Sooner or Later: Balancing Planning Goals

Life is about reaching the proper balance. We’re always careful to think about the ramifications of important day-to-day decisions. Suppose you’re asked to take over a significant volunteer position. You weigh how the added responsibility will impact ongoing commitments. You decide if you have the time needed to do the job. You take into account necessary travel and how it will affect your family.

Personal and estate planning have similar challenges. Planning requires weighing estate and philanthropic choices against the backdrop of personal obligations and future aspirations. Since none of us owns a crystal ball, it’s easy to feel a bit trapped by the unknown; inertia may make decisions difficult.

That’s unfortunate, because personal planning and philanthropy always go hand in hand. This issue of Torchlight explores a number of simple planning options we think you will find helpful in harmonizing personal and charitable planning goals. Why not take a few moments to consider these ideas?

In the meantime, if we can answer any questions or help you explore these ideas in greater detail, feel free to contact us by phone, email, or simply by returning the enclosed card to request our complimentary brochure—the Taxpayer’s Home Companion. We’re also happy to help with any year-end gift planning options you’re considering. As always, we thank you for your generosity and continued support.
When you want to make a difference for NYU, charitable giving can be a gratifying and fulfilling part of personal, tax, and estate planning. There are dozens of giving options. You can complete a gift now, and qualify for a charitable deduction this year...and you can arrange future gifts that fit your long-term goals while retaining flexibility that lets you adjust plans as your goals change.

Giving Sooner
Gifts of cash and gifts of stock are simple ways to make a gift that immediately supports the University’s students and faculty. Before you make your gift, though, be aware that giving stock—especially in today’s environment—may be the preferred and tax-wise way to make your contribution.

APPRECIATED STOCK: A UNIQUE GIVING OPTION
Gifts to NYU qualify for an income tax charitable deduction on your tax return. Because of this deduction, your actual out-of-pocket cost for your gift is significantly less than the dollar value of what you’re giving. And with a gift of stock, there’s still more good news to the tax-savings story.

When you make a $10,000 gift, whether in the form of cash or appreciated stock, your taxable income is reduced by $10,000. In the 28% tax bracket, this eliminates $2,800 from your tax bill (28% of $10,000). As a result, the actual cost of your gift is $7,200 ($10,000 minus $2,800).

But when you contribute appreciated stock that you have held more than one year, you pay no capital gains tax on the appreciation. So the result is effectively a double tax savings—first, an income tax deduction based on the value of the stock when the gift is made, and, second, avoidance of capital gains tax that you would have to pay if you sold the stock instead of donating it.

Example: Five years ago, Herb purchased stock in an IPO for $20,000. Fortunately, the company became a social media darling, and the stock is now worth $50,000. If he sells the stock, he pays capital gains tax on $30,000. But if he gives the stock to NYU, no capital gains tax is due and he is eligible for a tax deduction of $50,000. In a 33% tax bracket, the itemized deduction for the gift reduces Herb’s tax bill by $16,500 (33% of $50,000). And, he also avoids $4,500 in capital gains tax ($30,000 x 15%) that would have been due if he sold the stock.

PLANNING TIP: The net investment income tax took effect in 2013. The surtax applies to taxpayers earning more than the threshold amount—over $200,000 for single taxpayers, $250,000 for couples. Gifts of appreciated property escape this tax, which makes appreciated property gifts more attractive than ever.

ENJOY A LIFETIME INCOME FROM YOUR GIFT OF STOCK
Another way to integrate philanthropy and personal planning is the charitable gift annuity. In exchange for a gift of stock, NYU will make annuity payments to you for life.

A gift annuity is a highly flexible way to suit your income needs. You can arrange your NYU gift annuity to pay income to one or two beneficiaries, and payments can begin immediately or can be deferred (which effectively increases the annuity rate).

Whether immediate or deferred, part of your gift qualifies for an income tax charitable deduction in the year your gift is made. In addition, as you receive your gift annuity income in the years ahead, it is advantageously taxed. Part of each payment is tax free for the

PLANNING TIP: A sale triggers capital gains tax. DO NOT sell stock to make a gift. Instead, contact us to arrange for a direct transfer of the stock to NYU, so no tax is due.
period of the beneficiary’s life expectancy. When appreciated stock is used to fund the gift annuity, part of each payment is taxed at low capital gains rates, rather than as ordinary income.

Example: Elizabeth, age 75, uses stock to set up a $25,000 gift annuity with payments to begin immediately. She purchased the stock several years ago for $10,000. Elizabeth will receive annual payments of $1,450 as long as she lives, and the payment amount will not change. For 12 years, $448 of each payment is tax free, $671 of each payment is taxed at capital gains rates, and $331 is taxable as ordinary income. After 12 years, the entire payment amount is taxable as ordinary income. The gift qualifies for a charitable deduction of $11,564 this year, the year of her gift.*

*Example for illustrative purposes. AFR 2.4%.

PLANNING TIP: Deferred gift annuities are attractive to taxpayers in the prime of their careers. The immediate tax deduction is timely; deferring payments provides a higher payment rate, with no maximum contribution amount.

STAY TUNED: THE IRA CHARITABLE ROLLOVER
In years past, the IRA Charitable Rollover has been a way for IRA owners over age 70½ to escape income tax and satisfy required minimum distribution rules by making a direct distribution from an IRA to a charitable organization. This provision expired in 2013. In July of 2014, the U.S. House of Representatives approved H.R. 4719, which includes a permanent extension of the IRA Charitable Rollover. The Senate, however, has taken no action. IRA owners need to stay tuned—legislation may come from Washington that makes this helpful gift option available again for 2014. Contact us to learn more.

Plan Now, Give Later

There are meaningful ways to plan a gift today and complete the gift in the future, and there are good reasons for considering this approach.

CHARITABLE BEQUESTS
A charitable bequest in your will, planned today, can be changed or revoked if necessary, and it is a meaningful way to shape your personal legacy. And through a bequest, you can fine-tune and restrict your legacy for NYU for the purpose you choose. For example, you can establish a permanent named scholarship endowment to provide financial assistance year after year to students at your school or college, or even to students in your academic department.

REVOCABLE LIVING TRUSTS
You can also make a legacy gift using a revocable living trust. Some planners prefer revocable living trusts because, unlike a will that becomes public knowledge, a trust is a private document. Whether estate planning utilizes a will or revocable living trust (or both), you can accomplish specific charitable goals while retaining the right to make adjustments during your lifetime.

BENEFICIARY DESIGNATIONS
A meaningful future gift to NYU can be as simple as naming us the beneficiary of a life insurance policy or retirement account. The University can be the primary beneficiary—your first choice for receiving the funds—or a contingent beneficiary, which means NYU receives the funds only if the primary beneficiary does not.

ANOTHER LIFE-INCOME GIFT: THE CHARITABLE REMAINDER TRUST
An alternative to the gift annuity is the charitable remainder trust (the kind of gift arrangement chosen by the Beckwiths). The CRT is a lot like the gift annuity—it pays annual income, and then the remaining assets pass to the University for the purpose you specify. It generates the same kind of tax advantages as well. Generally, the CRT can allow for more planning flexibility than charitable gift annuities. For example, a wider range of assets can be used to fund a CRT; you can select a fixed or variable income; and you can choose more than two income beneficiaries. Contact us for more information about the charitable remainder trust and how it can be tailored to fit your circumstances.
Keep Your Balance

Life has a way of altering the most carefully made plans. That’s why it’s important to periodically review your planning to ensure you’re maintaining the balance you set out to achieve.

It is always a privilege to work with you and your advisors to explore giving options that can help you harmonize personal and philanthropic planning goals. Working together, we can consider the impact of changes and explore how charitable giving may fit into your overall planning. Please take a moment to request our complimentary brochure—Taxpayer’s Home Companion—and let us know if there is any way we can be of service.

STEVE AND PATRICIA BECKWITH continued from page 1

throughout college and through extensive travel in Western Europe and Asia with his wife, Patricia. Now Steve and Patricia, devoted art collectors, frequently audit courses at the IFA and attend its programs and IFA-sponsored gallery tours.

The Beckwiths’ long connection to the IFA focused their attention on the pressing needs of NYU’s students and faculty for financial resources to sustain the rigor of their research and academic work. Steve and Patricia became annual contributors, often through their Donor-Advised Fund, and they became leaders in the IFA’s outreach efforts, passionately encouraging others to join them.

In addition to their annual support, Steve and Patricia recognized an opportunity to wisely combine their financial and philanthropic planning. They established a Charitable Remainder Trust and contributed appreciated assets, which enabled them to unlock those assets, minimize upfront capital gains, generate an immediate income tax deduction, and secure a lifetime income stream for themselves—all while ultimately supporting the future of the IFA.

Their decision to designate NYU and the IFA as one of the Trust’s charitable remainder beneficiaries was based on the deep regard they have for the Institute’s work in art history and conservation. “You want to give to an organization whose mission you care deeply about, and whose capabilities are strong and durable,” Steve points out, “and we have witnessed that NYU and the IFA are strong from top to bottom.”

To learn more about how you can support NYU in a way that fits your own financial and tax circumstances, please return the enclosed card or contact NYU Gift Planning by phone or email.

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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.