Generations

Clemson University

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

OFFICE OF GIFT & ESTATE PLANNING • CLEMSON UNIVERSITY

Gift Allows Couple to Enjoy Life–and Help Clemson

Ernie and Pat Briel

Ernie '55 and Pat Briel of Melbourne, Fla., have journeyed to some of the world's great landmarks–most recently the Eiffel Tower and the Avenue des Champs-Elysées. But Ernie credits the place known for Tillman Tower and Walter T. Cox Boulevard with helping to prepare him for the journey of life.

"Much of my success in life is because of the education and training I received at Clemson," says the retired founder and CEO/chairman of BRPH Companies/ Architects & Engineering.

And just as his company designs and builds a wide variety of structures all over the world–from aerospace projects to industrial plants to public schools–he has employed a variety of practical gift options in structuring his philanthropy for Clemson.

In 2000, the Briels established a $100,000 charitable remainder unitrust that will benefit Clemson. They also pledged an additional $25,000 to create the **Ernest and Patricia Briel Unrestricted Library Endowment**.

Then they set up a $20,000 charitable gift annuity. In addition to guaranteed income, the gift annuity provided the Briels with a charitable deduction and a higher rate of return than they would have received from a fixed investment such as a CD.

"We chose the gift annuity as our means of giving because it provides current financial benefits during our retirement years, yet yields a significant gift to Clemson when we're gone," says Ernie.

This latest gift will further support modernization and expansion of the Clemson University Libraries.

"I believe in our goal of making Clemson a 'top twenty' university, and a top library is necessary to achieve that goal," says Ernie. "My wife and I believe very strongly that Clemson deserves to be one of America's great institutions. Just being the best in South Carolina isn't quite good enough for today's world."

Generations is your resource for charitable giving information.

CLEMSON UNIVERSITY

Legacy

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.

Giving and Receiving: Picking the Right Life-Income Plan

Make a gift and get a life income in return?

It's a concept that seems almost too good to be true–yet federal tax law sanctions several different ways you can do just that.

The benefits are numerous. A life-income gift can generate a substantial income-tax deduction. It may allow you to turn an asset that produces little or no income into a source of significant payments. You may be able to avoid some or all of the tax on any paper gain you have on appreciated assets used to fund a life-income gift.

Each type of life-income gift has particular features designed to accommodate individual situations and objectives. Whether you choose a current or deferred gift annuity, a charitable remainder annuity trust, or one of the many variations of the charitable remainder unitrust will depend on factors such as your age, the type of asset you plan to use to fund the trust, the kind of return you desire, the degree to which you want to control future investments, and the tax implications of your choice, just to name a few.

So, with all these choices, how do you go about choosing the life-income gift that is right for you? Perhaps taking a look at what the following hypothetical friends of Clemson University have done will help you decide on the best course of action.

Increase Your Income with a Charitable Gift Annuity

Profile: Doris T is 79 years old and a widow. Most of her investment assets are cash or fixed-income investments, and she depends on the income they produce to supplement her retirement income.

Doris's Story: I wanted to make a meaningful gift to Clemson, but I felt I needed all the income my assets were producing. In fact, a little additional income would be nice.

When some CDs came due recently, imagine how thrilled I was to learn that I could make a gift to Clemson in return for a *charitable gift annuity* and actually increase my annual cash flow. I was able to get only about 4% on my CDs but, based on the $50,000 I contributed for my gift annuity, I am getting payments equal to 7.8% of that amount, or $3,900. Better still, more than $2,700 of that is tax-free for the balance of my life expectancy. That makes my payments worth even more.

The gift also allowed me to take an income-tax deduction of almost $23,000. Since I am in the 28% federal income-tax bracket, this saved me about $6,415 in taxes.

> A life-income gift can generate a substantial income-tax deduction.

Avoid Capital-Gain Tax and Create an Income That Can Grow

Profile: Ted and Mary N, both aged 67, have recently retired. They have a number of stock investments that have appreciated, but which pay no dividends. Now that they are retired, they would like to increase their annual cash flow.

Ted and Mary's Story: About five years ago we bought shares in a company we believed had a great future. It turns out that we were right, and now it is worth five times the $50,000 we paid for it. When we retired, we talked about selling it and reinvesting the proceeds to produce more income for us since it pays no dividends. We were discouraged to find out that $30,000 of our $250,000 selling price would go to pay capital-gain tax.

We have always wanted to make a significant gift to Clemson, so we decided to talk with JoVanna King to see if she had any ideas that could help us. When we found out that we could transfer the stock to a *charitable remainder unitrust* and avoid all of the capital-gain tax, it sounded good to us.

Since the unitrust is tax-exempt, it can sell the stock and not owe any tax, either. This means the entire $250,000 value of the stock will stay at work for us, producing another source of cash flow.

The unitrust also sounded good to us because our payments will grow if the value of the trust increases. At 67, we plan to live a long time. We decided on a 6% unitrust payment. The first year the trust will pay us $15,000, but if the trust is able to obtain an average total return of 8%, our distribution will be almost $20,000 fifteen years from now. We also get to deduct more than $78,500, which is saving us almost $27,475 in taxes.

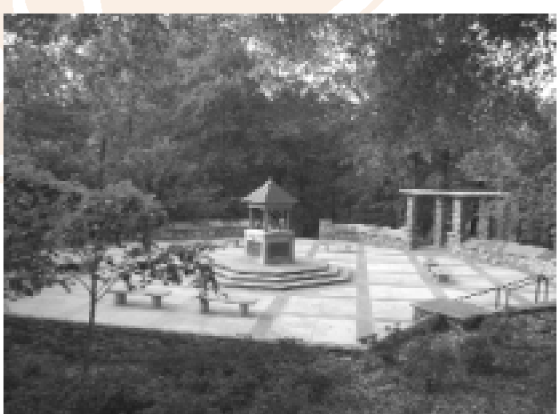
Analysis: Ted and Mary found themselves in a classic "locked in" position in their investment. They wanted to convert the value of the investment to a source of income but faced heavy capital-gain tax if they did so.

A charitable remainder trust (CRT)–either an *annuity trust* or a *unitrust*–is an excellent vehicle to avoid capital-gain tax on long-term appreciated investments. By funding a CRT with such property, the entire value stays intact, undiminished by capital-gain tax.

One of the most attractive features of the charitable remainder unitrust is that the payment is based on the value of the trust as it changes from year to year. If the value goes up, so do your payments.

A Plan That Will Make You Flip: Supplementing Future Retirement Income

Profile: Carol J, aged 50, has a successful medical practice. She doesn't need or want any additional income now, but would like to find a tax-advantaged way to create more retirement income.



Carol's Story: In addition to the rewards of helping others, my profession has allowed me to earn a comfortable living. I try to take advantage of all available opportunities to make tax-deductible contributions to retirement plans, but I worry that may not be enough.

I wanted to do something that would eventually benefit Clemson, which would also help secure my retirement. I knew about life-income gifts, but I really didn't want any more income right now. I was surprised to learn that I could create a plan that would let me make contributions that would build up and grow until I retire at 65 and then start payments to me.

Avoid capital-gain tax with a charitable remainder trust.

Each year I plan to contribute $20,000 to a special kind of *charitable remainder unitrust* that will make payments to me only if it has income–basically meaning interest or dividends–until I retire at 65. Then, the unitrust will convert, or "flip" as the people at the Clemson University Foundation said, to a unitrust that will pay me 5% of its value each year, regardless of the amount of income the trust has.

We plan to invest my contributions primarily in stocks. These stocks pay little or no dividends, so the trust won't have to make any distributions to me. Even better, I think these are the kinds of investments that have the best chance to grow, which will mean more income at retirement when I need it.

If the trust averages an 8% return, it will grow to about $540,000 by the time I retire. This means my income that first year will be more than $27,000 and will continue to grow as I get older. Along the way, I will be able to take more than $108,000 in deductions, saving me about $38,000 in taxes. If I live my normal life expectancy, Clemson will eventually receive about $950,000.

Analysis: Carol is dealing with a dilemma faced by many successful professionals who find they have made maximum allowable deductible contributions to traditional retirement plans –but still want to make additional tax-favored contributions that will produce income at retirement. A typical life-income plan that currently makes distributions really doesn't fit their needs because it just increases current taxable income.

A "flip" unitrust may be the answer for many. It starts out with special "income only" provisions that can be planned to last until some preselected point in the future–often the anticipated retirement date. Until that time, the trust will make only distributions of "income" –normally defined as interest and dividends–as opposed to capital appreciation. During that period, the trust is invested to minimize "income." Once it "flips," the trust pays the stipulated unitrust percentage. This can be paid out of income, capital gain, or principal.

Alternative: Another plan that works well for retirement-planning purposes for some persons is a *deferred charitable gift annuity*. A deferred gift annuity also delays the payment until a point in the future, but without tying that stipulation to "income only" provisions. The longer into the future you defer the payment, the larger the payment will be and the larger the income-tax deduction for that gift will be. However, unlike a unitrust, deferred gift annuity payments are fixed and will not change after they begin.

A Major Deduction and a Tax-Free Return

Profile: Bill R, aged 75, sold his very successful business several years ago and retired. Thanks to the proceeds of the sale and good investments, Bill is quite comfortable. He has a number of investments, including a portfolio of tax-free bonds.

Bill's Story: I was quite attracted to the prospect of receiving a significant income-tax deduction, sharing my success with Clemson, *and* maintaining my current lifestyle. However, I did not want to increase my taxable income in the process.

After talking with the staff at the Clemson University Foundation, I decided to put $200,000 worth of my tax-exempt bonds into a *charitable remainder annuity trust*. Since the bonds were paying 5%, I decided to reserve a 5% interest for myself in the annuity trust. Because of the way the annuity trust works, the tax-exempt interest from the bonds is passed on to me and retains its tax-exempt character.

This plan maintained my previous income level without increasing my taxable income. And I was able to take a deduction of more than $117,000 and save about $41,000 in taxes in my 35% tax bracket.

Analysis: Much like a charitable gift annuity, a charitable remainder annuity trust is a way to create a source of fixed income. One advantage of a gift annuity is that part of the payments is treated as a tax-free distribution of principal. In many cases, this makes a gift annuity the preferred choice.

There is one unique feature of CRTs. Distributions from CRTs retain the same character in the hands of the beneficiaries as they had in the hands of the trust, which means that sometimes it is possible to receive tax-free distributions from a CRT depending on the mix of assets in the trust.

A CRT is required to distribute any taxable income and capital gain it might have before distributing tax-free income and tax-free return of principal.

DID YOU KNOW…

- Clemson University is listed as one of the top 100 U.S. colleges and universities for entrepreneurs in the April 2003 issue of *Entrepreneur* magazine.
- *Kiplinger's Personal Finance* ranks Clemson as one of the nation's 20 best values in public universities in its Oct. 2002 issue, "Baccalaureate Bargains."
- *U.S. News & World Report* ranks Clemson 39th among all public national universities, the only S.C. school in the top 50. The magazine ranks Clemson 6th nationally in programs that emphasize writing.

Gift *(continued from page one)*

Ernie is a Birmingham, Ala., native, who grew up in Miami. He earned his civil engineering degree at Clemson and his MBA at Florida Tech. He has received the NASA Public Service Medal and the National Space Club Debus Award and was named a Junior Achievement Laureate. The Briels have four children and six grandchildren.

At 70, Ernie enjoys hobbies and interests ranging from fishing and studying history to sailing, hiking, automobile racing, and horseback riding. Plus, he is actively helping his Clemson class prepare for its Golden Anniversary. He says some of his classmates might benefit from gift arrangements similar to those that he and Pat enjoy.

"My class will soon be having its 50th anniversary," he says. "Our gift works for us and, perhaps, will work for others in my class, who must be of similar age and circumstance."

We Can Help You Choose

We understand that picking the right life-income plan for yourself can be a challenging task. Please feel free to call on us if we can answer any questions or if you would like us to meet with you to discuss your situation.

In addition, to help you with your planning, we would like you to have copies of our latest booklets, *The Charitable Gift Annuity: Guaranteed Payments for Life* and *Charitable Remainder Trusts: Gift Plans of Choice.* Simply return the enclosed reply card.

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.

CONTACT US

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

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