Fall 2011

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Tips for 2011 Planning

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Ideas for tax-wise planning

Know Your Options in 2011

In December 2010, Congress passed and the President signed a new tax law which provided some new taxpayer-friendly provisions. However, many of the favorable provisions in the December 2010 law expire at the end of 2011 or 2012. A lasting resolution of key tax issues remains uncertain as the desire to raise revenue may prompt Congress to limit tax-savings strategies in the future.

Though change is inevitable, we think you’ll find there are planning options you can continue to count on. This issue provides ideas you may want to consider in meeting your estate and philanthropic planning goals. There are many gift options that can complement your overall financial strategy, including steps you can take that combine taxpayer-friendly giving options with proven planning and wealth management strategies that can make an important difference for Alverno College.

Please contact us if we can assist with any gift planning ideas. Be sure to request our complimentary booklets. They include a summary of key tax provisions that were affected by the 2010 law and a digest of information about tax and gift planning for 2011 and 2012. We appreciate our many friends who support Alverno’s mission of educating women. Thank you for your interest and generosity.
Tisdale Gift Meets Multiple Goals

STUART AND ANN TISDALE, a Milwaukee couple who believe strongly in Alverno’s mission, used appreciated stock to create a lasting gift to the college. Ann commented: “We had been looking for a good way to make a gift to Alverno College in honor of Sr. Joel Read (past president). We decided to create a charitable gift annuity with highly appreciated stock that had never paid a dividend. We know that, at our deaths, Alverno can put the funds to excellent use. Until then, we receive income from the gift and have the pleasure of knowing we helped a wonderful educational institution. We are so fortunate to be able to give back to our community. Now that we are retired, we can’t do quite as much but it is still important to us to do what we can for the organizations we care about…and to have our support continue long after we are gone.”

Appreciated Stock—Still a Good Option

Though the markets have been through extraordinary turbulence in recent years, equities still represent substantial wealth for investors. That is why appreciated securities continue to be a smart gift option to consider—even during tough economic times. Timing is critical, of course, but as you think about year-end planning, you may find there are stocks that you would like to reposition or sell. A gift of appreciated stock is easy to complete and also provides two distinct and important benefits:

• An income tax deduction equal to the stock’s full appreciated value.
• Capital gains tax avoidance on the increase in the stock value.

Avoiding the Capital Gains Bite

Avoiding the capital gains tax makes it worthwhile to consider a gift of appreciated stock rather than cash as a charitable gift. For example, a gift of an appreciated stock held for more than one year will have a greater overall tax savings than a similar gift of cash.

Suppose you make a gift of $25,000 in cash and are in the 35% tax bracket. Your $25,000 income tax deduction for the gift results in a tax savings of $8,750. If instead you give 500 shares of appreciated stock (held more than one year) with a value of $25,000 and an original purchase price of $5,000, your tax savings for the gift is $8,750 PLUS the capital gains tax of $3,000 (15% of the $20,000 gain) that would be due if you sold the stock. The total tax savings for this particular gift of stock is $11,750 (compared to $8,750 in tax savings for the cash gift).

Using Stock to Fund a Gift Annuity

A gift of stock can also play a role in helping you:
• arrange wealth for retirement, and
• manage income during retirement.

When you use stock to arrange a charitable gift annuity, you will receive lifetime payments based on the amount of your gift and the payout rate for your specific age (see the chart). In addition to fixed lifetime payments, you are eligible for an income tax deduction and any capital gains tax due can be spread over many years. With an immediate gift annuity, payments begin in the year the annuity is established; with

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One-life rates effective July 1, 2011. Contact us to confirm current rates.
a deferred gift annuity, payments begin at a future date that you designate when the gift is made.

**Example:** Vivian Jones, age 80, is a retired school superintendent. Vivian recently met with her financial advisor to discuss her ongoing retirement and current income needs. During their talk, Vivian mentioned that she wanted to make a major gift to Alverno before the year ended, and shared her interest in exploring ways to meet cash flow needs in the coming years. Her advisor suggested that she consider a charitable gift annuity.

Vivian holds a block of stock in her portfolio from an investment ten years ago, and she decides to make a gift of the stock to Alverno’s charitable gift annuity program. Her $10,000 investment is now worth $20,000. In return for the gift, we provide Vivian with a charitable gift annuity in which we agree to pay her $1,500 every year—a payout rate of 7.5% based on her age on the date of the gift. Taxation of the $1,500 gift annuity payout is also important. For the next ten years, $584 of the payout is income tax-free and $584 is taxed as long-term capital gain (at a lower rate than ordinary income). Plus, Vivian receives an income tax charitable deduction in the amount of $9,016. The gift annuity payout and the charitable deduction, of course, benefit Vivian—but she is especially grateful that she can make a significant year-end gift to our mission while meeting her personal planning goals.

**Fast Facts about the Charitable Gift Annuity**

The charitable gift annuity gives donors an opportunity to support our work and receive lifetime income payments based on the gift. It is part charitable gift and part annuity. The payment amount you receive is based on the amount of the gift and your age when the gift annuity is set up. In addition:

- You qualify for an itemized income tax charitable deduction.
- You receive a higher payment rate when the start of payments is deferred.
- You enjoy payments for life, and the payment amount will not decrease.
- You can name one or two beneficiaries for the gift annuity.

It's easy to set up a charitable gift annuity. We can provide more information, including a personalized, no-obligation illustration based on your age and the gift amount you have in mind. Just contact us to see if a charitable gift annuity might be a good fit for you and your year-end planning.

**Completing an Outright Gift of Stock**

How you make your charitable gift of stock depends on how you hold the stock. The transfer can be completed in several different ways:

- ✔ You could physically deliver the endorsed stock certificate in person, or mail the endorsed stock certificate and stock power to us in separate envelopes.
- ✔ You could electronically deliver the stock by directing your stockbroker or banker to move the stock to our account. This could likely be done very simply through the Depositor Trust Company (DTC).

If you are considering a gift of stock to Alverno College, please contact us. We can provide our specific information and appropriate account number so you can complete your gift in a timely fashion.
Is an IRA Charitable Rollover Your Best Gift Option?

There is no “one size fits all” gift plan, but if you are an IRA owner age 70 ½ or older who wants to support Alverno College, the IRA charitable rollover could, indeed, be an excellent gift option.

Everyone age 70 ½ or older with a traditional IRA must take an annual required minimum distribution (RMD) or face a stiff penalty. This rule is strictly applied to everyone even though the taxpayer may not want or need the distribution and even if the taxpayer is still working.

The IRA charitable rollover lets donors fulfill minimum distribution requirements by “rolling over” IRA funds directly to Alverno. Amounts distributed are excluded from the donor’s income for federal income tax purposes. This provision is a straightforward, simple way to:

• satisfy the required minimum distribution rule
• avoid income tax on the distribution
• realize philanthropic intentions or commitments by making a tax-free gift from your IRA.

Example: This year, Janice, one of our alumnae, must take $6,000 from her traditional IRA as a required minimum distribution even though she does not need the income. Of course, Janice will have to pay income tax on this amount. Alternatively, Janice could arrange a tax-free distribution from the IRA to Alverno. If she directs a qualified charitable distribution in an amount of $6,000 or more, Janice will have satisfied her required minimum distribution for this year, and the charitable distribution amount will not be included in her income for federal tax purposes.

Under current law, this opportunity for a tax-free transfer from an IRA to a qualified charity will expire December 31, 2011. An individual can direct up to $100,000 annually through IRA charitable rollover gifts. Be sure to consult your financial and tax advisors to discuss how the IRA charitable rollover can be used to meet your personal planning and philanthropic goals.

Many Ways to Make a Difference

Long-term forecasts may be difficult to predict, but 2011 holds many worthwhile opportunities for the charitably minded. We are privileged to partner with valued supporters and friends who make our mission possible. If you have questions about ways to merge charitable giving with your overall planning strategy, please let us know. Just contact us directly by phone or email, or send the enclosed card. Be sure to ask for complimentary copies of our booklets, which will be helpful as you prepare for completing your 2011 tax return.

Thank you for your thoughtful support of our work.