

Alumni Giving Offers Tax Benefits

by Colin B. Exelby '00



It is never too early to begin thinking about ways to reduce that tax bill for 2006. Show your appreciation to those you love, the charities you admire and of course your Alma Mater, Salisbury University, while receiving tax savings and other benefits.

How do you develop a successful gifting strategy? Here are a few suggestions:

- Establish a clear goal for your gift giving
- Compare the tax savings from different gifting options

To help you start thinking about developing a strategy, I've provided some basic information about both individual and philanthropic gift giving.

Giving To Individuals

For 2006, under the annual gift tax exclusion you can gift up to \$12,000 each to as many individuals as you choose. Gifts over this amount require filing a gift tax return and may incur a gift tax liability. If you are married and you and your spouse elect to split gifts, you can give each person up to \$24,000 per year tax-free. Even though these gifts are not tax deductible for income tax purposes, neither you nor the recipient will have to pay income or gift tax when the gift is made. In addition,

the gifted assets and all subsequent appreciation on the gifted assets are removed from your estate, thus potentially reducing future estate tax liabilities. Outright gifts are simplest, but you may also want to consider gifts in trust, gifts to 529 college savings plan and gifts to UGMA/UTMA custodial accounts.

Giving To Charities

Most charitable gifts also provide you with a current year income tax deduction. There are several types of charitable beneficiaries, including university foundations, public charities, pooled income funds, private foundations and donor-advised funds.

Charitable Remainder Trusts: A Smart Way to Leave a Legacy

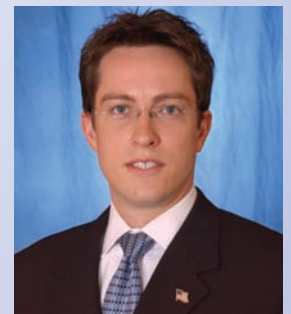
A charitable remainder trust is an effective and popular choice for individuals who wish to leave a lasting legacy to Salisbury University, but who also reap various financial benefits. In exchange for a future gift to Salisbury University, the charitable remainder trust provides you with several major tax and economic benefits. A charitable remainder trust allows you to:

- *Defer capital gains taxes.* Typically, a charitable remainder trust is funded with highly appreciated assets such as stocks. Because of the tax-exempt status of the trust, the highly appreciated assets can be sold free of immediate capital gains taxes. Instead, the capital gains are carried out to the trust beneficiary as part of the regular distributions from the trust and, therefore, are spread out over the whole term of the trust rather than being payable all up-front.
- *Increase diversification and cash flow.* The resulting sale proceeds from the sale of a concentrated, highly appreciated portfolio can be reinvested in more diversified assets. You (and possibly other family members) will receive regular distributions from the trust for life or a term of up to 20 years.

- *Receive a current-year federal income tax deduction.* The deductible amount is the net fair market value of the property placed in the trust minus the present value of the payments to be made to you and/or your beneficiary. The deduction, which is available only if your trust meets all IRS requirements, is calculated using mandatory Internal Revenue Code formulas, interest rate assumptions and life expectancy tables (or the term of the trust if it is a fixed number of years).

- *Reduce future estate tax liabilities.* Assets transferred to a charitable remainder trust are not included as a part of your taxable estate. This could reduce future estate tax liabilities faced by your heirs.

Remember, a charitable remainder trust is irrevocable. Assets in the trust eventually pass to charity, not to your family. You should work with your tax and legal advisors so that a charitable remainder trust, or any other year-end gifting strategy, fits into your overall estate plan. If it does, you could potentially enjoy significant tax and economic benefits as well as leaving a lasting legacy to your favorite charity.



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A Planned Gift To SU Lets You Match Your Gift To Your Goals

If your goal is to make a gift to SU, you have several unique choices:

- **To complete your gift quickly and easily**

You can write a check now.

Benefit: A charitable income tax deduction and the satisfaction of making a gift of immediate impact to SU

- **To defer the gift until after your lifetime**

You can name SU as a beneficiary in your will.

Benefit: Full control of your assets during your lifetime and a donation that is fully exempt from estate tax

- **To receive guaranteed, fixed income from your gift that is partially tax-free**

You can create a charitable gift annuity.

Benefit: A guaranteed income for life, current and future savings on income taxes, and possible reduction or elimination of capital gains tax



- **To create a hedge against future inflation from your gift**

You can create a charitable remainder unitrust.

Benefit: Variable income payments, a charitable income tax deduction and possible reduction of estate taxes

- **To secure a fixed life income from your gift while avoiding market risks**

You can create a charitable remainder annuity trust.

Benefit: Fixed income payments, a charitable income tax deduction and often a boost to your rate of return

- **To avoid capital gains tax on the sale of an asset you will use to fund your gift**

You can contribute long-term appreciated securities or other property.

Benefit: A charitable income tax deduction, no capital gains tax on the sale of the asset and immediate impact to SU

- **To make a large gift with little cost to you**

You can contribute a life insurance policy you no longer need.

Benefit: Current and potential future charitable income tax deductions and immediate impact to SU



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