

SPIRIT *of* SHARING

GIFT AND TAX STRATEGIES FOR FRIENDS OF TEXAS A&M



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Charitable Gift for Texas A&M Benefits the Donors, Too

Have no doubt: John Bardgette Jr. '45 is grateful—very grateful—for his Texas A&M education. He says it not only prepared him for a 43-year career with Exxon Mobil Corp., but also “put me on the road to the good life I live.”

Now, well into their retirement years, John and his wife, Jean, are just as grateful for the opportunity to thank the university with a charitable gift, using an option that provides them with benefits as well.

In 2006, the Bardgettes established a charitable remainder unitrust (CRUT) with the Texas A&M Foundation for the benefit of Texas A&M's Zachry Department of Civil Engineering.

“A friend did something similar, and it worked out well,” John says. “That got me on this trail.”

John established the CRUT with Exxon stock he accumulated during his career. The stock had appreciated significantly over the years—so much so, he says, that selling it outright would have been “almost prohibitive as far as capital-gain taxes were concerned.”

On the other hand, using the stock to establish the CRUT provided the couple with multiple financial benefits, beginning with the elimination of any up-front capital-gain taxes.



John and Jean Bardgette

The Bardgettes also earned a substantial charitable income-tax deduction and will receive regular payments for life, in addition to supporting Texas A&M.

“Jean and I will be moving to a retirement community, so our monthly costs will go up,” John says. “The payments will help offset those costs.”

Under the terms of the unitrust, after the Bardgettes' lives the trust will continue for 20 years with the payments going to their grandchildren.

“It's a good deal,” John says. “I recommend it.” ★

Gifts That Give Back

A primary estate-planning objective for most of us is to ensure the financial security of our loved ones. Rightly, we do not feel quite comfortable addressing other goals until we are satisfied that their standards of living will not be impaired.



Generations of Texas A&M students have enjoyed the beauty, respite and tradition provided by the Century Oak on campus.

Fortunately, although this objective sometimes seems to conflict with significant charitable objectives, there are ways you can protect your loved ones' security and support Texas A&M.

Protecting Loved Ones

Example: James and his wife, Gloria, have enjoyed an active and rewarding retirement for the last few years. James would like to make a meaningful gift to the Texas A&M Foundation under his will, but he is concerned about Gloria's security and wants her to have access to the income from his entire estate.

After careful consideration, James directs in his will that \$200,000 be put into a **charitable remainder annuity trust** that will pay Gloria

\$12,000 each year for life. After her lifetime, the remaining principal of the trust will benefit Texas A&M University.

Results: James is assured that Gloria will benefit from all his assets, and he has provided a generous charitable contribution for Texas A&M. What's more, he has done this without negative estate-tax consequences. **Reason:** Gloria's present income interest in the trust qualified for the marital deduction, and the remainder interest qualifies for the charitable deduction. *The entire value of the trust is deductible for estate-tax purposes.*

Enhancing Your Retirement

Retirement marks a significant shift in the way most of us generate income. During working years, we look primarily to the fruits of our labor to provide our livelihood. At retirement, though, our capital and retirement benefits usually become our main sources of income.

One very effective retirement-enhancing strategy involves the use of a **charitable remainder unitrust**, paying a predetermined percentage of its annual value to a named beneficiary (or beneficiaries) for life, with the principal passing ultimately to a charitable organization such as the Texas A&M Foundation. The unitrust can be a powerful retirement-planning tool.

Example: John, age 55, creates a 5% **unitrust** with \$200,000 worth of real estate. The unitrust generates a current income-tax deduction of about \$68,000. After the real estate is sold by the trustee, John will receive payments from the unitrust that will continue for the remainder of his lifetime. The trust then ends and the balance begins John's legacy endowment at the Texas A&M Foundation for Texas A&M.

Increasing Current Income

Increasing current spendable income may be a primary goal. In the meantime, however, income taxes eat away at your resources while potential capital-gain tax deters your resolve to convert low-yield investments into something that would produce more income.

- **More income for someone else.** If you add the cost of supporting a dependent to your everyday financial demands, the need to preserve more income becomes even greater.
- **More income for yourself.** Another way to increase your current income is to make yourself the beneficiary of a well-planned **charitable remainder trust**. This approach is particularly useful for escaping a “locked in” position on appreciated securities.

If securities held more than 12 months have appreciated significantly, capital-gain tax—which can claim as much as 15% of the appreciation—becomes a major consideration. Even when a stock is producing little or no income, an investor may be reluctant to convert to higher-yield investments. The potential capital-gain tax would significantly erode the principal to be reinvested.

Focusing on Charitable Trusts

Trusts. The word once conjured up visions of great wealth. Considered a financial-planning tool suitable only for the very rich, trusts simply seemed to have little, if any, relevance for the affairs of most property owners. No longer. Today seminars, books and articles aimed at the general public trumpeting the advantages of trusts for persons of even modest wealth have piqued the curiosity of many of our friends.

Log On for Personalized Illustrations

Visit our Web site at giving.tamu.edu/illustration to prepare and view a color illustration, which will show you the gift, income and tax benefits for your situation. Please also contact the Office of Gift Planning for further discussion at 800-392-3310.

A typical growth stock may yield about 1% in dividends. By using that stock to fund a unitrust that pays 6% of its annual value, you could increase current spendable income sixfold, avoid capital-gain tax and receive a charitable deduction.

We Are Here to Help

If you would like more information about the planning ideas highlighted in this issue of *Spirit of Sharing*, please return the enclosed card for a complimentary copy of our latest booklet, *The Unitrust: Payments That Grow with Your Gift*. ★

Even seemingly incompatible goals can be achieved with trusts. Consider charitable giving. You may wish to make a significant gift for Texas A&M but hesitate to part with assets out of concern that you may need them to achieve other goals. As we illustrate, you can use a trust to achieve your charitable and noncharitable objectives. You can make a gift that gives back—a gift that benefits A&M while helping you or a family member. ★

Evans '01, Throne '03 Provide Critical Support to the Office of Gift Planning

As integral members of the Texas A&M Foundation's Office of Gift Planning, Jacquelyn Evans '01 and Angela Throne '03 appreciate having the opportunity to interact with donors who are passionate about Texas A&M University. "We help donors do what they want to do for A&M. We are helping them create a gift that will make an impact far into the future," Evans said.



Jacquelyn Evans '01

Evans, who joined the Foundation in January 2004, believes the best part of her job as senior gift planning assistant is "meeting great donors." Evans coordinates donor events, processes planned gifts and communicates with donors.

Throne's role as gift planning assistant involves providing administrative assistance to the gift planning officers. She also assists



Angela Throne '03

in planning donor events. "It is great to create and work on an event that you know is being used to celebrate donors who have given to something close to their hearts," Throne said.

Evans, who graduated from Texas A&M with a degree in marketing, previously worked for NBC Universal in Dallas where she assisted in the sale of television shows to stations. Throne, who earned a degree in political science from Texas A&M, has worked at the Foundation since February 2004. Throne previously worked in the Foundation's research department as a research assistant.

Evans is married to Jared Evans '00; they are looking forward to the birth of their daughter in October. Throne has been married to Andrew Throne since 2004. ★

To discuss your planned gift for Texas A&M or to request a personalized illustration, contact:

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The Texas A&M Foundation is a private, nonprofit corporation established in 1953 to manage major gifts in support of educational excellence at Texas A&M University. Its subsidiary, the Texas A&M Foundation Trust Company, serves as trustee of charitable trusts or executor of estates benefiting Texas A&M University.

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