock foundation for our state's present quality of life and future prosperity.

On the sesquicentennial of the founding of The University of Iowa, the UI Foundation established The 1847 Society to recognize alumni and friends who have made a deferred gift to benefit the University through the UI Foundation.

Members receive informational updates from the UI Foundation on legal and tax changes that may affect estate planning, an attractive certificate of appreciation, and recognition in periodic UI Foundation or constituent-based honor rolls of contributors, if they choose. Members are also invited to an annual event titled "Protecting Your Health and Wealth," an informational seminar featuring prominent professionals in health care and financial services.

### **The Presidents Club**

The Presidents Club permanently recognizes those who make outright gifts or pledge commitments of \$40,000 or more in a 10-year period and those pledging substantial deferred support, such as through wills and trusts, to any area of the University.

Through periodic reports and informative mailings, Presidents Club members gain further insight into the University's mission and are kept informed of its achievements, challenges, and plans.

Members are invited to University-related events across the country and to the annual assembly held on campus each spring. These special events often include

tours, lectures, seminars, performances, and the opportunity to visit with University administration, faculty members, and students.

New members of The Presidents Club receive a gold, silver, or bronze lapel pin (appropriate to the level of their qualifying support) depicting the horn that is the symbol of The Presidents Club.

**How may we help you?**

Members of the Foundation's Gift Planning staff are eager to assist you and your advisors in developing answers to your charitable giving questions and interests. For more gift planning ideas, visit our website at: [www.uiowafoundation.org/giftplanning](http://www.uiowafoundation.org/giftplanning) or contact us using the information below.

The information contained in this publication is a general introduction to various gift planning techniques and is not intended as a comprehensive guide to tax and financial consequences. You should always consult with your own professional advisors before making specific plans.



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For more information, please visit our web site at [www.uiowafoundation.org/giftplanning](http://www.uiowafoundation.org/giftplanning), or contact:

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