Paul Einhorn: Education Is the Greatest Gift

Grateful for the scholarship he received when he was a student at NYU, Paul Einhorn (STERN ’39) and his wife Gloria have long desired to establish a permanent scholarship fund at the Stern School. “Education is the greatest gift,” Paul says. “I wanted to pay NYU back for the education I received, and help students obtain the same advantages I experienced.”

For the Einhorns, the chance to give back arrived. Their charitable goals and financial circumstances, combined with the tax laws, presented an opportunity in the form...
of a Charitable Remainder Trust. Paul faced a significant capital gain if he sold some stock. Instead, he contributed the stock to the CRT, avoided the capital gain, and the CRT became a source of income for Paul and Gloria, should they need it. Ultimately, the trust assets will create the scholarship fund they had dreamed of.

When Paul graduated from NYU, he enlisted in the Army and was shipped out to Europe, where he eventually became a member of General Patton’s Army Intelligence staff. A speaker of German and Yiddish, Paul helped arrange for the massive medical transports of concentration camp survivors after the liberation, and helped in the compilation of a list of survivors, to help families reunite.

After his return from Europe, Paul began his professional career as a CPA in a solo practice. Soon he joined a small lighting manufacturer and eventually rose to the company’s presidency. Over the next several decades, many wise investments coupled with looming capital gains implications, helped create the circumstances that made Paul’s gift to the charitable remainder trust such a tax-wise arrangement. And when the Einhorns created their CRT, they made it — and their ties to NYU — even more of a family affair by naming their two daughters as trustees of the trust. One of the daughters happens to possess two NYU degrees, and her husband is an NYU alumnus as well.

The CRT proved a great way for Paul and Gloria to unlock their highly appreciated stock, while avoiding capital gains tax and generating a significant income tax charitable deduction. Paul and Gloria receive a high level of income from the trust. You, too, can benefit from an NYU life-income gift such as a CRT or gift annuity, while also helping future generations of students. Read this issue of Torchlight to learn more.

The Power of a Planned Gift — Benefits for You and NYU

Planned gifts are charitable gifts that can be beneficial to both you and the University. Often the donor can enjoy enhanced tax and financial benefits while making a larger gift than otherwise might be possible. Usually this means coordinating the gift with the donor’s financial and estate planning. But it need not be complicated or difficult:

- Most planned gifts are easy to understand and implement.
- Planned giving is not just for the wealthy — gifts of all amounts are appreciated and make an impact.
- Some gifts are extremely flexible, which means you have the right to make adjustments should your needs or circumstances change.

One way to understand planned giving is to break it down into three broad categories of gift plans and look at the comparative benefits. The categories are outright gifts, life income gifts, and charitable bequests.

Outright Gift Opportunities

If you are looking to make an immediate impact with your gift, consider an outright gift. Outright gifts can be used right now to support a program of your choice. Plus, you have the opportunity to maximize your income tax savings.

Cash gifts, of course, are always welcome and appreciated. But oftentimes a gift of long-term appreciated property such as securities or real estate can even enhance your tax benefits. Consider that a gift of appreciated securities is an effective way to make a meaningful gift, sidestep the capital gains tax drain, and rid your portfolio of an out-of-favor stock. What’s more, such a gift has a true after-tax cost that is less than a comparable cash gift.

Example: Jean is thinking about making a $10,000 cash gift to NYU’s scholarship fund. But is a cash gift necessarily the best choice? Jean could make a $10,000 gift using shares of a tech stock that she bought years ago. Her basis in the stock is only $500, but she can take the full fair market value of $10,000 as a charitable deduction on her next income tax return. And the $9,500 capital gain that would have been taxed if Jean had sold the shares is avoided altogether. The choice of a stock gift is a smart option for Jean — she has a reduced out-of-pocket cost,
but her gift still has the same impact.

Many of our friends use outright gifts to give impetus to a particular NYU program or campaign or to satisfy a pledge commitment. We can help you select the most appropriate asset or arrangement to produce the best result.

**Gifts That Pay Income**

Faculty, alumni and friends who want to make a gift but who are reluctant to give up an asset are delighted to learn that they can make a gift to NYU while retaining income from the gift asset. NYU offers several gift plans that can generate either a fixed or a variable income depending on your needs. For example, if you want to convert a highly appreciated, low dividend-paying stock into a high income stream, you can do so while reducing or even eliminating your capital gains tax liability. You will also enjoy substantial and immediate income tax savings.

**Example:** Robert just celebrated his 60th birthday. One of the 76 million boomers facing retirement, he has done well with investments but is still concerned about maintaining his active life style in the years ahead. Robert wants to start building a stronger income stream for the future. He has turned his attention to one block of highly appreciated stock that was once a high flyer but pays a paltry dividend. His cost basis in the stock is $50,000, but the current fair market value is $350,000. Selling the stock and reinvesting is an option, but the idea of paying the significant capital gains tax is not appealing to Robert.

After some investigation, Robert learns he can use the stock to set up a charitable remainder unitrust (CRUT) with us. The two primary advantages are (1) avoidance of the capital gains tax of $45,000, and (2) the creation of a lifetime income stream based on the full $350,000 value of the stock. He selects a 6 percent annual payout, which not only improves his current financial position, but may actually increase over the years should the invested trust proceeds grow in value as anticipated. What’s more, Robert receives a substantial income tax charitable deduction this year. And, assuming the trust grows in value, Robert likes the idea that the remaining gift will also grow in value — increasing the impact of his philanthropy.

**Other options:** You may prefer the fixed income opportunities available with our very popular gift annuity program, or with a charitable remainder annuity trust (CRAT). Our informative booklet, *Making a Difference*, provides more information about our variety of life income gift plans. Please use the enclosed card to order this booklet or to let us know if we can help you with any other gift planning ideas.

**Charitable Bequests**

A charitable bequest is simply a gift made through your will. It’s the most popular planned gift because the donor retains control of the asset during life and can always change or amend any beneficiary designations in response to changing life conditions. Because a charitable bequest is revocable (unlike an outright gift or life income gift plan), there are no immediate income tax savings. But there may be estate tax benefits.

Charitable bequests are easy to make, and we can help you and your attorney by providing draft language that will accomplish your objectives for the future of the University. You can leave a legacy consisting of a specific dollar amount, a percentage of your estate, or what’s left of your estate after other bequests are satisfied. We will be happy to work with you and your advisors to help you achieve your specific planning objectives.

**How to Leverage the Impact of Your Gift**

Read nearly any financial or philanthropic journal today and you will quickly discover an intense donor interest in how to maximize the impact of a charitable gift. Often, donors use a combination of gift plans to realize their goals. Some who opt for a pledge (a promise to make a large gift commitment over a period of time) may make an initial outright contribution of cash or appreciated
property, supplemented by a bequest provision in their will to complete the commitment.

You may wish to consider establishing a unique named endowment program through a single gift or through a combination of gift arrangements. Many donors create an endowment through a bequest or trust. Others simply prefer to contribute to an existing fund rather than create their own. We would be delighted to talk with you about how you can establish an endowment fund at NYU, and how you can restrict the use of that fund in perpetuity for scholarships, faculty support, or academic or research programming in a field important to you.

We invite you to explore the many opportunities available to you today. There is a “right combination” that will allow you to leverage your philanthropy and experience the greatest satisfaction from your gift — helping NYU immensely while you enjoy meaningful personal benefits as well.

**To Learn More**

To find out which specific gift plan may be best for you, simply return the enclosed card. It would be our pleasure to provide additional helpful information on gift plans and ideas, including pledges and endowments.

**EXACTLY WHAT IS AN ENDOWMENT?**

An endowment is a permanent fund set aside for a restricted use that you designate, either University-wide or at a specific college or school of the University. The gift is self-renewing and creates opportunities for others to join you in extending a meaningful legacy. Here’s how an endowed fund works:

- The endowed fund is established through a tax-deductible charitable gift, or through a series of gifts over time.
- The principal of the endowed account is invested and a portion of the account is used each year to provide the designated support.
- As the endowment grows through wise investment, and as new gifts are added, so do the funds available for spending each year for the designated purpose.
- The fund becomes a growing and perpetual source of funds for the named scholarship, program or service you’ve chosen, continuing from year to year and generation to generation!

**Example:** William wanted to acknowledge the scholarship assistance that he received when he attended NYU. So William established a modest scholarship fund in his name. Each year, he enjoys the opportunity to actually meet the students who benefit from his generosity. He plans to make future contributions to the fund as well, including a bequest provision in his will, and he has invited his children to make contributions as they are able. It’s an admirable family venture — one that has a never-ending impact on future generations of students.