UVA Law

GROW THE FUTURE

OVERVIEW OF LEGACY GIFTS

Legacy gifts, also known as planned gifts, have been among the most powerful gifts ever received by the Law School. Planned giving is a perfect complement to the robust UVA Law tradition of lifetime annual giving. Many planned gifts offer tax-wise and flexible ways of extending your philanthropy into the future. Brief summaries of the most common types of planned gifts—bequests, beneficiary designations, charitable gift annuities, and charitable remainder trusts—are included below.

BEQUESTS – SPECIFIC OR RESIDUARY

Bequests are flexible and revocable planned gifts included in your will or living trust. They do not affect cash flow during your lifetime. The amount of your bequest will not be subject to estate tax.

Specific bequests leave a specified dollar amount and typically use language similar to "I give the sum of Fifty Thousand Dollars [$50,000] …"

Residuary bequests leave all or a *specified percentage* of the residue of one's estate after all specific bequests have been distributed and after all other estate expenses have been paid. They typically use language similar to "I leave all of my residuary estate . . ." or "I give Ten Percent [10%] of the residue of my estate …"

Bequests can be designated for either *unrestricted* or *restricted* use. If you designate your bequest to support the Law School's unrestricted purposes, your gift will give the school flexibility to meet its greatest needs at the time it receives your bequest.

If you wish to restrict your bequest to a particular program at the Law School or use your bequest to establish a scholarship or other endowed fund, we recommend you contact us first to review your intended provisions so we can be certain we can carry out your wishes.

Sample bequest language – unrestricted bequest

I give to the University of Virginia Law School Foundation, a Virginia non-stock corporation located in Charlottesville, Virginia, [the sum of $______] or [__________ percent of the residue of my estate] for its general purposes.

Sample bequest language – restricted bequest

I give to the University of Virginia Law School Foundation, a Virginia non-stock corporation located in Charlottesville, Virginia, [the sum of $______] or [__________ percent of the residue of my estate] for the following purpose ________________________.

BENEFICIARY DESIGNATIONS – RETIREMENT PLAN OR LIFE INSURANCE

You may designate the University of Virginia Law School Foundation **(tax ID #54-0838566)** as a beneficiary of your retirement plan or life insurance policy.

These gifts are not restricted by age and do not affect cash flow during your lifetime. Anyone, at any age, can name the Foundation as a beneficiary of his or her plan or policy. This typically involves only the completion of a simple beneficiary designation document, which is often available online.

With respect to retirement plans, tax-free growth can increase the value of the account over time and help ensure a stable source of retirement income. However, if you don't exhaust your account during your lifetime, remaining assets in the account will be subject to income tax in the hands of your beneficiary and, depending on the size of your estate and the identity of your beneficiary, may also be subject to estate tax.

This tax exposure can result in a combined tax bill of more than 50%, potentially leaving less than half of your plan assets to heirs. Even if your account is not subject to estate tax—either because your spouse is your sole beneficiary or because your estate is not large enough to trigger the tax—the plan distributions will be subject to income tax at your beneficiary's top marginal rate.

You can eliminate both income and estate taxes on your retirement plan assets by using them to fund a legacy gift at the Law School. The assets will pass to the Law School Foundation free of income and estate taxes, leaving the full value of the account available to support the Law School.

EXAMPLE

A basic comparison of two different distributions of a $2 million estate comprising $1 million in a 401(k) and $1 million in stock and cash yields the following results, assuming a 30% income tax rate for a surviving spouse.

401(k) to the Law School Foundation		Cash/Stock to Spouse	
$1,000,000	401(k)	$1,000,000	cash/stock
- $0	tax	- $0	tax
$1,000,000	to LSF	$1,000,000	to spouse

Net estate distribution to intended beneficiaries: $2,000,000

401(k) to Spouse		Cash/Stock to the Law School Foundation	
$1,000,000	401(k)	$1,000,000	cash/stock
- $300,000	tax	- $0	tax
$700,000	to spouse	$1,000,000	to LSF

Net estate distribution to intended beneficiaries: $1,700,000

LIFE INCOME GIFT – CHARITABLE GIFT ANNUITY

A Charitable Gift Annuity (CGA) is a simple contract. You make a gift of cash or appreciated securities to the University of Virginia Foundation; in exchange, one or two annuitants will receive a fixed and *guaranteed lifetime annuity*. At the death of the last surviving annuitant, the remaining funds will be used for the purpose you designate.

Your annuity rate will be based on your age and will reflect the maximum rate recommended by the American Council on Gift Annuities. Examples of current gift annuity rates are:

55: 4.3%	**75: 6.2%**
60: 4.7%	**80: 7.3%**
65: 5.1%	**85: 8.3%**
70: 5.6 %	**90+: 9.5%**

Annuitants must be at least 55 in the year in which they begin to receive payments. Higher payout rates are available for deferring payments (*a deferred gift annuity*) for one or more years. CGAs can be established with a minimum gift of $5,000.

Donors may claim a charitable tax deduction for a portion of the gift in the year in which the CGA is established. In addition, a portion of the annuity payment will be tax-free income.

The University of Virginia Foundation is fully registered to offer gift annuities in most, but not all, states. We are currently unable to offer CGAs to residents of the following states: AK, CA, HI, NJ, NY, and WA. If you live in one of these states and are interested in a life income gift to benefit the Law School, please consider whether a *Charitable Remainder Trust* might be a good option for you.

EXAMPLE

An alumna from the Class of 1974 is 70 years old and is looking to preserve her income while also supporting the Law School's future. If she creates a gift annuity with $25,000 cash, her approximate benefits would be:

Immediate Gift Annuity *Begins at age 70*	
Annuity Rate	5.6%
Original contribution	$ 25,000
Charitable deduction	$ 10,269
Annuity payment	$ 1,400 *($927 is tax-free)*

Deferred Gift Annuity *(5-year deferral) Begins at age 75*	
Deferred Annuity Rate	7.4%
Original contribution	$ 25,000
Charitable deduction	$ 13,443
Annuity payment	$ 1,850 *($932 is tax-free)*

At the end of the annuity contract term, the remaining funds will support the Law School.

LIFE INCOME GIFT – CHARITABLE REMAINDER TRUST

A *Charitable Remainder Trust (CRT)* comes in two varieties: a *Charitable Remainder Annuity Trust (CRAT)* or a *Charitable Remainder Unitrust (CRUT)*. In both cases, you transfer cash or appreciated securities into an irrevocable trust which will make payments to you and/or other named beneficiaries for life or a specified term up to 20 years. When your trust terminates the remaining balance will be distributed to the Law School Foundation.

CRATs provide for payments of a fixed dollar amount or a fixed percentage of the *initial value* of your trust to you or your beneficiaries. The payments will not fluctuate during the trust term. This means that the payments will be predictable and steady regardless of the trust's investment performance. Increases in the trust value will inure to the Law School's benefit, but decreases in the trust value will deplete the trust corpus, leaving a smaller legacy for the Law School.

CRUTs provide for payments of a fixed percentage of the *floating annual value* of your trust. The "unitrust" payment to you or your beneficiaries will increase as the trust value increases during favorable markets, but will also decrease if the trust value declines. You and the Law School share the investment risk.

Because part of your trust contribution is considered a charitable donation, you will be eligible to claim an income tax charitable deduction in the year of your contribution. You may also bypass capital gains tax on appreciated assets and benefit from a reduction in both estate and income taxes.

The University of Virginia can serve as trustee of your CRT with a minimum gift of $50,000.

Payout rates must comply with federal law and typically range between 5% and 7% if the University serves as trustee. CRUTs established with a gift of $50,000 or more may be invested in units of the University's endowment managed by the University of Virginia Investment Management Company (UVIMCO).

Please contact Jason W. Trujillo '01, Chief Development Officer and Director of the Capital Campaign, at *trujillo@law.virginia.edu*, or 434-924-4154, for more information on these and other legacy gift options. You will also find in-depth information and planning calculators at *www.law.virginia.planyourlegacy.org.*

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November 2018