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Estate Assets Can Be a Smart Gift

A Word from Barbara and Allen Levesque '59, Alden Society Co-Chairs

So many of our fellow alumni and friends have worked hard, invested wisely, accumulated property, and built a sizable retirement nest egg over the years. Whether you are already retired or nearing it, you may have found that both financial and estate planning have become more critical than ever with the volatility of the stock market and ever-changing tax laws.

Perhaps much of your accumulated wealth is in some form of tax-favored retirement plan—an employer's pension or profit-sharing plan, a Keogh plan if you are self-employed, or a salary deferral plan such as a 401(k) or 403(b) plan. You might also own one or more traditional IRAs. The amounts in such plans generally are not subject to income tax until the funds are withdrawn.

You may also own real property, including farm land or a vacation home that represents a significant portion of your assets and has increased in value over the years. Taxes may be due if the property is sold or passed on to your heirs.

There are several ways to leverage these and other kinds of assets to benefit WPI students and faculty and the remarkable work they do. In this issue of

Ideas, we look briefly at how various estate assets can be a wise choice for charitable giving. Smart gift planning can help minimize your total tax burden and, at the same time, enable you to do more to fulfill your philanthropic objectives and help WPI. David Van Covern was able to do just that (see the article on page one). We hope you find the ideas in this newsletter helpful and that they may have a meaningful impact on your personal planning—today and tomorrow.

We also look forward to seeing you at upcoming Alden Society events, especially our annual luncheon to be held on Friday, May 31, 2013.

Sincerely,

Barbara and Allen Levesque '59
Alden Society Co-Chairs

Gift of Real Estate (continued from page 4)

Recently, Edith and Evan were discussing ideas for making a charitable gift to WPI. They mentioned the property at the lake and the fact that none of their children would want to own the vacation home because it is so far from where they now live.

One option for the Reeds is to make a gift of the remainder interest in the property. They and their children can use the vacation home whenever they like—just like they have for years. And, the Reeds receive an income tax charitable deduction for the present value of our interest in the property. If the Reeds decide later they no longer want to use the home due to declining health or other reasons, they can donate their retained life estate to us and possibly take another income tax charitable deduction. They and their children aren't burdened with dealing with the sale of the house—WPI is.

By making a retained life estate gift, the Reeds can continue building happy memories at the lake with family and friends while knowing the vacation home will ultimately benefit WPI.

WPI Launches $200 Million Campaign

On Thursday, May 31, with more than 500 alumni and friends in attendance, WPI launched the largest fundraising campaign in its history, intending to raise $200 million by 2015 (WPI's sesquicentennial year). Entitled *if…The Campaign to Advance WPI*, the fundraising effort will fuel WPI's strategic initiatives in four key areas: student financial assistance, faculty and academic program support, campus facility development, and unrestricted annual support.

"For nearly 150 years, WPI has provided a distinctive type of education, based on a strong command of the theory and practice of engineering and science, and complemented by rich experiences in the arts and humanities," said WPI President Berkey. "Increasingly recognized as an ideal model for high-value, effective education, WPI's curriculum and educational philosophy have inspired similar developments at numerous other colleges and universities. Our ethos of collaboration and our focus on important challenges and opportunities, in both education and research, provide invaluable, sustaining momentum, and now we have an important opportunity to add to that momentum.

Learn more about *if…The Campaign to Advance WPI* at **if.wpi.edu**.

The WPI Jazz Combo was among the performers at the launch of if...The Campaign to Advance WPI.

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Worcester Polytechnic Institute
FALL 2012 VOLUME XV ISSUE 1

ALDEN SOCIETY

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David Van Covern '53: Gift of IRA Makes Eminent Sense

During the last half of my business career I was president and owner of Carolina Industrial Equipment in Charlotte, N.C. This company was a distributor of Cushman industrial vehicles and several other types of industrial machinery. In 1975, when IRAs were created, my wife and I decided to make the minimum contribution of $4,000 every year until I retired in 1998. I am now 80 years old and have been forced to make mandatory withdrawals for the past 10 years.

Recently, I was discussing some changes in my will with my tax advisor and he asked if I had an IRA. When I told him that I did he immediately said, "You must decide to name a charitable

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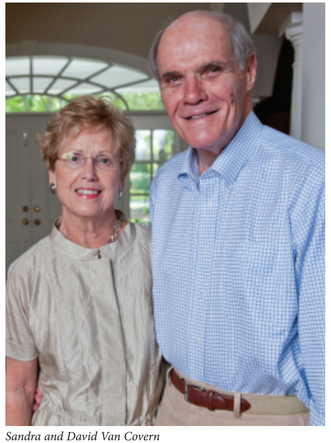
Move-In Day at WPI

David Van Covern (continued from page 1)

organization as the beneficiary because if you don't the IRA will probably be taxed twice at your death."

My immediate response was, "Wow, that's really important to know." Since my heirs will not need the proceeds of the IRA account, I quickly decided to name WPI as the beneficiary and was really excited about this newfound way to make a gift to the school.

I then began wondering whether other WPI alumni in somewhat similar circumstances had given any thought to this matter. Although I understand there is information about giving an IRA on WPI's website and in other publications, I missed the information and suspect others may have as well. The fact that a huge portion of your IRA could be lost to taxes at your death provides a great incentive and opportunity for all alumni to investigate this matter and to make a well-informed decision based on their particular situation.



Sandra and David Van Covern

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Taxation of Your Retirement Assets: Some Facts That May Surprise You

A distribution from a retirement plan is taxable in the same year you receive it. Under current law, the marginal tax rate on income can be as high as 35 percent. Plus, state and/or local income taxes may apply to the distribution as well. It is clear that income taxes can pose a real problem even after years of saving.

If you leave retirement plan assets (401(k), traditional IRA, etc.) to loved ones, income taxes still apply when funds are distributed. These assets are included in your estate, so if your estate is taxable under federal or state laws, further depletion of assets can occur. Careful planning can ensure these combined taxes don't take an unexpected toll on your retirement accounts and what your heirs receive. If you wish to support WPI, retirement plan assets can play an effective role in gift and estate planning.

Why Make a Gift of Retirement Plan Assets?

From a tax perspective, some assets (such as assets classified as "income in respect of a decedent" or IRD) carry a heavier income tax burden than others. Planning with an eye on IRD can provide important tax relief.

When a distribution is made from a tax-deferred retirement account, the government "makes up" tax-wise for letting you avoid federal income taxes on (1) contributions to the plan and (2) the investment earnings inside the plan while the account was building. If this distribution occurs after your death, money that comes out of the plan is considered IRD. Every dollar is subject to income tax when it is distributed. If these assets are left to heirs, then, the assets are likely to be substantially depleted through taxation.

An alternative is to leave the IRD assets to a qualified charitable organization—such as WPI—and give different property to your heirs.

Example: Anne wants to provide for her daughter, Janice, and WPI through her estate plan. She has $100,000 in an IRA. She also owns a tech stock worth $100,000 that she bought years ago for $20,000.

If Anne leaves the IRA assets to Janice, the distributions Janice takes from the account will be subject to income tax. A better plan is to leave the stock to Janice and the retirement plan assets to WPI. Janice will not have to pay federal income tax when she receives the appreciated stock, even though the appreciation has never been taxed. Janice also takes a stepped-up basis in the stock which creates an income tax advantage for her: If she sells the stock for $100,000, she will owe nothing in capital gains taxes.

For our part, WPI receives the full $100,000 of retirement plan assets because no income tax is due since the university is a charitable organization. Everyone wins: Anne achieves her philanthropic goals by wisely choosing what assets to give WPI. She also achieves her personal goal of providing assets for her daughter.

Donating Retirement Assets Is Easy

How easy? Just complete a "Beneficiary Designation Form" available on the website of your plan administrator. Designate WPI as beneficiary of a percentage of assets or a specific amount. It's free and you can change the form any time you wish by completing a new one. If you are married, your spouse may need to waive his or her right to survivor benefits from the plan.

Be sure to consult your professional advisors whenever you are contemplating a planned gift using retirement assets. We are happy to serve as a resource to help you and your advisors explore how you can reduce taxes and leave more to your heirs and favorite charities through careful planning.

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Another Great Asset to Give: Real Estate

One effective option that you may want to consider in your planning is a gift of real estate.

Retain a Life Estate, Give a Remainder Interest

Even if you plan to continue living in your home, it could still become a gift to WPI. Consider donating a remainder interest in your personal residence, farm or boat. (There are defined rules about what constitutes a residence—call Audrey Klein-Leach for specifics.)

With a retained life estate in the property you use the property for as long as you wish. Upon your death, we receive the property without the delay and costs associated with probate. If you should decide at a later time to make a gift of your remainder interest, you may be eligible for an additional charitable tax deduction.

At the time you donate a remainder interest in the property, you receive an income tax charitable deduction for the present value of WPI's interest in the property. This value is based on a qualified appraisal you obtain, the expected term of the life estate and the prevailing applicable federal rate released every month. This rate has reached an all-time low in recent months, which makes this type of gift especially attractive. A gift of a remainder interest is a smart way to avoid potential estate taxes, since the asset is removed from your estate and can enhance your overall estate plan. We can assist you in planning such a gift to be certain that insurance, property taxes, and other important issues are covered.

Example: Evan and Edith Reed own a vacation property on a lake located an hour away from their home. The Reeds enjoy visiting the lake on weekends and for extended stays during the summertime. Though their children have grown, moved away and started their own families, the vacation home remains the place everyone wants to gather.

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Planning Builds Your Legacy

Since 1865, WPI has been privileged to educate generations of scientists, engineers, and scholars in a variety of fields. Our legacy of excellence in education is the result of a commitment to the ideal of producing graduates who are ready to impact society and improve the quality of life.

Through planning, your personal philanthropic legacy can be joined with WPI's mission for generations to come. Please let us know if we can help you and your advisors explore giving options that fit your overall planning needs. As always, thank you for your support of WPI.

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Reply Card

All information given to WPI is completely confidential.

- ❑ Please send more information on gift opportunities at WPI particularly suited to my situation.
- ❑ I have WPI in my estate plans (or will) and would like to be an Alden Society member. Please send me a welcome packet.
- ❑ Please call me regarding the Alden Society:

DAYTIME PHONE EVENING PHONE

NAME

ADDRESS

CITY

STATE ZIP

E-MAIL ADDRESS

Please detach this card when completed, fold it in half and tape to mail. Thank you.