

**“The deep rewards of giving  
go to those who give out of a  
concern for others, and take  
pains to see that their giving  
is wisely done...”**

F. Emerson Andrews  
(1902-1978)  
American author



## PLANNED GIVING FOR THE UNIVERSITY OF IOWA

# CREATING YOUR IOWA LEGACY

**Planned giving can maximize your support for the University of Iowa while helping you achieve your financial and philanthropic objectives.**

Six little words tend to accompany so many of the gifts the University of Iowa receives: “I wish I could do more.” The fact is that our alumni and friends can “do more”—if gifts are carefully planned. Combining financial planning, estate planning, and tax planning techniques, planned giving enables donors to make gifts of surprising significance, often with dramatic tax and financial rewards. Careful planning is vital when considering the basic questions involved in making an important gift:

- Why should I give?
- How should I give?
- When should I give?
- Are there special purposes my gift should accomplish?

In the process of planned giving, it’s important to begin by identifying your charitable goals and desires. Once we understand how you envision making an impact on the UI and future generations of students and faculty—as well as the many health care patients and other citizens the UI serves—we can then work with you, your advisers, and representatives of the UI college or program you’d like to support in putting together a gift plan. Ideally we will be able to develop a plan that benefits you, your family, and the UI.

Planned gifts can be outright (such as cash gifts or gifts of appreciated securities) or deferred (gifts to be received at a later date), or a combination of the two. The planning ideas described here are not meant to be all-inclusive. Instead, we hope to prompt you to consider the best giving options for your situation and to ask questions about them. We are ready to help you establish your Iowa legacy and advance our great university in any way we can. *It is important that you confer with your professional advisers before making any financial decisions.*



## CURRENT GIFTS OR PLEDGES

Current gifts are made today and benefit the UI immediately. These gifts may include pledges payable over a two- to five-year period.

### OUTRIGHT GIFTS OF CASH

Gifts of cash consist of any instant transfer of funds from you to the UI. This can be accomplished through:

- Mailing us a personal check made payable to the State University of Iowa Foundation.
- A credit card transaction by calling 800-648-6973 with your credit card information.
- A gift on our website, [givetoioowa.org](http://givetoioowa.org). Our website offers a safe and easy way to make a cash gift with your credit card.

Cash gifts qualify for a charitable income tax deduction equal to the amount of the gift. This gift can be claimed up to 60 percent of your adjusted gross income in the year of your gift, with a five-year carryover period for the excess.

### GIFTS OF APPRECIATED SECURITIES

Gifts of securities are easily made when your broker transfers shares electronically to the UI. Please call us at 800-648-6973 to obtain information to complete a stock gift—be it an electronic (wire) transfer or a gift of a certificate(s).

Gifts of appreciated stock or mutual fund shares which you have held for more than 12 months qualify for a charitable income tax deduction equal to the current fair market value of the transferred assets. This deduction can be claimed up to 30 percent of your adjusted gross income in the year of your gift, with a five-year carryover period for the excess. In addition, by transferring these assets directly to the UI, you avoid paying capital gains tax on the sale. For most donors, this double tax savings can make a gift of appreciated securities the most cost-effective gift option available.

#### STOCK GIFT

A donor owns 100 shares of stock purchased five years ago for \$2,500. Today, the shares are worth \$10,000. The donor is in the maximum federal tax bracket. If the donor sells the stock, this individual has a \$7,500 long-term capital gain. The donor wants to make a \$10,000 charitable gift this year and normally gives cash. The donor has three options: give cash, sell the stock and give cash, or give the stock.

	OPTION A Give \$10,000 in cash	OPTION B Sell securities and give cash	OPTION C Give securities outright
Gift value	\$10,000	\$10,000	\$10,000
Ordinary income tax savings	\$3,700	\$3,700	\$3,700
Capital gains and Medicare Contribution Tax (MCT) saved (or paid), assuming 20% tax rate plus 3.8% MCT	N/A	\$1,785 paid	\$1,785 saved
Net tax savings	\$3,700	\$1,915	\$5,485





## **GIFTS OF REAL ESTATE**

Most real estate held for a length of time has appreciated in value and offers great potential for charitable planning. As with appreciated stock and other non-cash assets, gifts of appreciated real estate held for at least one year qualify for a charitable income tax deduction equal to the current appraised value of the property. This deduction can be claimed up to 30 percent of your adjusted gross income in the year of the gift, with a five-year carryover period for the excess. By transferring real estate directly to the UI, you also avoid paying capital gains tax on the sale of the property.



We would be happy to explore with you a gift of a farm, home, vacation property, or other property in support of the UI. We will consider marketability and potential environmental liability in evaluating gifts of real estate. All gifts of real estate are subject to approval and must be accompanied by a qualified appraisal.

## **GIFTS OF GRAIN**

For donors who actively farm on a cash basis, significant tax savings may be achieved by donating grain directly to the UI, rather than selling the grain and donating cash. By donating grain, the cash basis farmer avoids having to include the sale of grain in income, which results in a savings of both income tax and self-employment tax. In addition, the expenses related to the production of the donated grain are normally deductible on Schedule F. The donor does not claim a charitable income tax deduction on Schedule A.



Gifts of grain may be donated from the current or previous years' harvests. There must be no prior sale commitment. The gift is made by having the elevator issue a warehouse receipt in the name of the State University of Iowa Foundation. For grain stored on the donor's farm, the farmer must deliver to the charity a notarized letter of transfer. The farmer must give up dominion and control over the grain, and cannot offer any guidance as to when to sell the grain. We must direct the sale, and the original sales invoice must list the State University of Iowa Foundation as the seller.

#### CHARITABLE BEQUESTS: FLEXIBLE PHILANTHROPY

Charitable bequests can be an ideal way to ensure that, once your family is provided for, you can establish a far-reaching and meaningful Iowa legacy.

While some 70 percent of Americans make charitable gifts during their lifetime, only about 10 percent think to extend their philanthropic activities beyond their death through a bequest.

Often, people are concerned about being “locked in” to their bequest in the event of a financial emergency in the family. However, bequests can be amended to reflect your changing circumstances.

A specific bequest designates a fixed dollar amount or specific property to the UI.

This type of bequest is appropriate when you have an item of value such as stocks or real estate, or a definite dollar amount that you wish to leave to the UI.

Percentage or residual bequests automatically adjust to a changing estate size.

If you wish to use your bequest to establish a permanent named fund, our staff will work with you to create a Statement of Gift Intent.



## FUTURE GIFTS

### CHARITABLE BEQUEST IN A WILL OR LIVING TRUST

Charitable bequests established in wills and living trusts are the most common form of establishing future gifts for the University of Iowa. Gifts that take place after your death may enable you to make a larger contribution than you would have been able to make during your lifetime. These revocable gifts also enable you to retain total control of your assets during your lifetime. If your family’s financial situation changes, you are free to make changes to your bequest as well.

When preparing a will or living trust, your heirs’ well-being will always come first. Then, once you have ensured that your loved ones are provided for, you may want to include a charitable bequest to benefit the UI area that is most meaningful to you. For many UI alumni and friends, including the UI in a will or trust is the most effective way to make a major gift commitment. Whether providing for a spouse, children, grandchildren, or charitable organization, your will or trust should be prepared with the help of an attorney and reviewed regularly. Gifts in wills or trusts should incorporate our full legal name, the **State University of Iowa Foundation**.

#### SUGGESTED LANGUAGE FOR BEQUEST IN A WILL OR TRUST

“I give to the State University of Iowa Foundation, an Iowa nonprofit corporation in Iowa City, Iowa,

*(choose one of the following to indicate gift amount)*

1. the sum of \$ \_\_\_\_\_
2. \_\_\_\_\_ percent (or all) of the residue of my estate

*(choose one of the following to indicate gift purpose)*

1. to be used in accordance with the terms of a signed Statement of Gift Intent, as then in existence at the time of my death.
2. to be used to support \_\_\_\_\_ (name of UI college, department, or program).”



## DESIGNATING THE UI AS A BENEFICIARY OF AN IRA OR RETIREMENT PLAN

As with charitable bequests, you retain control throughout your lifetime over the designation of these assets. In many cases, these assets will have significant value upon your death. A percentage of your retirement plan can be assigned by naming the State University of Iowa Foundation as the successor beneficiary of the plan.

Individual account plans—which include an IRA, Keogh, 401(k), or 403(b)—resemble tax-sheltered savings accounts. If you happen to die before the entire account has been distributed, the remaining balance can be transferred to an heir or the UI. The biggest advantage of donating retirement plan assets to the UI is that all income tax is avoided, whereas giving these assets to individuals will trigger income tax.

### RETIREMENT PLAN ASSETS: GIFT EXAMPLE

Mary Smith has a \$100,000 IRA (or other qualified retirement plan). She may designate the UI as a beneficiary upon her death so that—after drawing on the assets throughout her retirement years—a percentage (or all) of the remaining assets are used to support the UI as she directs. When Mary dies, the designated percentage goes to the UI free of all tax. Had Mary named her children as beneficiaries, they would have paid income tax on the payments they received.

These plans typically have a plan administrator who can be contacted for a change of beneficiary form. As with all other legal documents, the change of beneficiary form should specify the State University of Iowa Foundation and use our taxpayer I.D. number (42-0796760). While the tax advantages can be quite significant, this type of gift requires careful planning. Please consult with your plan administrator and professional advisors.

## COMMERCIAL ANNUITY BENEFICIARY

Naming the UI as the beneficiary of a commercial annuity allows you to retain control over the annuity during your lifetime while making a gift automatically at your death. The gift to the UI is completely tax free.



### **LIFE INSURANCE BENEFICIARY**

While life insurance provides family protection and peace of mind, it can also support the UI after your lifetime. You can name the UI as a beneficiary and maintain lifetime ownership rights in a policy (the right to borrow against the policy or cash it in, for example). If you prefer, you can name the UI as contingent beneficiary of a life insurance policy. The UI receives the proceeds only if your primary beneficiary dies before you. Please use our full, legal name: **the State University of Iowa Foundation**.

### **UNITED STATES SAVINGS BONDS**

While it's generally not possible to make gifts of U.S. Savings Bonds during your lifetime, they make excellent charitable gifts at death. This is because savings bonds, like IRAs and other retirement plan assets, are considered to be income in respect of a decedent. This means that any individual, including a spouse who receives these assets, will pay income tax on the accumulated interest when they are cashed in.

Because the UI is a qualified charity, we do not pay income tax, meaning that the full value of the savings bonds go to work for the charitable purposes you designate. You may make the UI the beneficiary of your savings bonds simply by making a specific bequest of them in your will or living trust.



## GIFTS FROM FINANCIAL ACCOUNTS

Bank account proceeds and brokerage account assets can often be passed at death to an individual or organization without making or changing a will. Many states allow P.O.D. (pay on death) accounts that let you designate a beneficiary for almost any type of bank account: savings, checking, CD, credit union savings, and more. You are able to indicate that your deposit will be payable to an organization or nonprofit such as the UI and keep the right to change or revoke the arrangement at any time.

If P.O.D. accounts are not used where you live, you may be able to use a Totten Trust or “self-declaration trust.” These are bank deposits that are indicated to be “in trust for (a named beneficiary).” Upon death, an “absolute” trust comes into existence and the balance passes to a beneficiary—which can be an institution such as the UI. Ask your account manager how beneficiaries can be named.

Securities that are held in a brokerage account can often be transferred to the UI at death through a T.O.D. (transfer on death) designation. Your broker can provide a form on which you can name the UI as a beneficiary of some or all of the account. Please use our full, legal name: **the State University of Iowa Foundation**. You will retain the right to change or revoke the designation at any time and will continue to have complete control over the account during your lifetime.







### **RETAINED LIFE ESTATE**

While continuing to enjoy it during your lifetime, you can give the UI your home, condominium, farm, or vacation property. In return, you receive a current charitable income tax deduction. You continue to have lifetime use of the property and will maintain its normal upkeep and pay property taxes and insurance. If you are planning to make a charitable bequest of your home or farm at death, you may want to consider establishing a retained life estate so that you can enjoy an immediate charitable income tax deduction. When your retained life estate ends, the UI will use the proceeds from the sale of your property for the purpose(s) you have designated.

### **LIFE INCOME GIFTS**

Gifts with a retained right to receive income, or life income gifts, are like giving an apple tree but keeping part of the yearly harvest for yourself or others.

A life income gift is one in which you contribute assets to the UI while retaining the right for you or someone else to receive an income. If you fund your life income gift with appreciated property, you can avoid immediate capital gains taxes and allow the full value of the asset to generate income. You are also allowed a charitable income tax deduction equal to the present value of the UI's remainder interest in the life income vehicle. When your income interest ends, the remaining funds will benefit the UI area of your choice.

Life income gifts can be structured to fit a variety of needs, including a choice of a fixed income or a market-sensitive income. The two main types of life income gifts are charitable remainder trusts and charitable gift annuities. Each has a slightly different use and tax result.

#### CHARITABLE GIFT ANNUITY EXAMPLE

Jane and John Doe, 70 and 68 respectively, establish a charitable gift annuity by transferring appreciated stock to the UI with a current value of \$100,000, for which they originally paid \$20,000. In return, the UI arranges to pay a guaranteed annuity back to Jane and John each year for life.

Based on their ages, they will receive 4.9 percent or \$4,900 a year for their lives. The Does receive a charitable income tax deduction based on their ages and the annuity rate. Neither the Does nor the UI pay capital gains tax on the transfer and subsequent sale of the stock. Rather, in most cases, any capital gains tax is spread out over the donors' life expectancies. Finally, the stock is removed from Jane and John's taxable estates. Upon the death of both Jane and John, the gift principal passes to the UI for their designated purposes.

#### Sample CGA Payout Rates\*

(as recommended by the American Council on Gift Annuities) Please note that we are not able to offer CGAs in all states.

Age 70–5.1%  
75–5.8%  
80–6.9%  
85–8.0%  
90+–9.0%

\*One-life rates; ask about our joint-life rates.

#### CHARITABLE REMAINDER TRUST

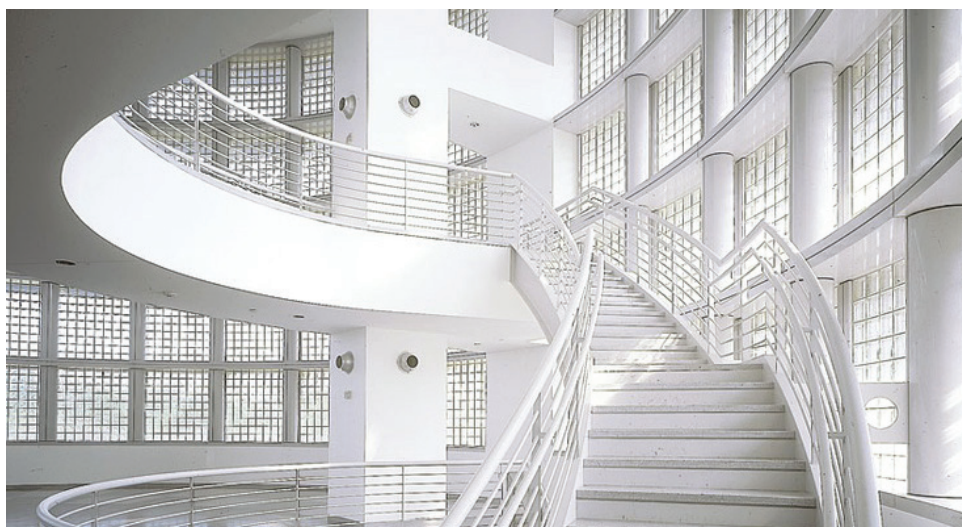
A charitable remainder trust is created when you place assets—usually cash or appreciated securities—into an irrevocable trust and name a trustee (for example, the UI). The trust invests the assets and agrees to pay an income—at least 5 percent—to you or other beneficiaries you select for life or for a set term of years (not to exceed 20 years). When the trust ends, the remaining assets are used for the purpose(s) you designate. There are two types of charitable remainder trusts that may assist with your planning.

- Charitable remainder annuity trusts provide a lifetime or term income that is a fixed annuity, based on a percentage of the initial value of the trust assets. The annuity trust is most often used when your primary goal is fixed income.
- Charitable remainder unitrusts provide a lifetime or term income that is a percentage of the trust's assets revalued annually. Income payments vary from year to year with the changing value of the trust. This trust provides a hedge against inflation as income payments may increase over time. The unitrust can be used with gifts of appreciated securities, cash, or real estate.

#### CHARITABLE GIFT ANNUITY

The charitable gift annuity is not a trust, but is an irrevocable contract between you and the UI. We draw up a simple contractual agreement in which you transfer assets to the UI in exchange for our promise to pay a guaranteed fixed sum each year for life to one or two annuitants named by you.

The older the annuitants are at the time of the gift, the greater the fixed amount the UI will agree to pay (see accompanying sample annuity rates). The payments can begin immediately (charitable gift annuity) or can be delayed one or more years (deferred charitable gift annuity). Upon the death of the annuitant(s), the principal of your gift is used to support the UI as you specify.



## HOW MAY WE HELP YOU?

Members of our Planned Giving staff are eager to assist you and your advisers in developing answers to your charitable giving questions. For more gift planning ideas, visit [uifoundation.planningyourlegacy.org](http://uifoundation.planningyourlegacy.org) or contact us using the information on the back page of this brochure.

The information contained in this publication is a general introduction to various planned giving techniques and is not intended as a comprehensive guide to tax and financial consequences. You should always consult with your own professional advisers before making specific plans.

### HAVE YOU HEARD THE LATEST

Planned gifts for the UI can take many forms, but they all have the same result: crucial support for UI students, faculty, and programs. We'd like to help you stay informed about your gift planning options and the impact private support has on the UI by including you on our mailing lists for our *Gift Planning @ Iowa* e-newsletter and our *Imagine Iowa* print newsletter.

If you don't already receive these and would like to sign up to receive them, please contact us using the information on the back page of this brochure. In addition, at our regularly updated website, [uifoundation.planningyourlegacy.org](http://uifoundation.planningyourlegacy.org), you can request free e-brochures, read stories of UI supporters, stay abreast of laws and regulations regarding gift planning, and more.







**For more information**, please visit [uifoundation.planningyourlegacy.org](http://uifoundation.planningyourlegacy.org), or contact:

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**To sign-up for the mailing lists for our *Gift Planning @ Iowa* e-newsletter and *Imagine Iowa* newsletter, please call the phone numbers above, visit [uifoundation.planningyourlegacy.org](http://uifoundation.planningyourlegacy.org), or email [giftplanning@foriowa.org](mailto:giftplanning@foriowa.org).**

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The University of Iowa Center for Advancement is an operational name for the State University of Iowa Foundation. The State University of Iowa Foundation and the Iowa Law School Foundation are 501(c)(3) tax-exempt organizations soliciting tax-deductible private contributions for the benefit of the University of Iowa and are registered to solicit charitable contributions with the appropriate governing authorities in all states requiring registration. The organizations may be contacted at One West Park Road, Iowa City, IA 52242 or 800-648-6973. Please consult your tax adviser about the deductibility of your gift. If you are a resident of California, Colorado, Georgia, Maryland, New Jersey, New York, Oregon, Pennsylvania, Washington, or West Virginia, please see the full disclosure statement at [foriowa.org/about/disclosures](http://foriowa.org/about/disclosures).