Sweeping Tax Changes
Leave More for Your Legacy

PHILANTHROPY—STILL A POWERFUL PLANNING TOOL

The most far-reaching tax bill in a decade brings us a substantial increase in the estate tax exemption and a lower estate tax rate. Because of these changes, as the New York Times reports, “Almost no one will have to worry about paying the estate tax under the legislation approved by Congress in 2010.”

Nonetheless, philanthropy will still play a significant role in planning. In the past, our devoted alumni, faculty and friends have left generous legacies to NYU, whether or not they were subject to estate tax. Now, with the ability to leave substantially more assets to loved ones and to charities—rather than to tax—our supporters can accomplish even more for the future of NYU.

Looking forward, philanthropy combined with tax strategies and wealth management can:

• Deliver a powerful means to realize financial security for your family and loved ones
• Provide an opportunity to support future generations of students and faculty at NYU

In this issue, we summarize key provisions of the new law and

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explore how charitable giving strategies can be used to realize your planning and philanthropic goals. More information is available in our helpful brochure, *What You Should Know about Recent Changes in the Tax Law—How Charitable Giving Fits In*. Contact us by phone or email, or return the enclosed card, to request your complimentary copy. As always, let us know if you would like to explore options for supporting NYU. It would be a privilege to work together to identify personally rewarding strategies to meet your planning and philanthropic goals.

**What Changes?**

**TAX AND YOUR ESTATE**

We finally have a law that answers the question...*what will happen to the federal estate tax?*

- The estate tax exemption—the amount in a taxable estate that is protected from tax—is set at $5 million (a combined $10 million for married couples) in 2011 and 2012.
- The top estate tax rate for taxable estates is set at 35%, down significantly from a top rate of 45% in 2009.
- Both lifetime gifts and legacies from estates have the same exemption amount and the same top tax rate—linking gift and estate taxes into what is often referred to as the “unified” credit.
- Full portability of the unused exemption amount between spouses. This represents a new and powerful feature within the estate tax law, so that any exemption amount (up to $5 million) that is unused by one spouse can be used by the surviving spouse’s estate.
- The generation skipping transfer tax is set with a $5 million exemption and a top rate of 35%. This additional tax (apart from the estate or gift tax) is imposed on transfers made to grandchildren or great-grandchildren.

**PERSONAL PLANNING STRATEGY:** If you made substantial transfers to children or other heirs to take advantage of the former lifetime gift-tax exemption of $1 million ($2 million for a married couples), consider additional transfers to take advantage of the new gift-tax exemption of $5 million ($10 million for married couples). And consider how charitable giving can help you leverage even more for even greater tax-free transfers of assets to heirs.

**What Remains the Same?**

Many important provisions relating to the income tax stay in effect under the new law.

- Lower income tax rates remain intact for 2011 and 2012. Income tax rates still range from 10% to 35%.
- Lower long-term capital gain tax rates remain the same for 2011 and 2012 as in the past few years. The tax rate on long-term capital gain is 0% for individuals with a top marginal tax rate of 10% or 15%. For people in the higher marginal brackets—25% or more—the rate is 15%. These rates also apply to qualified dividends.

**PERSONAL PLANNING STRATEGY:** The good news: The increased exemption means the federal estate tax will affect fewer estates, and the portability feature makes it easier to do planning. Furthermore, estates subject to the tax are taxed at a lower rate. The bad news: The new law is effective for the next two years only. Looking in any direction right now, the view is a changing landscape of new tax law. Fortunately, minimizing taxes is only one of the countless benefits planning holds for donors. Be sure to consult your tax advisors to learn how the current law affects your plans and ask how charitable giving can play a role.

**PERSONAL PLANNING STRATEGY:** Remember that a double benefit can be gained by charitable gifts of property with built-in long-term capital gains: one, you obtain a charitable deduction for the current value of the property; and two, you avoid the capital gains tax that would result from selling the asset.
• High-income taxpayers may continue to claim their itemized deductions, as well as their personal exemptions, without any limitation or reduction.

**Life-Income Gifts Can Work for You**

As you consider your personal retirement needs and your philanthropic goals, you’ll want to recognize the role that life-income charitable gifts can play in your overall planning. There are many reasons why life-income gifts are favored by so many.

A life-income gift is a tax-wise way to demonstrate your commitment to the future of NYU while returning tangible benefits to you and your loved ones. With life-income gifts, you design a plan that provides lifetime payments to meet your specific goals. And you have great flexibility in designing your plan.

• **Payments that begin now or later.** You can choose when the income begins and how payments are made. We can provide illustrations showing income payment and tax deduction figures based on your gift amount and personal objectives.

• **One or more beneficiaries.** You can design a plan to provide income payments to yourself and/or others. And the payments can begin now, or you can designate in your will to provide for income to be paid for loved ones, while ultimately benefiting the students, faculty and programs of NYU according to your designation.

• **Benefit from an immediate tax deduction.** Life-income gifts qualify for an upfront income tax charitable deduction based on the present value of your gift. There are other tax advantages as well, including favorable taxation of the future income payments.

• **Your life-income gift is a multi-tasker!** Why do over 90% of our life-income donors keep coming back to add to their contributions and increase their income? These life-income giving arrangements are attractive because they can be custom-tailored to the donors needs and because they are robust multi-taskers. A donor makes a tax-favored gift and receives a high and secure lifetime income—while also supporting scholarships or other designated purposes at NYU in the future. You, too, can simultaneously help NYU and yourself as well during retirement. Call or write for more information and a precise illustration of the income and tax advantages.

**BLANCHE JORDAN** continued from page 1

she became one of the first to enroll at NYU’s new program in nursing.

Throughout her long career in public health, Blanche served as a pioneer and leader, and through her own teaching and counseling in the City’s high schools, she became a model for generations of nurses.

Blanche remains a loyal alumna of the College and a long-time supporter of the College’s scholarship program. During the course of her contributions, she learned about the advantages of giving through the NYU Charitable Gift Annuity, which pays her a high and secure income for life, while also generating substantial tax advantages. Through these life-income gifts, she is adding to her generous legacy of philanthropy at the College of Nursing.
What Will Change in the Future?

With tax laws in flux every few years, the short answer is who knows? For now we can only focus on the new law—what has changed and what remains the same. However, it’s important to remember the federal tax law now in effect will probably change in the near future. The new law contains a sunset provision which means, at the end of 2011 or 2012 (depending on the particular section), the law reverts to what it was several years ago. For example, the income tax rates are scheduled to jump and the estate tax exemption is scheduled to decrease to $1 million in 2013.

Congress could pass a new tax law before 2013 that will bring even more changes. Though it is difficult to know what will happen, it is important to keep your plans up-to-date. When you work with your advisors, remember one constant remains: The positive and reliable role charitable giving can play in meeting your overall planning and wealth management goals.

Good News for Taxpayers

Despite the fact that new rules create some long-term uncertainty, the current tax changes are good news for taxpayers. We are extremely grateful to our alumni, faculty and friends who are committed to helping future generations of students at NYU. We want you to fully understand the options available for meeting your long-term planning and philanthropic goals. Please let us know if we can provide information or assistance as you consider ways to help support NYU’s excellence long into the future. Just call, send an email, or return the enclosed card. Be sure to request our complimentary brochure, What You Should Know about Recent Changes in the Tax Law—How Charitable Giving Fits In.

GOOD NEWS FOR IRA OWNERS—CHARITABLE ROLLOVER RETURNS

Donors age 70 ½ and older have a smart giving option available in 2011—the IRA Charitable Rollover. All it takes is a simple one-step distribution from your IRA to NYU. It counts toward your yearly required minimum distribution (RMD). Plus, it is not counted as income for federal tax purposes.

Since its introduction in 2006, the IRA Charitable Rollover has been a popular and tax-wise method for donors to give to NYU. There are special rules that apply to making distributions from an IRA directly to charity. Here are some important points to keep in mind:

• The donor must be 70 ½ or older.
• The donor must direct the IRA custodian to make the distribution directly to a charity such as NYU.
• The donor may contribute up to $100,000 this year.

PERSONAL PLANNING STRATEGY:
Everyone age 70 ½ or older with a traditional IRA must take an annual Required Minimum Distribution (RMD) from the account or face a penalty. An IRA Charitable Rollover is a great way to satisfy the required minimum distribution rule because a charitable rollover is convenient and straightforward. For answers to your questions about the Charitable Rollover and how this strategy works for you and NYU, simply return the enclosed card.

This publication is designed to provide accurate information in regard to the subject matter covered. It is sent out with the understanding that neither the publisher nor any distributor is engaged in rendering legal, accounting, investment or other professional services. If such services are required, the advice of competent professionals should be sought.

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It is important that the University’s legal name be used in all wills and trusts. We recommend use of the following language: “I give, devise and bequeath [assets] to New York University, a New York education corporation with its principal office at 70 Washington Square South, New York, New York 10012.” Please contact us so we can help you draft additional language that describes how you want your legacy to be used at NYU.