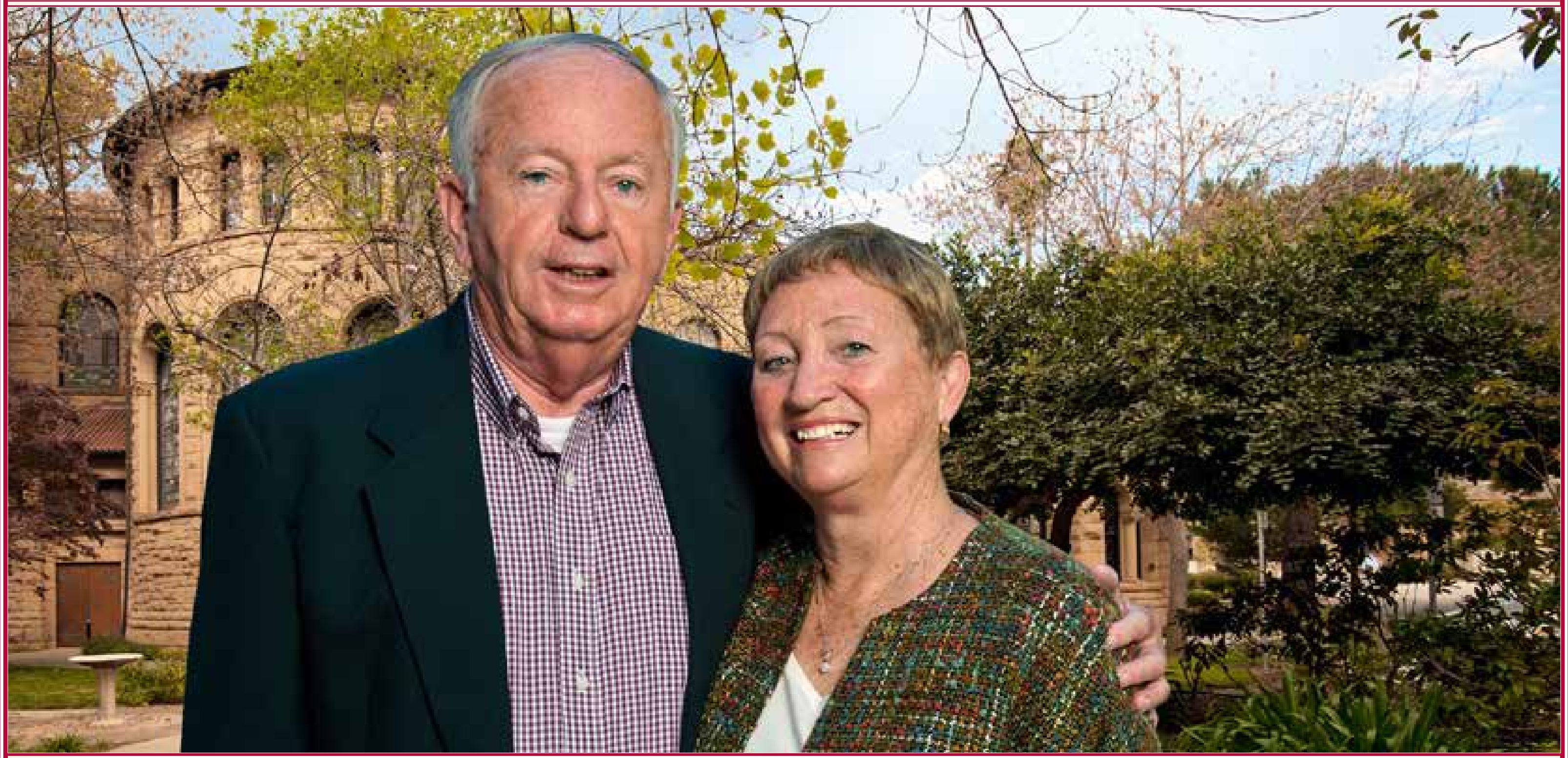
Remember Stanford

Charitable Estate Planning
Spring 2014

Creating a Legacy



Tom, MA ’66, and Kathy Macdonald, ’63, MA ’64, have created two charitable gift annuities at Stanford and have provided for a bequest. Their gifts will support graduate fellowships.

A Little Bit of Luck—
and a lot of financial know-how

One day, when Kathy and Tom Macdonald were living at Stanford on his graduate student’s stipend, they ran out of grocery money. Kathy was an undergraduate, and Tom was pursuing a master’s degree on a National Defense fellowship, so it was often hard to make ends meet. Kathy turned to the Stanford graduate student office for help.

“The fellow behind the desk gave me a $25 check and said, ‘We know you’ll pay it back,’” she remembers with a smile.

That was just one of many ways that Stanford helped change the lives of Kathy, ’63, MA ’64, and Tom, MA ’66. From humble beginnings in Rhode Island—where they were teenage sweethearts—the newlyweds blossomed on campus. “Stanford opened our minds,” explains Kathy. “We realized it was OK to be a ‘nerd.’ Everybody wanted to talk about ideas.”

Kathy and Tom never forgot the generous spirit they found at the Farm. The Macdonalds have now included Stanford in their estate plans by creating two charitable gift annuities and designating a bequest to the university. Their plans will provide fellowships for graduate students in the School of Humanities and Sciences, ensuring that future generations receive financial support.

Savvy planning

These days, the Macdonalds have their household finances well in hand. Tom worked for 25 years for the Hawaiian Trust Company, which was responsible for managing $12 billion in assets. He retired as president and chief executive officer in 1995.

He is familiar with retirement planning vehicles and says he is "sold" on charitable gift annuities.

A charitable gift annuity is created when a donor makes a gift of cash or securities to Stanford in return for a periodic payment that continues each year for life. The fixed payment amount depends on the beneficiaries' ages and the size of the gift *(see chart)*. The donor may take a current income tax deduction for a portion of the gift value. When the gift matures, the remaining assets are used by Stanford to support the purpose(s) chosen by the donor.

Tom explains that for those who want to make a philanthropic gift and also receive annual payments, charitable gift annuities offer great benefits. Their payments can be higher than the income earned from many other investments in this current low-interest environment. And a charitable gift annuity locks in those guaranteed payments for the beneficiaries' lifetimes.

"The annuity rate of 4.7 percent was very attractive," says Tom. As Kathy puts it, "This is an absolute win-win for us."

One good gift deserves another, and another

In fact, the Macdonalds were so pleased with their first charitable gift annuity, they decided to establish a second one at Stanford—with a twist. This time, they designated Tom's younger sister as the beneficiary, as a surprise for her birthday. The arrangement enabled them to help a family member for the duration of her lifetime.

"It's a wonderful way to help take care of somebody," says Kathy.

In addition, Kathy and Tom included a substantial bequest to Stanford in their plans, also to support graduate students.

Good Counsel

ELLEN STALEY LUSSIER
ASSOCIATE DIRECTOR
OF PLANNED GIVING

CHARITABLE GIFT ANNUITIES:

Cash or Securities?

If you are considering a charitable gift annuity at Stanford, one of the first questions to answer is what kind of assets you should use to fund it—cash or stock? Both options have their advantages.

A charitable gift annuity provides dependable, fixed payments for life and benefits Stanford in the future. The annuity payments are the same regardless of whether you use cash or stock to create the gift—they are based on your age as well as the value of the assets given.

Opened doors, and more good luck

Thinking back to their own years as students, Kathy and Tom attribute much of their success in life to the doors Stanford opened for them—and to their persistent good luck.

After graduation, the couple moved to Hawaii, where Tom trained for the army. Following his service in Vietnam, they both pursued teaching jobs in Rochester, New York, but Tom soon decided to make a change. Visiting the employment office one freezing day, he learned of an opening at a trust company—and as luck would have it, he could easily get there on foot using the city's warm underground tunnels. He landed the position and embraced a new career.

However, the tax consequences of using cash or stock are different.

If you use **cash**, a portion of your annuity payment is tax-free for a certain number of years. For example, if Jane, age 72, decided to make a gift of $50,000 cash to Stanford to fund a charitable gift annuity, she would receive annual payments at a rate of 5.4 percent, or $2,700 per year for life. Of this amount, about $2,000 would be tax free, and $700 would be considered ordinary income for the first 15 years, a period of time based on Jane's anticipated life expectancy. After 15 years, the entire payment would be ordinary income for tax purposes.

There are also advantages to giving **stock** to fund a charitable gift annuity when you are also the annuitant (that is, you are the one receiving the annuity payments). Ordinarily, if you sell securities that have appreciated in value, you pay capital gains taxes in the year of sale, leaving you with net proceeds that are less than the value of the securities. If instead you were to use that stock to create a charitable gift annuity at Stanford, your annuity payments would be based on the full fair market value of the stock. A portion of your annuity payments would be taxable as capital gains.

As an example, let's say Jane gave stock valued at $50,000 today—stock that she purchased several years ago for $25,000—and established a charitable gift annuity at Stanford. She would receive annuity payments of 5.4 percent, the same rate she would receive if she had used cash; however, a portion of this payment would be subject to capital gains taxes. In this instance, Jane would receive about $1,000 in tax-free dollars, $1,000 taxable as capital gains, and $700 in ordinary income. After 15 years, the entire payment would be ordinary income, as with the cash example above.

When considering a charitable gift annuity, it's a good idea to look at how the various options would work for you. Stanford's Planned Giving staff would be glad to discuss any aspect of this process. Please contact us for more information.

STANFORD GIFT ANNUITIES
CURRENT SINGLE-LIFE RATES

AGE	RATE (%)
60	4.4
70	5.1
80	6.8
90+	9.0

Please note that regulations prevent Stanford from offering gift annuities to residents of certain states, including Florida, Hawaii, Maryland, New Jersey, New York, and Washington.

Soon the couple set their sights on returning to Hawaii. When they entered a contest advertised on a jar of Miracle Whip, they won a trip to the islands. Their ingenuity and Stanford credentials helped them secure jobs in Honolulu: Tom at Hawaiian Trust and Kathy as an English professor at the University of Hawaii, where she authored a widely-used textbook, *When Writers Write.*

Tom ventured back to campus for an executive education program in the 1980s—and found it very hard to leave Stanford again after the program ended. "Kathy insists she had to put a rope around me and pull me away," he says, laughing.

Two years ago, the Macdonalds returned to Northern California for good and bought a house in Carmel Valley. Now they are in a position not only to help graduate students, but also to see Stanford from another perspective. They have enjoyed visiting campus for performances and for Kathy's 50th reunion in October—an experience that "really strengthened our ties to Stanford," she says. With their planned giving arrangements, they know this connection will last.

As Kathy puts it, "This is an absolute win-win for us."

LINDA A. CICERO / STANFORD NEWS SERVICE

Remember Stanford

☐ **Please send me information about:**

- ☐ Making a bequest to Stanford.
- ☐ Making a life income gift (e.g., charitable remainder unitrust, charitable gift annuity) to Stanford.
- ☐ Making a gift of real estate to Stanford.

☐ **I have remembered Stanford in my estate plans as follows:**

- ☐ I/We have named Stanford University as a beneficiary of a will or living trust.
- ☐ I/We have named Stanford University as a beneficiary in one or more of the following:
  - ☐ IRA, pension, or other retirement account (e.g., 401(k) or 403(b) plans)
  - ☐ Charitable remainder trust
  - ☐ Life insurance policy
  - ☐ Other (please specify): ______________________

____

Approximate amount and purpose of gift (optional): ______________________

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☐ **I have remembered Stanford in my estate plans as described above, and I wish to join the Founding Grant Society.** I understand gifts to Stanford that are highly contingent in nature (i.e., where it is unlikely that the university will ever actually receive anything) do not qualify for membership in the Founding Grant Society.

Recognition options for the Founding Grant Society:

- ☐ Please list my/our name(s) in Founding Grant Society honor roll listings as shown below.
- ☐ Please do not include my/our name(s) in Founding Grant Society honor roll listings.

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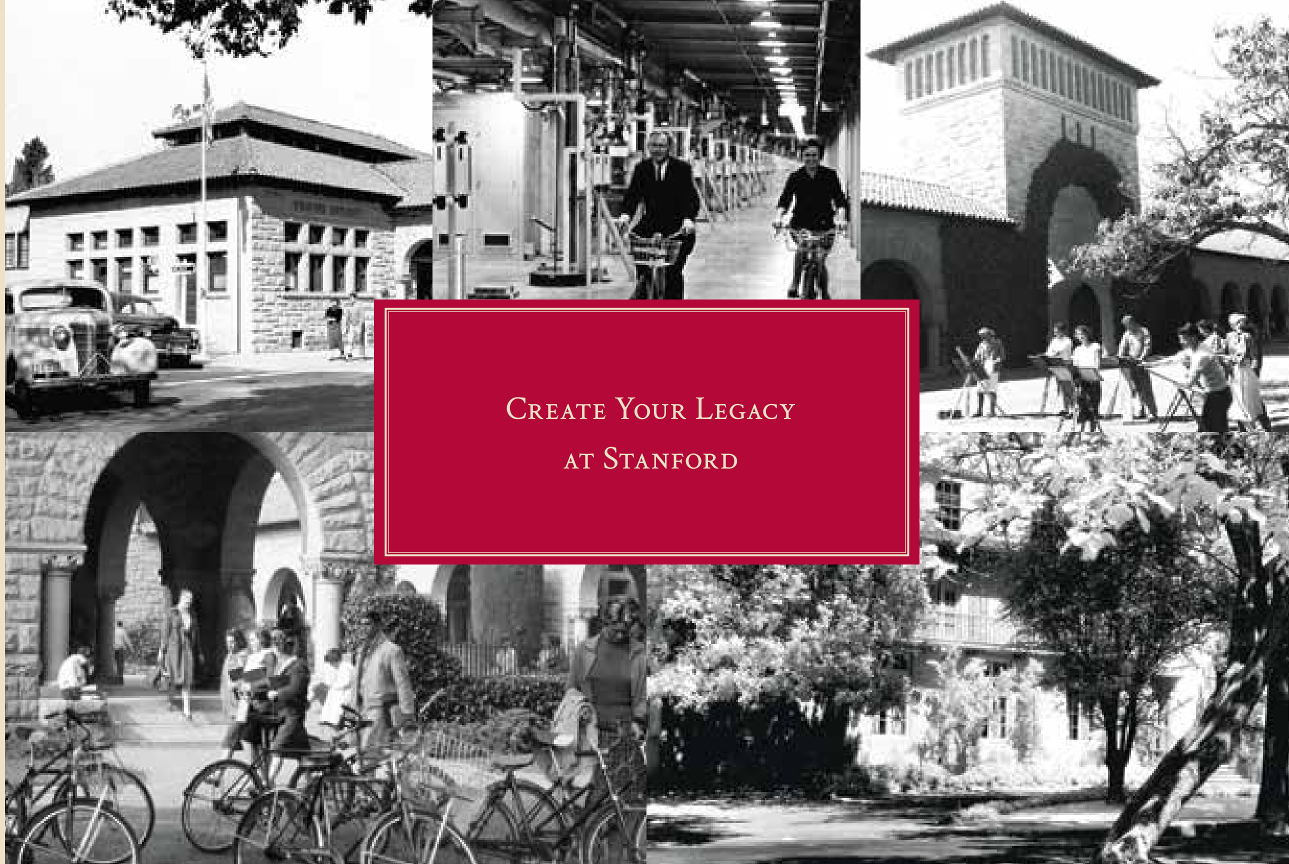

Create Your Legacy at Stanford

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Recent Estate Gifts

Stanford is grateful to the generous alumni and friends who have remembered the university in their estate plans. The following is a sampling of recent estate gifts:

JAMES R. BAIRD, JR., ’51, JD ’53, left one half of the residue of his estate to Stanford Law School and the other half to Stanford University. He also named Stanford as the beneficiary of his retirement account. The gifts totaled more than $725,000, and a portion was used to create the James R. Baird, Jr., Scholarship for undergraduate students.

JAMES B. BOLEN, JR., ’50, LLB ’52, bequeathed $100,000 to Stanford Law School to support student aid.

DAN W. BURNS, a friend of Stanford, left $1 million to the Hoover Institution.

WINFIELD CHRISTIANSEN, AM ’50, EDD ’53, made a bequest of $100,000 to the Graduate School of Education.

EDWARD J. COSTIGAN, MBA ’37, bequeathed $25,000 to the Graduate School of Business.

CASEY A. KAWAMOTO, a friend of Stanford, made a $27,000 bequest to Stanford to support cancer research. The gift was made in memory of his deceased wife, Lorraine Y. Kawamoto.

LOUIS F. KEIFER, JR., MS ’51, left a bequest of more than $148,000 to the School of Engineering.

LORRAINE LIPPOLD, ’51, left her entire estate—more than $917,000—to Stanford to establish the Lorraine Johnson Lippold Scholarship for undergraduate students.

JEANNETTE POWELL, a friend of the university, bequeathed $5 million to Stanford Hospital. Stanford Hospital also previously received $5 million from the estate of her late husband, Robert Powell.

CHARLES TANENBAUM, a friend of Stanford, together with his wife **MARY, ’36**, made a bequest to support the Mary Mayer Tanenbaum ’36 Room in Green Library and The Mary Tanenbaum (Class of ’36) Seminar Room in the Cantor Arts Center. He also established a trust that, upon maturation, will support both of the above purposes. The gifts total more than $2.13 million.

REX WESTLEY VAUGHAN, a friend of the university, made several bequests to Stanford together with his wife, Melitta. A portion of their estate, equaling more than $1.14 million, was used to establish the Rex Westley Vaughan and Melitta Vaughan Fund, which will support the Cantor Arts Center. The couple also gave property, including jewelry and artwork.

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