Making a Difference through a Charitable Bequest

Charitable bequests play an important role in the development of New York University. Indeed, it would be difficult if not impossible to maintain our high standards of excellence without such thoughtful support. Also, as philanthropically minded people are aware, a charitable bequest is an effective estate planning tool and may create significant tax savings.

In light of constant market changes that affect the value of investments and the ongoing changes in the federal (and often state) tax laws, many of our supporters and friends have begun to review their wills on a more frequent basis. Perhaps you, too, have considered whether your estate planning is up-to-date. If so, this may be an ideal time to consider a charitable bequest to the University. A well-planned bequest can help support our faculty and students, and also play a positive role in your estate planning.

Have your investments grown in the past several years? Are you aware of the scheduled changes to the federal tax laws (e.g., tax rate on capital gains and dividends, estate tax exemption amount) in the next several years? Is your overall estate plan current so that you have outlined exactly what you expect to pass on to your family, friends and favorite charities? Perhaps it is time to review your will.

In this issue, we highlight some of the reasons why you may want to review your will and explore the great benefits you can enjoy with a charitable bequest to NYU. For more information, why not send for our booklet, *Charitable Bequests — How to Get the Most Out of Yours*, or contact the development office. We are always glad to help.

Sincerely,

Alan Shapiro      David Koehler
Director of Gift Planning  Deputy Vice President
BORIS KOSTELANETZ continued from page 1

students bridge the gap between the cost of an NYU education and what they can afford to pay. As more and more students struggle with the cost of higher education, they are forced to work two or even three part-time jobs, a sacrifice which ultimately puts the quality of their educational experience at risk.

Mr. Kostelanetz believed in working hard for an education, but he wanted students to be able to focus primarily on education itself, and not on the dilemma of affording it. His hope was that future generations of students would be able to claim what he so often did — that his career was rooted in the strong background in accounting and finance that he received at NYU.

Known as the dean of tax defense lawyers, Mr. Kostelanetz joined Price Waterhouse as an accountant after graduating from NYU, and attended St. John’s University Law School at night. Upon admission to the bar, he joined the U.S. Attorney’s office in New York and, because of his unique training in finance at NYU, soon became its in-house expert in prosecuting complex securities and tax crimes. His expertise gave him the lead role in many highly publicized and groundbreaking cases, including the prosecution of organized crime figures with ties to the movie industry. He later ran the Justice Department’s war fraud unit and, after entering private practice, briefly returned to public service as lead legal counsel on Senator Estes Kefauver’s committee investigating organized crime.

Throughout his long and storied career, Mr. Kostelanetz remained an avid supporter of NYU and its mission to be a university open not only to the elite, but also to the emerging middle class. He was a proud supporter of the University’s 175th Anniversary Scholarship Campaign, as it will help more and more deserving students afford the NYU education that he so enjoyed. We invite you to make a difference in the lives of NYU students by joining our alumni, faculty and friends who are contributing to the 175th Anniversary Scholarship Fund Campaign.

Updating Your Will: How Long Has It Been?

There are many events that signal the need for a review of your will: It could be a move to a new state, perhaps a change in marital status, the death of a loved one, or the birth of a child or grandchild.

In addition to these well-known signals, you need to stay tuned for ongoing changes in the federal tax law and your own financial situation. Older taxpayers with large estates should be aware of the current level of the estate tax exemption ($2 million in 2006) and that it is subject to change (see box on page three).

When you review your will with your attorney, consider a charitable bequest to NYU. Since charitable bequests are fully deductible for estate tax purposes, a charitable bequest can be a way to distribute your estate to support students, faculty and cutting-edge research, rather than paying taxes to the government. You may be entitled to tax relief while supporting the programs of NYU.

And if, perhaps due to the increased estate tax exemption, your estate may no longer be subject to federal estate tax, then now is the time to focus on the things in life that have mattered most — your loved ones, as well as charitable institutions important to you. Bear in mind that you still need a will to clearly distribute your assets, or the state will decide for you. Now you have the freedom, through your will, to leave larger, wiser and more thoughtful legacies to loved ones — and to charities important to you, such as NYU.

As you conduct your review, don’t forget to check about the executor. Be sure that the individual or organization you named still agrees to serve as executor and is properly identified.
Charitable Bequests Make a Difference in Your Future and Ours

Consider Leaving a Legacy through an Endowment

Legacies through charitable bequests bring enormous personal satisfaction to donors and their families, who are kept closely informed of the legacies’ fruits. This satisfaction is the prime motivation behind just about every gift, small or large. While charitable bequests can play an important role in reducing estate taxes, most of our faculty, alumni and friends who leave legacies to NYU are not subject to the estate tax at all. These benefactors are driven by an overwhelming desire to support the students and faculty of NYU, and to ensure the University’s continued excellence.

By coordinating philanthropy with estate planning, our supporters get the best of both worlds. Take a close look at NYU and you can see that the generosity of our alumni, faculty and friends has been the engine driving our extraordinary rise to the top tier of American universities. Much of this support has been provided through legacies establishing named scholarships and professorships, program and research funds, as well as important improvements in our facilities — from laboratories to residence halls.

Examples

Rhonda K, age 76, decides to make a specific charitable bequest to endow a named scholarship in memory of her husband. The $500,000 bequest will go into an endowed fund which will pay out 5 percent of the proceeds each year for financial assistance for needy students. That will be at least $25,000 the first year, and the payout grows as the fund grows. The endowment creates these gifts year after year.

Rhonda’s sizable estate will receive a substantial estate tax charitable deduction based on her full $500,000 gift — a tax savings of $230,000 in the top 46 percent estate tax bracket if death occurs in 2006 — money that otherwise would have been lost to taxes. By her charitable bequest, Mrs. K decides how that money will be put to good use, to improve the lives of generations of students, rather than paid in taxes.

Greg B owns a small apartment building that has produced a nice income in the past. However, Greg has a secure retirement and does not need the rent money. He could sell the property, but would incur selling expenses and a substantial capital gains tax. Instead, Greg has a better idea — he decides to contribute to our general endowment by making regular payments of the rental income to the endowment. Once he passes away, the rental property itself will be sold and those funds directed into the endowment. Mr. B’s estate will be entitled to deduct the full fair market value of the rental property at the time of his death. This will provide the heavily tax-burdened estate with tax relief…and his gift to our general endowment permits us

Important Tax Law Changes for 2006

It always makes sense to review your estate plan. And it’s especially important time to do so now, in view of the gift and estate tax law changes effective in 2006:

■ The annual exclusion for gifts made to a single individual has increased to $12,000. This means you can give someone up to $12,000 in 2006 (or, together with your spouse, $24,000) without incurring the gift tax. Of course, your gifts to qualified charities such as NYU will not be subject to the gift tax, regardless of amount.

■ The federal estate tax exemption is now $2 million (through the end of 2008). This means that only taxable estates over $2 million are subject to the federal estate tax. Remember that a bequest made to a qualified charity will be fully deductible by the estate.

■ State estate and inheritance tax laws are also changing. Consider how the law presently affects your situation, including states where you have real estate but don’t reside, or a state where you expect to move.

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flexibility in choosing how best to promote our mission.

Charitable Bequests: Simple, Flexible and Meaningful

The charitable bequest is one of the most flexible and comfortable ways to make a major gift. There are several reasons why. Charitable bequests are easy to make. You enjoy full use of your property during life with no immediate cost to you, no disruption of your lifestyle. However, without a will in place, no money or property can go to the charities you wish to help despite your best intentions.

A charitable bequest can take many forms: you can designate a certain dollar amount, or a certain percentage of the value of your estate; or that the residue (what is left of value in your estate after all administrative costs and other bequests have been made) goes to us. You also can designate exactly how you want your bequest to be used (to fund a particular endowment or program) or you can leave your gift unrestricted so we have flexibility in meeting our needs.

It is important to know that you remain in charge of the planning process. You can amend your will with a codicil or prepare an entirely new will, giving you the flexibility to meet changing needs and remain a generous supporter of NYU.

A Lasting Legacy at NYU

Beyond tax benefits, charitable bequests give everyone the opportunity to leave a lasting legacy. Every charitable bequest, small or large, helps support the mission of New York University, its colleges, schools and divisions.

How to Learn More about Planning an Effective Bequest

In this issue, we have only begun a discussion about planning bequests. You very well may have questions appropriate to your own situation such as:

- How can I leave a legacy to NYU and be sure that the needs of my family are met?
- How can I add the University as a beneficiary to my existing will?
- What form should my charitable bequest take?

There are advantages and disadvantages to different approaches. The best option depends on your specific objectives. You can start finding the answers that work for you in our helpful booklet, Charitable Bequests — How to Get the Most Out of Yours. For a free copy, mail the enclosed reply card or give us a call.

BONUS BOOKLET: To jump-start your review, you can also order a free copy of our Personal Financial Affairs record booklet to organize valuable financial information to share with your advisors. Simply check the appropriate box on the reply card.

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.

NEW YORK UNIVERSITY

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