Charitable Solutions

THE GIFT PLANNING NEWSLETTER OF THE COLLEGE OF SAINT ROSE

FALL 2012

Common Concerns as **2013 Approaches**

History has shown the generosity of the American public to be incredibly resilient. Over the years, philanthropic citizens have faced their fair share of economic uncertainty. Through it all, however, one truth has emerged as a constant: the joy of giving always triumphs over economic concerns.

- Will the economy continue to recover or slip back into a recession?
- What tax changes are on the horizon?
- Will financial challenges in Europe have ripple effects in the U.S.?
- Is now the time to buy gold or other precious metals?

While it is prudent to keep a watchful eye on these kinds of issues, those who are charitably minded tend to focus more on the best current strategies to generate tax and other financial benefits to round out the personal satisfaction they get from giving. As always, the options are plentiful.

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Graphic Design students use the latest technology at the Center for Art and Design at Picotte Hall.

College of Saint Rose

Charitable Deduction Cuts the Cost of Giving

Outright gifts to Saint Rose qualify 100% for an income-tax charitable deduction. If you itemize deductions on your federal income-tax return, this can reduce the cost of your gift by up to 35%.

The following chart shows the final out-of-pocket cost for a \$1,000 outright gift to Saint Rose by a taxpayer in each of the six current federal incometax brackets:

Federal Tax Bracket	Outright Gift	Tax Savings	Final Out-of-Pocket Cost of Gift
10%	\$1,000	\$100	\$900
15%	\$1,000	\$150	\$850
25%	\$1,000	\$250	\$750
28%	\$1,000	\$280	\$720
33%	\$1,000	\$330	\$670
35%	\$1,000	\$350	\$650

Rebound for Real Estate

No segment of the economic fabric of our country has been impacted more than real estate by the recession that swept the globe in 2008 and 2009. Recently, however, there have been signs of recovery in many parts of the U.S.—and some areas have displayed remarkable strength.

This may be the right time to reassess how your real estate holdings figure into your charitable planning. In most cases, you will qualify for a deduction based on the full fair-market value of your property and will avoid or reduce tax on the built-in capital gain. For instance, if you bought several acres in the path of growth 15 years ago for \$100,000 that now are worth \$200,000, a gift of that land would generate a deduction of \$200,000 and you would avoid tax on \$100,000 of capital gain.

With careful planning, a gift of real estate may let you maintain your current income, hedge your bets on future real estate values, and relieve yourself of management responsibilities.



THE CARONDELET SOCIETY

Ensuring a Future of Continued Excellence for The College of Saint Rose

Cut the Cost of Giving Even More with Gift of Appreciated Property

Many of our donors have discovered a "bonus" savings when they make their gifts using appreciated property such as stocks or real estate.

Reason: Tax laws not only allow you to deduct the full fair-market value of most assets you have owned for more than one year, they also allow you to avoid paying capital-gain tax on paper gain resulting from those assets.

Example: Assume you decide to give Saint Rose some stock you purchased three years ago for \$5,000 that now is worth \$10,000. You would be able to:

- take a deduction for the current \$10,000 value.
- avoid up to \$750 in capital-gain tax you would have paid had you sold the stock (based on long-term capital-gain tax of 15%).

When these savings are added to your income-tax savings on the \$10,000 deduction, your out-of-pocket cost of your gift could be as little as \$5,750.



The new **Huether School of Business** opened this fall and features the latest technology, classrooms, and seminar rooms, with dedicated spaces for internship coordination, entrepreneurship, and leadership programming.

GIFT SPOTLIGHT

Alan C. Schick G'68 wanted to support the campaign for the new *Huether School of*

Business in admiration of his friend, Richard J. Huether. Alan chose a **charitable gift annuity** to do so. A CGA will provide Alan with quarterly fixed payments—unaffected by stock market fluctuations—for his lifetime. After that time, the remaining assets support The College of Saint Rose.

In recognition of his generosity, a beautiful historic stained glass window in the new school is named for Alan in memory of his father, the late Walter H. Schick, a well-known dentist in Schenectady, New York.

"A charitable gift annuity is an excellent way for me to support the new School," Schick said. "As a former teacher, I am pleased to foster the future of higher education with this gift to Saint Rose."

The Gift-Tax Exemption: Use It ... or Maybe Lose It

By F. Michael Zovistoski, CPA, CFP Managing Director, UHY Advisors NY, Inc. Chair, Planned Giving Advisory Committee, The College of Saint Rose

The federal exemptions for gift-tax, estate-tax and generation-skipping transfer tax purposes are currently at a historic high—\$5,120,000 (\$10,240,000 for a married couple), and the tax rates are historically low (35%). As the end of the year quickly approaches, we want to alert you to the fact that you should consider taking advantage of the high exemption and low tax rates now and make gifts before the end of this year.

Why is it important that you take action before the end of the year? The answer is: The exemption amounts may be dramatically reduced, the tax rates may be dramatically increased on January 1, 2013, and market valuations may become more volatile as we approach the "fiscal cliff." The "fiscal cliff" is the media term denoting both the expiration of the Bush tax cuts and the automatic spending cuts that go into effect if Congress does not take action by the end of the year.

When Congress enacted the new transfer tax rules in December 2010, the law was written to provide that if Congress takes no action by the end of this year, the exemption amounts and tax rates would automatically revert to the levels that were put into effect in 2001/2002 by the Bush Tax Act. This could mean that the gift-tax and estate-tax exemptions will be reduced to \$1,000,000 and the generation-skipping transfer tax exemption will also decrease to \$1,000,000 (as adjusted for inflation). The top tax rate could go back up to 55%. Additionally, Congress has enacted automatic spending cuts effective in early 2013 if Congress takes no action by the end of the year.

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Trustee Hal Williams and his wife Kerry Ann enjoy meeting the recipients of the **Harold and Kerry Ann Williams Academic Scholarship**, Alyssa Barrett '14 and Kelly Slingerland '14, at the Rose of Lima Dinner in October.



Students in the new Huether School of Business.

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In light of the impending changes to the law, it would be wise to take advantage of various planning opportunities to reduce an estate by transferring wealth to succeeding

generations and qualified charities, such as The College of Saint Rose. Some techniques you can use include:

- Making loans to your children and grandchildren or to trusts for their benefit.
- Restructuring existing family loans.
- Establishing a grantor retained annuity trust or a charitable gift annuity.
- Gifting highly appreciated assets to Saint Rose.

Many of us are reluctant to donate our wealth—many retirees are concerned about running out of money during their lifetime. Remember, there are ways to prevent that from happening by transferring the gifted assets to a charitable gift annuity rather than giving them away outright. A charitable gift annuity with The College of Saint Rose will pay you income for your lifetime, giving you the peace of mind that you will have income for as long as you live.

This perfect opportunity to transfer family wealth should not be lost. We may never again see the tax exemptions so high and the rates so low. If the gift- and estate-tax exemption is reduced to \$1,000,000, many more estates will find themselves in a taxable position unless those estates are reduced through planning techniques such as the use of charitable contributions.

Next Steps:

Are you wondering what your best next step is? Maybe you'd like to receive free copies of our booklets, A Guide to Gifts of Securities and Charitable Gift Annuity – Ensure That Family Needs Are Met, or maybe you'd like to speak to us directly. Here are a few options:

- 1. Visit us online at www.strose.edu/plannedgifts.
- 2. Return the reply card.
- 3. Call Susan Warshany Ziegler at 518-454-5104.
- 4. E-mail Susan at zieglers@strose.edu.

The information contained herein is offered for general informational and educational purposes. The figures cited in the examples and illustrations are accurate at the time of writing and are based on federal law as well as IRS discount rates that change monthly. State law may affect the results illustrated. You should seek the advice of an attorney for applicability to your own situation.

Dear Friends,

Through the ebb and flow of changing tax brackets, economic indicators, and interest rates, the joy of giving emerges as the primary motivator for year-end planning. But that doesn't mean you cannot also enjoy tax benefits—and in this issue of *Charitable Solutions* we explore creative ways to do just that.

We look at how you can capture valuable deductions whether you give traditional or more unusual kinds of assets—with an emphasis on unique opportunities in these times of historic low interest rates. Also, we keep an eye on potential changes that could affect your planning decisions.

We hope this newsletter proves valuable as you plan. As always, please call our office if we can be helpful in any way.



Susan Warshany Ziegler, Gift Planning 518-454-5104

Sincerely,

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www.strose.edu/plannedgifts



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The College of Saint Rose Office of Alumni Relations.



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