Gift to NYU LAW Pays Income to Alumnus

Over forty years ago, a scholarship made it possible for Jim Heffernen (LAW ’64) to attend the School of Law and earn a Masters in Taxation. Never forgetting what that scholarship meant to him, Jim is now making it possible for a new generation of students to follow in his footsteps in the LLM program. Jim has generously named NYU Law as a remainder beneficiary of his charitable remainder trust, and the legacy the School receives from

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More and more alumni, faculty and friends of New York University are using life income plans to make their gifts. And there’s a reason why. They benefit, and so does NYU.

NYU life income gift programs allow our supporters to donate assets, take charitable deductions, sidestep capital gains taxes, and receive a high and secure income for life or for a term of years.

The idea may sound almost too good to be true. But life income charitable gift plans are flexible planning strategies developed by Congress to provide incentives for individuals who wish to make significant donations to nonprofit organizations such as NYU.

With these life income plans, you donate an asset and you receive an income based on that gift for the rest of your life or for a period of years, as you direct. Life income gifting is a straightforward and relatively simple concept that makes good sense for many individuals who are willing to plan ahead.

In this issue, we look briefly at life income gifts as a three-step process. Rather than focus on the technical aspects of a particular gift plan, we discuss life income plans in general and illustrate how you can solve various financial and estate planning problems while making a gift that can help shape the future of New York University.

Whether you are a current life income donor or exploring life income plans for the first time, we think you will find this issue interesting and thought provoking. As always, you can request in-depth information about these mutually beneficial plans. Simply use the enclosed reply card or give us a call. We welcome any opportunity to be of service.

Sincerely,

Alan Shapiro, Director of Gift Planning
the trust will be used to fund a scholarship for needy tax students.

Jim grew up in Conshohocken, Pennsylvania, and as a young boy he worked as a caddy at a local golf club. A member of the club was impressed with his resourcefulness and offered to pay his tuition at the University of Pennsylvania. Jim attended Penn’s Wharton School, subsequently served as a naval aviator for four years, and then earned a law degree at the Dickinson School of Law (now Penn State’s law school).

“I grew to love the intricacies of tax law when I was at Dickinson, and I wanted to devote a large part of my practice to it,” Jim says. “So I wanted to attend NYU’s LLM program, which was and is the best in the nation — the Mecca for tax lawyers.” He was offered a scholarship, which made it possible for him to come to NYU Law. Shortly after graduation from the program, he began his legal career as a solo practitioner in Montgomery County, Pennsylvania, where he has practiced ever since.

Even while maintaining his busy law career, Jim’s entrepreneurial streak led him to a number of business pursuits that took advantage of his specialized legal training, while also giving him equity stakes in several of the deals. One of those deals became the cornerstone for the generous gift Jim has made to NYU Law. Nearly 30 years after buying a parcel of undeveloped land, he saw the Philadelphia suburbs approaching, and placed the land into a charitable remainder trust. The trust sold the land to a developer, the proceeds were reinvested (free of capital gains tax, by virtue of the trust’s charitable status), and the trust began paying income to Jim and his wife, Fay.

Ultimately, the remaining trust assets will pass to several charities — including NYU Law — that Jim credits for making his career possible. “I hadn’t started my practice yet when I attended NYU’s taxation program, so I couldn’t afford to spend another year in school. I was deeply grateful when NYU provided the scholarship and gave me an expertise in this area. Now it’s time for me to give back to NYU Law and to its tax students. And it’s only fitting, I suppose, that the tax law itself makes it possible for me to make my gift and obtain an important financial benefit in the form of life income. It’s a win-win situation for me and NYU Law,” Jim says.

Life Income Gifts: The Three-Step Concept

Perhaps you would like to supplement your retirement income, provide a predictable income stream to a family member, or simply rebalance your stock portfolio without incurring capital gains taxes. Life income plans can help you solve these problems...and others.

Most importantly, a life income plan may enable you to make a major gift which otherwise might not be possible. Thus, you can establish a scholarship fund or support a particular program, leave your own legacy and help make a difference in the future of NYU and its students.

You Receive Income Now and Create a Better Future for Others

Despite formidable-sounding names such as the charitable remainder trust and the charitable gift annuity, the concept of a life income plan is quite simple. You make an irrevocable gift now — with cash or appreciated property, such as securities — and you receive income from the gift for life or a term of years.

With some plans, you can choose between a fixed income and a variable income. Most importantly, you can strategically plan your gift to achieve many personal objectives such as converting highly appreciated, low-yielding securities into a high and secure income stream free of up-front capital gains tax, supplement your current retirement plan without penalty, or provide for a dependent relative in a tax-efficient way.

With life income gift plans, both the donor and NYU benefit from the arrangement. Following are examples to illustrate the many kinds of financial problems one can solve while supporting the University.
Lock in a High and Secure Income for Life

Marilyn, an alumna who is widowed and 80 years of age, has always kept most of her money tied up in CDs at her local bank. She is frustrated about the fluctuating rates (they hovered around 5 percent in 2006, and had been as low as 1 percent just a few years ago). She wants to investigate alternatives to renewing her CD. Her major objective is to lock in a respectable income that will last her entire life.

Marilyn learned about gift annuities from another NYU alumna. After exploring her options, she donated $20,000 to an NYU charitable gift annuity. The deciding factor for her was the annual payment rate, which is 8 percent at age 80 (see rate chart for other ages). NYU pays her $1,600 each year for the rest of her life, a very attractive rate of income. Additionally, part of her NYU annuity income will be tax-free. Plus, she receives an income tax charitable deduction of about $10,300 for making this donation.*

When she factored in the charitable deduction with the attractive annuity rate, Marilyn found the charitable gift annuity an ideal arrangement. She had the satisfaction of knowing she would be able to make a meaningful gift to us while enjoying these financial and tax benefits. She was delighted to learn that she could benefit herself while benefiting others.

Current One-Life Gift Annuity Rates

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*Rates subject to change. Two-life rates also available. Contact us for information.

Sidestep the Capital Gains Tax Trap

Jim and Lynne feel trapped by their success — a sizable equities-based portfolio that has grown considerably over the years. Because their stocks have nearly doubled, they fear taking a tax beating if they try to sell assets. At the same time, many of their stocks pay very little in dividends. They want more income during their retirement years but feel locked in. If they sell some of their stock and reinvest the proceeds, it will trigger a hefty capital gains tax, considering the years of built-in appreciation. Jim and Lynne learned about the charitable remainder trust from an independent financial planner who has suggested this planning technique for many of his clients.

They learned that, by setting up a charitable remainder unitrust, they can avoid the capital gains tax, and the trust will provide them an income equal to a percentage (for example, 5 percent) of the value of the trust assets as revalued every year over both their lifetimes. Because the trust is revalued annually, the income paid from the trust will increase as the trust assets increase in value. Also, they receive an immediate income tax charitable deduction for the present value of the remainder interest that will ultimately pass to NYU. Jim and Lynne can make additional contributions to the trust as they wish. And, most importantly, they have the opportunity to make a gift that will have a real impact on NYU’s programs — a gift they never thought they had the capacity to make.

*Based on 6.0% AFR and quarterly payments.
Questions, Questions…

Perhaps you, like so many others, have questions about life income gift plans since they have become more popular and are now recommended by many independent financial planners as viable financial and estate planning tools. Here are some of the most frequently asked questions:

- Which life income plans offer you the most flexibility in determining your income stream or designating multiple beneficiaries?
- What is the minimum dollar amount needed to establish a particular plan?
- When is it better to use appreciated property instead of cash to fund the plan?
- Which plan permits additional contributions to an existing arrangement?
- Which plans can help you build a larger retirement nest egg, even increase your retirement income?

We will be happy to answer these and other questions you may have about life income gift plans. We welcome your inquiries.

Important Reminder about the New IRA Charitable Rollover

If you are 70 1/2 or older, you still have until the end of 2007 to make direct income-tax-free transfers of IRA assets (up to $100,000) to NYU. While such transfers cannot be used to fund life income plans, they do provide donors with an opportunity to make a more immediate impact with their gifts. Bear in mind that these IRA charitable rollover contributions count toward fulfilling your required IRA minimum distribution for the year. Please contact us to learn how you can benefit from this unique giving opportunity.

Take the First Step

To determine which life income plan might be best for you, talk with your financial advisors — and with us. As a first step, you may want to send for our new booklet which highlights the comparative benefits of our various life income arrangements. It’s called Life Income Gift Plans — Ways to Give and Receive. You can get a free copy simply by using the enclosed reply card.

We invite you to explore these exciting life income gifts and find out how you — like other alumni and faculty — can increase your income, enjoy greater tax benefits and make a gift that will have an enormous impact on the future of NYU. We look forward to hearing from you.

N E W Y O R K U N I V E R S I T Y

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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.