WINTER 2009 | ISSUE 14

Well-Planned Gifts Support Arts and Culture at NYU

Inspired by their dedication to art and culture — and NYU’s leadership in these areas — two friends of NYU found creative ways to give to the University. Eberhard Berent, professor emeritus of German at NYU, established the Eberhard Berent Professorship of Goethe in the Department of German, and Paul Lott established the Paul Lott Lectureship and Fellowship Fund at the Institute of Fine Arts.

Prof. Berent made his contribution through a bequest in his will and through the NYU Charitable Gift Annuity, which will provide him with a high and secure income. Continued on page 2

TRIED AND TRUE AT NYU

Philanthropy as a Financial Planning Tool

There are many ways to give to New York University, and many creative ways to structure your gift to meet your specific philanthropic and financial goals. But sometimes the simple tried and true gifts are the most effective way to make a difference at NYU while bringing deep personal satisfaction — and financial security — to you and your family.

Let’s look at a few of these tried and true gift options and see how they can offer substantial tax and financial benefits to the donor, with the opportunity to have a major impact on the University’s faculty, students and programs.

The Situation: Eric has been monitoring a favorite stock over the past several months, and it hasn’t been pleasant. The bottom hasn’t dropped out yet, but the slow, steady decline has left Eric wondering whether he should finally rid himself of this stock that, over the long haul, has been quite good to him.

Even with the recent decline in value, selling the stock would result in a significant capital gains tax that would complicate Eric’s tax picture this year. He purchased the stock nearly a decade ago for $10,000 and it is now worth $30,000 — down significantly from its highest point, but still holding a substantial gain. Selling the stock would result in a tax of $3,000 — a large price to pay for making a wise stock pick. As he reflects on his financial situation and his desire to support NYU, Eric explores the options that are open to him for making a gift of the stock. Eric recognizes that he is in the fortunate position of being able to make a charitable gift and also benefit himself. Two of the options he considers are an outright gift of stock and a charitable gift annuity.
throughout his lifetime — paid to him by NYU. Both of these giving methods enable him to promote the University’s continued excellence while also fulfilling his own current financial objectives.

“This is all my real savings,” Prof. Berent says. “I want to create something meaningful at NYU, and a Chair in Goethe will be an invaluable addition to the department of which I was a member for over twenty years.”

Prof. Berent’s friend, Paul Lott, established the Paul Lott Lectureship through a combination of cash gifts and a charitable distribution from his IRA account. In addition, the Paul Lott Fellowships will be funded through the NYU Charitable Gift Annuity and a bequest in his will.

Mr. Lott’s professional career in tax and finance led him to recognize the significant advantages of the Gift Annuity, as well as the importance of the IRA charitable distribution — a giving strategy whose tax benefits have been extended through 2009.

“Fine art has had such a positive influence on my life, and I hope my lectureship and fellowships will help others enrich their lives through the study and appreciation of art,” says Mr. Lott.

For Prof. Berent and Mr. Lott, giving to NYU is a hallmark of their commitment to the world of art and culture, and wise planning helps them enjoy their gifts and take full advantage of the greatest financial and tax benefits.

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**How much does a $30,000 gift really cost?**

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Assumes $20,000 capital gain, stock held more than one year, 35% tax bracket.

**Get a double tax benefit from a gift of stock**

Eric learns that he can gift the stock to NYU at an even lower cost than if he gives an equivalent amount of cash. Here’s why: Eric receives an income tax charitable deduction for the full fair market value of the stock, plus there is no capital gains taxation on the increase in the stock’s value. This “double tax benefit” enables him to make the same impact with his gift as an equivalent cash gift of $30,000, but at a lower real cost.

**Increase income with an NYU Charitable Gift Annuity**

Eric has another attractive option. Since the same stock has also reduced its dividend, Eric can make up the lost income and increase his income by donating the stock to set up a charitable gift annuity with NYU. At his age of 74, the annuity payout rate is 6.1 percent, which means a $30,000 gift provides annual payments of $1,830 for the rest of Eric’s life. Eric receives a substantial income tax charitable deduction of about $13,050* in the year the gift annuity is set up, and NYU ultimately receives a significant gift that supports its faculty, students and programs. And even though Eric effectively converts his disappointing stock to a high and reliable income stream for life, he doesn’t pay up-front capital gains tax. Rather, any capital gains will be spread out over his lifetime; as Eric receives NYU annuity income, a portion of that income will be taxable at low capital gains rates. Eric likes the idea of all these income and tax advantages, while supporting NYU with a meaningful gift — one much larger than he thought was possible. And, as with any planned gift, Eric can designate how his gift is used at NYU.

*Based on an AFR of 3.0% and a quarterly payment. This rate can change monthly and affects the amount of the deduction.
SOMETHING NEW

More Ideas To Consider

Planned gifts call for thought and deliberate planning — they are a step beyond outright gifts of cash. They can be simple (a charitable bequest, for example) or complex, and can sometimes confer enhanced tax benefits to the donor as well.

One of the most appealing aspects of planned giving is its flexibility — there are so many different ways to support NYU’s students, faculty and programs. If you have a desire to support the University, there is probably a planned gift approach that will be the most rewarding to both NYU and you. Here are a few ideas you will want to consider — or, if you are experienced in planned giving, perhaps now is the time to focus again on these gift ideas in light of your current goals and needs.

Boost retirement income

*The Situation:* Beth is a successful dentist who wants to supplement her future retirement income to ensure that she will be able to maintain her current lifestyle. Having maxed out her retirement plan, she was delighted to learn about our deferred gift annuity program. This enables her to make a gift and receive a helpful income tax charitable deduction now, and delay receiving income payments until her retirement years — approximately ten years from now. She even has flexibility to change the date her payments begin should her circumstances change. Under this arrangement, Beth’s current income tax deduction and her future annuity payments will be higher than with a standard or immediate-payment gift annuity. Unlike traditional retirement plans, there is no limit to the amount you can use to set up a deferred gift annuity, and multiple gift annuities are also permitted. The deferred gift annuity is a great plan that permits individuals with a high current income to increase their tax-deferred retirement income while also supporting NYU.

Turn a vacation home into an income stream

*The Situation:* Roger and Carole bought a vacation home during the early 90s. Now they no longer have the same interest in using and maintaining a second home. They decided to use the home to fund a charitable remainder unitrust.

By setting up a unitrust with the property, they receive a substantial income tax charitable deduction and lose the burden of property taxes and maintenance bills. Once the property is sold within the trust, Roger and Carole will receive an income stream they can spend on their newfound love of travel. Plus, the remaining assets in the trust will eventually go to establish the permanent named scholarship fund that Roger and Carole want to establish at NYU.

THE IRA CHARITABLE ROLLOVER: AN OPTION IN 2009

Are you looking for a simple and smart way to support New York University? IRA owners age 70 1/2 and over have an option — the IRA Charitable Rollover.

A direct charitable distribution can be made from your IRA to NYU, so you can use your IRA as an asset to make a tax-wise charitable gift. Congress introduced the IRA Charitable Rollover in 2006, but only for a limited time. Fortunately, Congress revived the law and donors have this option in 2008 and 2009.

To take advantage of this limited-time giving opportunity:

- You must be 70 1/2 years of age.
- You must make your charitable distribution (up to $100,000) by December 31.
- You must instruct your IRA custodian to make the charitable distribution directly to a charity such as NYU.
- The donor cannot claim a charitable deduction for arranging an IRA Charitable Rollover — but the charitable distribution is excluded from the donor’s gross income for federal income tax purposes, so the net tax advantage is the same.

Contact us to learn more about the IRA Charitable Rollover. We can even provide a sample letter to notify your IRA administrator.

We are glad to discuss how this option can be a smart way for you to support NYU. Knowing all your options is important when you review your personal finances and plan your charitable gifts.
Flexible giving options

The Situation: Gary has always wanted to “give back” to NYU, but is hesitant to lock into a commitment. He is pleased to learn that there are several ways to make a current commitment with no out-of-pocket cost — and he retains the flexibility to adjust the gift provision should his circumstances change. All he need do is change the beneficiary designation of, say, a no-longer-needed life insurance policy or IRA plan. It’s an easy way to help us without in any way jeopardizing his personal planning objectives.

Another option: Gary could leave a portion of his estate to NYU through a bequest in his will or living trust. It’s an easy step to take. Gary can rest assured that his intentions will be met, and he is not locked into a commitment that affects his current financial position.

More information is available

You may want to explore with your financial advisors the gift planning ideas discussed here. These ideas (and others) are highlighted — along with important tax changes — in our new edition of the Taxpayer’s Home Companion. You can receive a complimentary copy by using the enclosed card, or contact us by phone or email. Feel free to request an additional copy for your financial advisor.

CHANGE IS CERTAIN, AND NYU’S GROWTH CONTINUES

As the economic landscape continues to be reshaped, NYU continues to serve its students and enhance its academic and research programs. Change focuses our attention on opportunities — and NYU wants to position itself to take full advantage of great opportunities when they arise. Thanks to creative charitable gift planning, NYU’s alumni, faculty and friends can still make a difference — giving NYU the support it needs to continue to grow and excel while enjoying substantial tax and financial advantages.

An investment in NYU is one of the soundest investments you can make, now more than ever. The University is redefining higher education both in New York City and around the world, facilitating breakthroughs in all fields and disciplines and preparing our students for the challenges of tomorrow. We invite you to contact us for more information or to explore additional ideas that will prove helpful to both you and NYU. Thank you for your commitment to the University.

NEW YORK UNIVERSITY

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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.

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