SPIRIT of SHARING

GIFT AND TAX STRATEGIES FOR FRIENDS OF TEXAS A&M ★ ISSUE 44, SPRING 2008

A Simple Gift with Powerful Results

Bill Roach DVM '55 feels it is this generation's responsibility to help prepare the way for tomorrow's leaders. "Somebody did that for us," he says; now he and his wife, Joyce, are committed to helping others.

"I was able to get a very good college education that allowed me to make a living doing something I really, really wanted to do," Bill reflects. After graduating from the veterinary program at Texas A&M University, Bill began his own practice, Killeen Veterinary Clinic, which he owned until 1994.

Now in retirement, Bill and Joyce find themselves with a wonderful dilemma—they have more retirement funds than needed. Knowing their three children and four granddaughters will be taken care of through a family limited partnership, the Roaches found a tax-friendly and simple way to help future Aggies.

"We're going to give both of our IRAs to the Texas A&M Foundation after our lifetimes," Bill says. If given to family, the IRAs would have been subject to income and estate taxes. "When I give it to the Foundation—or any charity—it's not taxed. Texas A&M will get full benefit of it. The gift plan was extremely simple to accomplish—requiring just a change in beneficiary form."

Joyce and Bill Roach '55

"Dr. Bill and Joyce Roach exemplify the Aggie success story," says Glenn Pittsford, assistant vice president for gift planning. "Deeply dedicated to both their wonderful family and to Texas A&M, they found a way to fairly and significantly benefit both." ★

TEXAS A&M FOUNDATION®

SPIRIT AND MIND℠

A Tax-Friendly Gift

IRAs and other tax-deferred retirement plans now account for trillions of dollars of assets held by Americans. Owners of these accounts may wish to benefit charitable causes through thoughtful estate planning because the accounts may be subject to double taxation when the account balance is left to a noncharitable beneficiary.

Estates of less than $2 million are exempt from federal estate tax, but regardless of the size of the estate, noncharitable beneficiaries will pay income tax on distributions from qualified retirement plans. Also keep in mind that large amounts of retirement-plan assets transferred to grandchildren may be subject to an additional tax, the *generation-skipping transfer tax,* equal to the maximum estate-tax rate. The exposure to income taxes, plus possible estate taxes, makes your retirement-plan assets more expensive to transfer to others than real estate, stocks and other assets you have that are not subject to income tax.

You can reduce these costly taxes when you designate the Texas A&M Foundation as the beneficiary of your IRA or other retirement account. You can do this in one of three ways:

Name the Foundation Sole Beneficiary

Benefits: Naming the Foundation as sole beneficiary of your IRA, for example, means that no income or estate tax will be due on the asset from you, your family or the university. Not only will the gift itself be exempt from estate tax, it will reduce the size of your taxable estate since property left to a qualifying charity is deductible from the gross estate. The full value of the IRA will be available for the benefit of Texas A&M.

How: If you are single, you may want to name the Texas A&M Foundation as primary beneficiary. If you are married, both spouses may consider naming the other spouse as primary beneficiary and the Foundation as contingent beneficiary. In this case, the Foundation would receive the gift after both lifetimes.

If you choose to name the Foundation as sole beneficiary of your retirement account, complete an IRA change of beneficiary form and allocate 100 percent of the account to the Texas A&M Foundation as either the primary or contingent beneficiary. File the form with the plan administrator and inform the Texas A&M Foundation of your decision.

Case Study: Jane is a widow with an estate valued at $3 million, which includes a $1 million regular IRA. Jane can name the Texas A&M Foundation as beneficiary of the $1 million IRA at a cost to her heirs of only $357,500.

Benefit Texas A&M for 35 Cents on the Dollar

	IRA to Heirs	IRA to Texas A&M Fdn.
Non-IRD* Assets	$2,000,000	$2,000,000
IRA (IRD* Asset)	$1,000,000	$1,000,000
Total Estate	$3,000,000	$3,000,000
Estate Tax	**$ 450,000**	**$ 0**
Net Income Tax	**$ 192,500**	**$ 0**
Bequest to Texas A&M	**$ 0**	**$1,000,000**
Value of Estate to Heirs	$2,357,500	$2,000,000
Net Value of the IRA	$ 357,500	$1,000,000
Effective Tax Rate on IRA	**64.25%**	**0%**

The calculations in this table reflect 2008 estate-tax rates.
**IRD: Income in respect to decedent. A term used by the IRS to describe tax-deferred income contained in any asset.*

Name the Foundation and Individuals as Beneficiaries

Benefits: Recent regulations allow the charity's interest in the retirement plan to be cashed out, while the other beneficiaries can receive annual distributions.

How: To leave the Texas A&M Foundation a portion of your IRA, complete an IRA change of beneficiary form and allocate the desired percentage to the Texas A&M Foundation. Include other beneficiaries on the same form, allocating each a percentage. File the completed form with the plan administrator and inform the Texas A&M Foundation of your decision.

Establish a Give-It-Twice Trust

Benefits: The give-it-twice trust has been growing in popularity among those with substantial assets and large pension plans or IRAs.

A testamentary charitable remainder trust (CRT) allows your beneficiaries to receive income from all of your retirement funds with the ending balance going to Texas A&M. If you choose to fund a CRT after your lifetime with an IRA or other retirement account, your estate will receive an estate-tax charitable deduction equal to the value of the remainder interest.

You can name your spouse, children or others as income beneficiaries of trust distributions. If the trust income is for your spouse, the income interest will not be subject to estate tax because of the marital deduction.

How: A charitable remainder trust can be established either during your lifetime as a living trust or through your will. Your attorney can advise you about the best procedure to establish your trust and draft the necessary documents. You may choose for the trust to pay your trust beneficiaries income for life or a period of years, subject to limitations. With the consent of your spouse, complete an IRA change of beneficiary form and designate the charitable trust as the beneficiary of the retirement plan.

Case Study: John has an estate valued at $3 million, which includes a $1 million regular IRA. John's son Dan could receive annual payments based on the full value of the IRA if John names a charitable remainder unitrust (CRUT) as beneficiary of the IRA assets and names Dan as the beneficiary of the trust. This would substantially reduce the tax impact on the IRA, which means there would be significantly more capital invested for Dan's benefit before it passes to the Texas A&M Foundation.

Maximize Your IRA's Value with a Testamentary CRUT

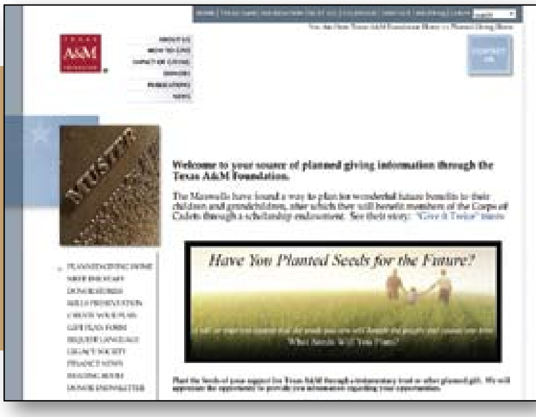
	IRA to Heirs, No CRUT	IRA to 20-Year CRUT
Non-IRD Assets	$2,000,000	$2,000,000
IRA (IRD Asset)	$1,000,000	$1,000,000
Total Estate	$3,000,000	$3,000,000
Estate Tax	**$ 450,000**	**$ 338,009**
Net Income Tax	**$ 192,500**	**$ 0**
After-Tax Income from CRUT	**$ 0**	**$1,124,615**
Ultimate Gift to Texas A&M	**$ 0**	**$1,000,000**
Value of Estate to Heirs	$2,357,500	$2,786,606

This charitable remainder unitrust example assumes annual payments, a 4.2 percent applicable federal rate and an assumed annual trust return of 7 percent. The calculations reflect 2008 estate-tax rates.

Consider Your Plan

As you can see, if you have an interest in supporting Texas A&M, your family or other individuals after your lifetime, IRAs and other tax-deferred retirement accounts offer a great opportunity to maximize the value of your estate.

Contact the Office of Gift Planning and your advisors for additional information on the opportunities your retirement accounts offer to provide for your family and your philanthropic goals. ★



For more information visit giving.tamu.edu. Click on "How to Give," and scroll to "Planned Gifts."

People You Can Trust

The Texas A&M Foundation's Office of Gift Planning helps educate you about unique gift planning opportunities, encouraging and facilitating such gifts by working with you and your advisors to develop the best plan for your circumstances.

Utilizing planned gift techniques will help you enjoy the benefits of planning and making larger charitable gifts than you thought possible, while receiving life-income payments or maintaining access to your assets during your lifetime, along with certain tax benefits.

The Office of Gift Planning is a source of information and support for people considering a planned gift. There is no pressure—simply no-cost, no-obligation information and assistance to donors and their advisors. Join the growing number of Aggies who trust the Office of Gift Planning as that source of information by calling or e-mailing with your questions or information request.

A gift planning officer from the Texas A&M Foundation can work with you to ensure that your gift supports the areas and programs of interest to you. ★

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