A FINANCIAL & GIFT PLANNING GUIDE

Clemson University

Generations

The vision of what Clemson can be inspires one generation to serve the ones that follow.

OFFICE OF GIFT & ESTATE PLANNING · CLEMSON UNIVERSITY

Channeling Success

For television executive G. Neil Smith '75, Clemson was a learning channel leading to success. Future Clemson students will benefit from his discovery.

Neil has made Clemson the beneficiary of a 401(k) retirement fund. He is especially interested in helping commuter students and the College of Business and Behavioral Science.

G. Neil Smith '75

"The thing that many of us forget is that Clemson University was the key to open the doors we use throughout our careers," Neil said. "Without my Clemson education, I wouldn't be the person I am today. I hope this gift will allow many young students to benefit the same way that I did."

Neil's gift, currently valued at more than $730,000, is in memory of his late wife of 25 years, Beverly, who died of a brain aneurysm in 2000.

He and Beverly met at a football game at his hometown high school in Liberty, S.C., when he was a junior accounting major at Clemson. "She was a wonderful person who will always have a place in my heart," he said.

Their daughter, Laura, is an elementary education major at Clemson, and Neil named her as the beneficiary of a term life insurance policy when he made his commitment to Clemson. "I could have done it the other way around," he said, "with Laura as the beneficiary of the retirement fund and Clemson as the beneficiary of a term policy. Some people might want to do it that way."

JoVanna King, Clemson's planned giving director, said different gift arrangements work best for different donors. She said making Clemson the beneficiary of a retirement fund is a particularly attractive option for many donors because of the tax advantages it provides.

"It was the easiest way to leave something to Clemson at this time in my life," said Neil, who is 50. "It's important for people my age to understand that it's so easy to do some estate planning."

The tenth of eleven children, Neil commuted to Clemson when he was a student and worked his way through school at Dan River Textiles. After a career working for the Liberty Corporation, he established GNS Media, which owns television stations in markets around the country.

The Pickens, S.C., resident is a former chairman of the Pickens County Council. He has also served on the Appalachian Council of Governments and the South Carolina Advisory Council on

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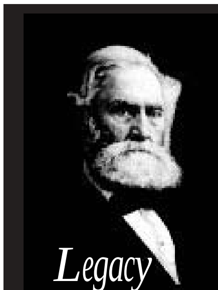
Inside

Generations is your resource for charitable giving information.

CLEMSON UNIVERSITY



IS CLEMSON IN YOUR WILL?

Traditionally, bequests have provided a significant source of Clemson's financial support.

Your bequest to the university can help to ensure Clemson's continued strength and academic excellence. High federal estate-tax rates significantly lower the cost of making a bequest to Clemson.

Join other Clemson alumni and friends as a member of the Clemson Legacy Society, an honorary circle of benefactors who have planned an estate gift to the Clemson University Foundation.

To learn more about the Clemson Legacy Society and how to make a bequest gift, please contact JoVanna King by returning the enclosed card.

Is It Time to Take Your Will In for a Checkup?

Drafting your will is the first and most important step in addressing the interests of the persons and organizations important to you. However, life is not static, and it is vitally important to update your will regularly to be sure it continues to reflect your current wishes. Changes in family circumstances, shifts in your personal financial fortunes, fluctuations in market conditions, new and modified tax laws–any of these factors can be good cause to reexamine your will to ensure it still meets your personal, family, and charitable goals.

Most of us have been affected by at least two significant developments since the turn of the millennium. First, the longest bull market in history finally ran out of steam in the early part of this decade and has yet to reestablish upward momentum. In addition, the 2001 tax reform act brought about sweeping changes in the federal estate-tax system.

All of us know the importance of seeing our doctors on a regular basis to monitor the state of our physical health and to head off potential problems. Now is an excellent time to take your will in for a "checkup" to be sure it is still functioning effectively.

Rebalancing Your Bequests: Are Your Beneficiaries Still Getting What You Intended?

Assets can pass to beneficiaries in a variety of ways. In addition to provisions in your will, you can pass assets by way of joint ownership or through beneficiary provisions in an insurance policy, trust, or retirement plan, just to name a few. It is a good idea to regularly analyze all of these methods to be sure they are working together to effect your intentions–especially if there have been major revisions in the value of your assets.

Example: Ron T wants his daughters, Pam and Barbara, to receive equal shares of the majority of his estate, and he also wants to provide for Clemson University and a few special friends. To that end, Ron left real estate to Pam and stock to Barbara –each of which was worth approximately $1,000,000 when he drafted his will. Now, though, the real estate is worth about $1,250,000 and the stock has dropped in value to about $750,000. After conferring with his advisors, Ron decides to make changes in his will to rebalance the provisions for his daughters.

Ron could achieve his goal by expressing the provisions for his daughters as a percentage of his entire estate–or as a percentage of the remainder of his estate after other bequests have been addressed. *Note:* Unless you have a particular reason for a certain beneficiary to receive specific assets, a percentage bequest keeps provisions in the same relative proportion regardless of fluctuations in the size of your estate.

Taxing Decisions: Avoiding Unintended Results

The 2001 tax act increased the amount of assets you can pass free of federal estate tax from $675,000 to $1,000,000 and lowered the maximum tax rate from 55% to 50% –and more changes are scheduled (see chart). These changes could have an impact on a popular plan adopted by many couples to eliminate all estate tax at the first death.

Example: In his will, Jim R leaves the maximum amount that can be passed free of federal estate tax to a trust that will eventually pass to his children. The balance of the assets goes to his wife Helen, who will also receive all of the income of the trust during her lifetime plus limited ability to invade the principal. Since the trust is equal to the exemption equivalent, there will be no tax on the trust and the amount passing outright to Helen qualifies for the unlimited marital estate-tax deduction. Result: Zero tax at Jim's death.

This kind of plan can be very effective, but it can also contain a trap for the unwary. Suppose Jim drafted this will at a time when his estate was $1,500,000 and the exemption equivalent was $675,000. Under those circumstances, Helen would have received $825,000 outright and $675,000 would have gone into the trust.

Now, though, the trust would receive $1,000,000 and Helen just $500,000. Plus, if Jim's assets have decreased due to recent market conditions to, say, $1,100,000, Helen would get just $100,000 outright–far less than Jim would want. You will want to take a look at your own plans to see if you might be subject to any such unforeseen traps.

Slicing Taxes Produces a Bigger Pie

If you previously expected your estate to be subject to federal estate tax, the tax-law changes contain some very good news for you. There are now more net after-tax assets that you can use to address your planning objectives.

What you choose to do with those extra funds depends on your personal objectives. There may be other beneficiaries you want to add to your plans, or you may want to pass more on to family members.

Share the wealth. Another option for an unexpected tax windfall could be a plan to benefit both family members and Clemson. For example, you might want to direct in your will that those funds be used to create a life-income gift for a family member.

Example: Marilyn J estimates that tax-law changes will enable her to pass on about $100,000 more after taxes. So, she decides to create a $100,000 charitable remainder unitrust in her will that will pay 6% of its annual value to her son Eric for life. Any funds remaining at his death will pass to us. If Eric is 60 when the trust begins and the trust generates an 8% annual return, he will receive more than $182,000 over his life expectancy and more than $160,000 will eventually pass to Clemson.

Lifetime gifts can produce income-tax savings. Since estate-tax savings are no longer available for estates under $1,000,000, some of our friends are changing their wills and making gifts to Clemson during their lifetimes. In addition to the satisfaction of seeing the results of their gifts, this generates income-tax savings. For instance, a $100,000 gift can save as much as $35,000 in federal income tax.

Estate-tax changes may make a lifetime gift feasible.

Calendar Year	Exemption Equivalent	Maximum Estate-Tax Rate
2002	$1,000,000	50%
2003	$1,000,000	49%
2004	$1,500,000	48%
2005	$1,500,000	47%
2006	$2,000,000	46%
2007	$2,000,000	45%
2008	$2,000,000	45%
2009	$3,500,000	45%
2010	Tax Repealed	Tax Repealed
2011 *	?	?

* *Note:* Estate-tax laws will revert to pre-2001 tax reform status unless changes are extended or made permanent by Congress.

Other Property Passing at Death

Whether you have a will or a trust, or both, some assets may pass outside their reach. As you take a broad view of your entire estate, it's important to keep these assets in mind. They include:

◆ **Jointly owned property.** If you own property jointly with another person with rights of survivorship, the survivor will automatically become the sole owner. In many states, real estate purchased by a husband and wife is automatically considered to be owned jointly with rights of survivorship.

In community-property states, property is considered to belong half to the husband and half to the wife. Each spouse is free to dispose of his or her half interest, and it is not assumed to pass automatically to the survivor.

◆ **Life insurance proceeds.** If you die with any "incidents of ownership" in a life insurance policy–i.e., the ability either to benefit from the policy or to affect the beneficial use or enjoyment of the policy or its proceeds by others–the death benefit is considered to be part of your estate.

◆ **Retirement-plan benefits.** You can pass retirement-plan benefits directly to heirs through beneficiary designations. They may receive these benefits in the form of annual payments or lump-sum distributions, subject to certain restrictions for nonspousal beneficiaries. In either case, the funds will be includible in your gross estate.

Failure to take these assets into account in your planning can lead to results far different from what you might desire. For instance, your will may create a trust to keep a young beneficiary from having unrestricted access to substantial assets until he or she reaches a certain age. If a significant portion of your estate passes directly to that person in the way of life insurance proceeds, your plan will have been thwarted.

From a tax standpoint, it is critical not to overlook assets that will be counted as part of your estate. Such oversights not only can lead to unpleasant tax surprises but also can contribute to a liquidity crisis in your estate. An estate that is heavily weighted with jointly held property, for example, may find a serious shortage of cash for taxes and other expenses of administration.

Taking Care of Matters When You Cannot

There are many ways to delegate authority to trusted persons or entities to make decisions when you are incapacitated. You will want to check with your advisors about the availability and rules governing some or all of the following in your state:

Power of attorney. When you grant someone power of attorney, that person assumes the authority to act on your behalf according to the terms set out in the document establishing that authority. You can give someone a very specific power, such as the authority to complete a real estate transaction or transfer title to an automobile on your behalf, or a very broad power.

The broadest scope of authority is given by way of a *general* power of attorney. A person holding a general power of attorney will be able to do virtually anything on your behalf which you could have done on your own. As such, you

would only want to grant such a power to someone in whom you had complete confidence to act in your best interests.

Many states permit you to grant a *durable* power of attorney. By designating the power as durable you are indicating that you want that authority to continue even if you become incapacitated–which is generally the reason you would want someone to have the power in the first place. Your advisors can guide you on specific rules in your state.

Appointment of health care representative. It is just as important to have someone who can make decisions about your health care if you are unable to do so for yourself as it is to have someone manage your assets. Most states have procedures by which you can designate someone to serve as your health care representative to act on your behalf. Again, check with your advisors on the procedure in your state.

Living will. The ultimate decision many people face is what kind of health care measures they desire when their condition appears to be terminal. Absent effective prior guidance from the patient, health care providers are generally compelled to use all available reasonable measures to keep the patient alive. A living will allows you to specifically express your desires about the kind of care you do–or don't–want if you are in such a condition and unable to make decisions for yourself. Your advisors can inform you of the availability of a living will where you live.

DID YOU KNOW…

- Clemson has 16 current faculty members with National Science Foundation CAREER Awards, the organization's most prestigious award for new faculty. Two of them are also Presidential Early Career Award for Scientists and Engineers winners.
- Clemson is thirty-third among public universities in the number of National Merit Scholars, according to the National Merit Scholarship Corp. 2000-01 Annual Report.
- In 2003, for the first time in Clemson history, three students received the Goldwater Scholarship–the premier undergraduate award in the fields of science, math, and engineering–in the same year.
- A Clemson physicist is working on a laser-imaging system enabling more accurate views of breast tissue thanks to a five-year $1.38 million National Institutes of Health grant.

The Best Time to Review Your Will Is Now

All of us should plan to review our estate plans–including our wills–on a regular basis. We would like to assist in your review process by sending you our booklet, *Your Will and Other Ways to Transfer Assets.* Simply return the enclosed reply card or call our office to receive your complimentary copy.

Success *(continued from page one)*

Intergovernmental Relations and in leadership positions for numerous other civic and professional organizations.

He is a board member of Broadcast Music Incorporated, a nonprofit company that collects license fees for the "public performances" of its repertoire of approximately 4.5 million compositions. Fees from radio airplay, broadcast and cable television carriage, Internet use, and live and recorded performances of the music are distributed as royalties to the writers, composers, and copyright holders BMI represents.

CONTACT US

For additional information about making a gift to Clemson University or the Clemson University Foundation, please contact:

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