

# On Eagles' Wings

A SERIES OF GIFT PLANNING NEWSLETTERS FOR ALUMNI AND FRIENDS OF FLORIDA GULF COAST UNIVERSITY

Welcome to the first issue of the planned giving newsletter for members of our Florida Gulf Coast University family. *On Eagles' Wings* is designed to provide you with the most up-to-date information about financial planning and charitable giving. In this *Year-End Gift Planning* issue, you will find several charitable gifts that provide tax wise advantages for 2004. The winter issue will introduce you to the life income opportunities associated with *Charitable Remainder Trusts* and the spring issue will examine the topic of *Charitable Bequests*.

We have titled the newsletter *On Eagles' Wings* as a metaphor for planned giving at FGCU. Every new scholarship, every new building, and every new student is touched by the dignity, splendor, and magnificence of our generous donors. We thank you for your ongoing support of Florida Gulf Coast University and for the encouragement which it provides.

## Year-End Gift Planning

The end of the year is a special time for reflection and a wonderful time to celebrate with family and friends. And the end of the year is also a time when many people remember Florida Gulf Coast University through charitable giving. In this newsletter, we look at strategies that may help you make a year-end gift and take full advantage of the incentives the tax code offers to those who support our mission. There are great ways of giving to Florida Gulf

Coast University that can allow you to "unlock" accumulated assets and provide for loved ones.

Although the financial markets are gradually recovering from the losses endured in 2000-2003, financial analysts continue to recommend diversification in individual portfolios, and many endorse gift planning as an effective tool to re-balance your allocation of stocks, bonds and other investments in a tax-efficient way. Successive tax



changes in 2001, 2002 and 2003 have had a cumulative effect on the financial planning landscape. By consulting with your tax accountant and financial advisor, you can be sure of what and how to give to FGCU.

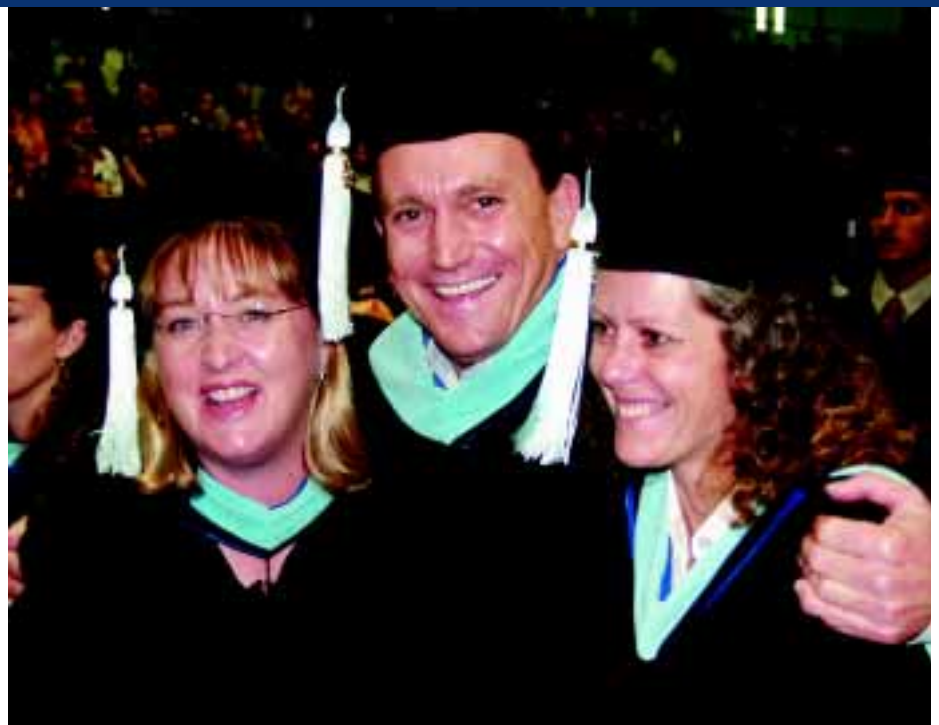
If you would like more information about giving and tax planning tips, we invite you to send for our free brochure, the *Taxpayer's Home Companion*. Comprehensive and up-to-date, it can be a valuable reference tool for you and your financial advisors. Happy reading, happy planning and happy holidays!

## Year-End Gifts to Consider

Many of our friends make a gift of part of their investment portfolio in addition to cash. By doing so, they enjoy certain tax benefits from the gift of assets. Here are some of the most tax-advantageous assets you can give before 2004 comes to an end:

### Appreciated Stock

Since the financial markets have generally rebounded in the past 18 months, the gift of an appreciated asset is an attractive option. If you have stocks, bonds or mutual funds that have appreciated in value, the gain will be subject to tax upon sale. The capital gains tax rate is 15 percent for most assets held longer than one year. Making a gift of appreciated assets to Florida Gulf Coast University is a good way to avoid capital gains tax and advance our educational mission. You can usually take the full market value of the asset on the date of the gift as a



**Our Mission:** Recent graduates Lisa McManus, Scott Miles, and Karen Torres

charitable deduction, which will also reduce your income tax for 2004 if you itemize deductions.

For example: *Dan Hazeldon owns 100 shares of XYZ stock worth approximately \$12,000. Dan purchased the shares in 1999 for \$2,000 and watched the price soar in its first year, though the stock hasn't done much since that time. If Dan were to sell the stock and pocket the cash, he would have to pay \$1,500 in capital gains taxes (gain = \$10,000; 15% x \$10,000 = \$1,500.) When Dan donates his 100 shares of XYZ stock to FGCU, he avoids the capital gains tax. Furthermore, Dan enjoys a tax deduction for the full value of the gift: \$12,000. Assuming that Dan is in the 35 percent income tax bracket, this results in a tax savings of \$4,200. Considering the combined tax savings in avoiding the capital gains tax and the charitable deduction, the after-tax cost of Dan's gift of \$12,000 of XYZ stock is only \$6,300 (\$12,000 – \$1,500 – \$4,200). Dan also gets the pleasure of assigning his gift to the FGCU endowment for academic scholarships.*

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**PLANNING TIP:** Determining the cost basis of stocks held over a long period of time can be difficult and time-consuming. If the company has a dividend reinvestment plan, or there has been a merger, or a stock split, or the stock was inherited, then you have the time-consuming task of determining the cost basis. By donating the stock to us, the cost basis question becomes moot.

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### Bonds

Many bonds have significantly increased in value due to the prevailing low interest rates. However, rates are likely to increase, which means the fair market value of bonds is likely to decrease. Keep in mind, too, that the interest from taxable bonds will be taxed as ordinary income rather than at the special 15 percent rate for qualified dividends. So, it may be an advantageous time to lighten your holdings in bonds. Consider using some of those bonds to make your charitable gift. A gift of appreciated bonds held long-term will produce a double tax advantage

— avoiding capital gains tax while securing a charitable deduction.

### Mutual Funds

A gift of mutual fund shares may be another attractive option since the tax on the income from mutual fund transactions became more complicated after recent tax law changes. Qualified dividends that pass through the mutual fund are taxed at the new 15 percent tax rate on dividends; however, most interest continues to be taxed at ordinary income tax rates, which can be as high as 35 percent. A gift of mutual fund shares to FGCU may be a wise choice since the gift provides all of the advantages of gifts of stocks or bonds.

### Collectibles, Art and Other Tangible Personal Property

The 19th century philosopher Thoreau encouraged others to “Simplify, simplify.” You may want to follow this advice and let go of some of the coins, antiques, works of art, etc. that you have enjoyed over the years. Perhaps your interest in them has faded, or perhaps you haven’t the time or space to devote to your collection. The taxable long-term gain from the sale of collectibles is usually taxed at 28 percent (not 15 percent). However, if you make a gift of the same property, you avoid the high capital gains taxes and secure an income tax deduction. Instead of eBay, consider making a gift that will make a difference in the lives of our students.

*Consult our Office of Planned Giving to learn if your gift will qualify for the maximum charitable deduction. You may also need an independent appraisal of the value of the property.*

## Gifts that Give Back

It may seem strange that a gift to Florida Gulf Coast University can actually provide a return to the donor, but it’s true. So called “life-income gifts” offer the financial flexibility many donors need in order to commit a large sum to FGCU.

### Charitable Remainder Trusts

Many of our alumni and friends want to retain income from their assets *and* make a gift. Fortunately, there are several ways to convert low-performance assets into a productive income stream by making a gift to FGCU. For instance, if you own stock that produces little or no dividends, consider making a gift of that stock to a charitable remainder trust (CRT). You will receive a lifetime income from the CRT, and there is no capital gains tax when you transfer stock to the trust. Here’s an example:

*Elizabeth Argent (age 65) created a CRT with 10,000 shares of ABC stock on the advice of her financial advisor, who had suggested that she reduce her reliance on tech stocks and further diversify her portfolio. She bought her original 2,500 ABC shares in 1992 for \$15,000. After two “2 for 1” stock splits and good returns, her investment is now worth almost ten times its original value (\$140,000).*

*If Elizabeth sells the stock, she will pay a substantial capital gains tax, even at the relatively low 15% rate. Instead, Elizabeth chooses to create a CRT with FGCU as the remainderman. Under the terms of the trust, she will receive an annual income stream of \$8,400*

*for life. This arrangement is known as a charitable remainder annuity trust, or CRAT.*

*Elizabeth is pleased with the capital gains tax savings, the annual payout and the opportunity to make a substantial gift to the University which otherwise might not have been possible.*

But that’s not all. In addition to avoiding an immediate capital gains tax, Elizabeth will enjoy a significant income tax charitable deduction for the expected value of our remainder interest. The amount of any charitable deduction depends on several factors, including: beneficiary’s age, the payout rate of the trust, and the type of trust you choose. Our Office of Planned Giving will be happy to provide a specific illustration of how this might work in your particular situation. For more information, please contact us at (239) 590-1077.

### Charitable Gift Annuities — Still an Attractive Option

#### SAMPLE RATES (single-life)

AGE	RATE
65	6.0%
70	6.5%
75	7.1%
80	8.0%
85	9.5%
90	11.3%

NOTE: Two-life rates are slightly lower than single-life rates.

Charitable gift annuities have become an especially popular gift method because of the solutions they provide to all sorts of planning



**PLANNING TIP FOR BOOMERS APPROACHING RETIREMENT:** If you own an investment (such as a CD or dividend-paying stock) that produces income that you do not need at this point in your life, you may be subjecting that income to unnecessary taxation. With a deferred gift annuity, you can get attractive interest rates and choose to defer your income payments until after retirement so that you avoid the regular taxation on the income at this time. And, when you start receiving the income after your retirement, it is possible that you will be in a lower tax bracket. As always, our Office of Planned Giving will be glad to provide an explanation of how a gift annuity might work for you.

questions. With CD interest rates hovering at historic lows, an alternative to renewing a CD is to fund a charitable gift annuity which will generate a higher annual payout for you. The payout rate on a gift annuity depends on your age on the date of the gift and whether or not you want the income payments to begin immediately or to be deferred to a later date. The income tax deduction for the charitable portion of the transfer may be taken in the year you set up the gift annuity (subject to broad limitations). Also, gift annuity payments receive favorable tax treatment.

For example: *Irene Jones (age 80) owns a \$50,000 certificate of deposit. Soon, the CD will mature, and if Irene were to reinvest this money in a comparable CD, she would receive only about a 3 percent return. After discussing options with our Office of Planned Giving, Irene learns that it is possible to contribute the \$50,000 to a charitable gift annuity that provides her an 8 percent annual payout, or \$4,000 a year. More than 2/3 of Irene's payout will be income tax-free until she reaches her life expectancy in ten years. She also will receive a generous charitable deduction of about*

*\$24,273 (at 4.8% AFR) on her income taxes in the current taxable year. Of course, Irene is pleased that her gift annuity will ultimately help FGCU enhance our academic mission — a meaningful arrangement for everyone!*

The charitable gift annuity provides the security of knowing that you will receive income for life — one that is unchanged by shifts in interest rates or financial markets. Our promise to pay the annuity is backed by our entire assets, not just the property you transferred.

## Your Thoughtfulness Counts

Thoughtful planning is the key to more effective giving. As a first step, we invite you to send for the 2004 edition of our *Taxpayer's Home Companion*. The booklet reviews recent income tax changes and contains many important planning tips. You can request your *Taxpayer's Home Companion* by returning the enclosed postcard or by calling (239) 590-1077. Please call us whenever we can assist you or your professional advisors with your year-end gift planning.



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