



*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

## Long History with Clemson Prompts Gifts for the Future



Mac '41 and Sis Sparks

**M**ac and Sis Sparks are long-standing members of the Clemson family. Mac is a member of the Class of 1941, and Sis grew up in Clemson, the daughter of a Clemson employee.

Mac decided to come to Clemson after an older friend, who was a student at Clemson, came home from college for Thanksgiving. He remembers his friend wearing his cadet uniform, which sparked Mac's interest. This friend recommended Mac come to Clemson because he knew Mac "always liked to chase bugs and catch snakes." Mac went on to become an entomology major.

Mac remembers his first day on campus well. While standing in line to matriculate, he was approached by two Clemson cadets.

"They told me to go with them, and I did. They took me across the river to a beer joint and shaved my head. Then they asked for 50 cents, which I didn't have. I got my butt beat before I even matriculated," Mac remembers, with a laugh. "Later I found out they were Banks McFadden and Shad Bryant."

While at Clemson, Mac met Sis, whose father worked on campus in the maintenance department.

"I grew up here from a little bitty girl to meet the most wonderful man in the world," said Sis.

Mac said that hometown girls like Sis were often called "yard engines" by the cadets. Like a train engine pulling different cars, "about every weekend, they'd have another boy in tow," said Mac. Ironically, Mac—a Presbyterian—and Sis—a Methodist—met at the Clemson Baptist Church, when Mac was a junior.

As a student at Calhoun-Clemson High School, Sis worked at the university dairy, then at the library.

"When Sis worked at the dairy, I used to go down there and I could get the biggest ice cream cones for a nickel you could imagine," he said.



*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.

### *Inside*

#### **MAKING YOUR REAL ESTATE WORK FOR YOU**

*Generations is your resource for charitable giving information.*

**CLEMSON  
UNIVERSITY**

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# Making Your Real Estate Work for You

*Buy land—they ain't making any more of that stuff.*

—Will Rogers

More than half a century later, Will Rogers' statement is more apt today than ever. Indeed, the quest to own one's home is the "American Dream" pursued by two out of three families.

that even in a relatively strong market, it can take some time to dispose of it and convert its value to cash. This has major estate-planning and tax implications.

## An Excellent Choice to Fund a Charitable Gift

Many a real estate investor with significant charitable objectives will find that his or her appreciated real estate is the best asset to give because of the ability to reduce or even eliminate the capital-gain tax that will be due if the property is sold.

**EXAMPLE:** Tom G wants to make a major gift to support Clemson University. Undeveloped ground that he bought several years ago for \$10,000 is now worth \$100,000. If he sells, because of the 15% capital-gain tax he will owe a tax of \$13,500.

Instead, he decides to give the land as his gift. He does not recognize any gain, and he can claim a deduction for the land's full \$100,000 fair-market value. In his 33% federal income-tax bracket, Tom's gift saves him \$33,000. The real cost of Tom's gift is only \$53,500 (\$100,000 value - \$33,000 income-tax savings - \$13,500 capital-gain tax avoided).

## A Host of Charitable Options

Real estate holdings are adaptable to a variety of charitable-planning strategies, some of which, in fact, are available only with real estate.

**GIVE A FRACTIONAL INTEREST.** Because real estate ownership is designated through documents recorded in the appropriate governmental office, it is a simple matter to transfer an undivided fractional interest in the property equal to the intended value of the gift to charity.

**EXAMPLE:** Gloria would like to use her investment in an apartment building to fund a gift to us worth \$75,000. After appraisal and careful planning, she decides to transfer an undivided one-fourth interest in the building to us. The appraisal shows that the value of this fractional interest is \$75,000.

**PART GIFT, PART SALE.** You can use real estate to make a gift and still recoup some of its value through the use of a strategy known as a bargain sale.

A bargain sale is just what it sounds like: an owner transfers real estate to a charitable organization in exchange for a payment that is less than the full value of the property. Typically, the donor qualifies for a charitable deduction equal to the difference between the fair-market value of the property and the amount of the payment received. In addition, the donor has to recognize the capital gain attributable to the "sale" element (amount received).

**EXAMPLE:** The Taylors own a vacation lake house that they rarely use now that their children are grown. They would like to make a substantial gift to support Clemson, and they think the lake house would be an ideal asset with which to fund their gift.

This home is now worth about \$250,000, and the Taylors would be happy to use it to make their gift if they could recover their original \$100,000 investment. After some discussion, we enter into an agreement with them to purchase the house for \$100,000. They are entitled to a charitable income-tax deduction of \$150,000 as a result of this bargain sale.



And, on an economic level, real estate has proven to be a valuable asset because of:

- Leverage, which allows investors to finance real estate investments largely with "other people's money."
- Preferential treatment under federal tax laws.
- Favorable rates of return for income-producing real estate.
- The potential for a very healthy rate of growth of capital investment.

But, even when demand is strong, a real estate investment can require a significant commitment of time and/or resources—insurance costs, rent collection, maintenance, yard work, etc., to manage and maintain.

In addition, dedicating significant cash to a single investment does not allow for diversification as do stocks and mutual funds.

One of the most significant challenges of real estate, however, is



Also, the Taylors have to recognize and report a capital gain of \$60,000, attributable to the sale element of the bargain sale. Of course, the capital gain the Taylors have to report is more than offset by the charitable deduction.

**MAKE A GIFT AND RETAIN POSSESSION.**

You may choose to leave your home to us in your will, but that does not create any current income-tax benefit for you as a homeowner. However, with a gift of a *remainder interest with a retained life estate*, you can retain the right to both live in your home for life and receive a valuable charitable deduction by transferring it to Clemson University, subject to your right to live there for life.

**EXAMPLE:** Alan, 78, has intended for some time for Clemson to have his home eventually. His will directs that the house be given to us when he dies. Presently, the home is worth \$400,000.

In order to realize tax savings during his lifetime, Alan decides instead to transfer the house now, subject to a life estate for his lifetime. This allows Alan to claim a charitable deduction of more than \$254,800 that, in his 35% federal income-tax bracket, saves him more than \$89,180 in taxes.

**NOTE:** Other types of real estate, such as commercial property and undeveloped land, are not appropriate for this particular plan.

**RECEIVE A STREAM OF INCOME.** Real estate is an excellent asset to fund a *charitable remainder trust*, which makes payments for life or for up to 20 years to one or more designated beneficiaries. These payments are based on the value of the trust's assets. At the end of the trust term or at the death of the last beneficiary, the remaining assets pass to a designated charity. The value of this "charitable remainder" qualifies for a charitable deduction.

- A *charitable remainder annuity trust* makes fixed payments based on a percentage (at least 5%) of the initial value of the assets put into the trust.

- A *charitable remainder unitrust* also uses a fixed percentage to determine its annual payout, but that fixed percentage is applied to the value of the trust's assets as it changes from year to year. So, if the value of the assets goes up, the payout will go up.

**PLANNING POINTERS:** • A unitrust allows for special provision for the payments to be made each year only to the extent that the trust has available income, guarding against depleting the trust's principal.

- It can also provide that any shortfall will be made up in future years in which there is excess income.
- Yet another provision provides added flexibility by permitting the trust to "flip" upon the occurrence of a so-called triggering event such as the sale of the real estate. Thereafter, the unitrust will start paying a stated percentage of its annual value without regard to how much income is generated by the unitrust. Thus, the payments could be made up of **both** income and trust principal.

With wise charitable planning you can transform real estate holdings that generate no income into a source of annual payments—without selling and generating taxable capital gain.

**EXAMPLE:** Years ago, Helen Daley, 72, bought some acreage far from the edge of the city for \$50,000. Gradually, development pushed the city's boundaries farther out, and now her land is worth \$500,000.

Now retired, Helen would like to sell and reinvest the proceeds to supplement her income, but the \$67,500 tax on



capital gain would leave just \$432,500 to reinvest. At 6%, that would generate \$25,950 each year.

Helen is delighted to learn that she can transfer this land to a 6% flip unitrust and avoid recognizing the capital gain on the "built in" appreciation. As a result, Helen will be entitled to an immediate charitable deduction of \$255,145. In her 35% bracket, this saves her nearly \$90,000 in income taxes.

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**DID YOU KNOW...**

- Clemson's Genomics Institute now has the world's largest collection of genetic materials for plants and plant pests.
- The tissue printing research of Thomas Boland, associate professor of bioengineering, has been recognized as "One of Six Technologies That Will Change the World" by *Business 2.0*.
- Clemson is included in the 2005 *Colleges with a Conscience: An Engaged Student's Guide to College*, a Campus Compact/The Princeton Review publication.
- Clemson ranks among the top-25 national public universities in SAT scores, freshman retention rates, and graduation rates, according to the latest *U.S. News & World Report* college guide.
- *U.S. News & World Report* ranks Clemson 32nd among all national public universities, the only S.C. school in the top 50.



The trustee sells the land to a developer 18 months later—the triggering event—for \$530,000.

The trust, being tax-exempt, will not pay any capital-gain tax on the sale. The next year, the straight unitrust will distribute \$31,800 (6% of \$530,000) to Helen. Thereafter, the annual payment will equal 6% of the annual value of the unitrust. At her death, the remaining assets in the unitrust will be distributed to Clemson.



## We Are Here to Help

A gift of real estate can be a powerful planning tool for a charitably minded person but does require careful planning.

We want to be helpful any way we can. For a start, we would like to send you a complimentary copy of our booklet, **HOW TO REALIZE MAXIMUM BENEFITS FROM YOUR REAL ESTATE**. To get your copy, simply return the enclosed card or call our office.

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

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## History (continued from page one)

Immediately after graduation, Mac was called up to active duty in the Army with the 13th Infantry of the 8th Division at Fort Jackson, S.C. In 1942, he was selected to attend the Army Air Corps Aerial Observation School and was awarded his first pair of wings, those of aircraft observer.

“I liked sleeping between the sheets in that school better than trying to sleep in a wet slit trench with my infantry outfit, so I requested duty with the Army Air Corps for pilot training,” Mac said. He was accepted,

and in 1944, he was awarded his pilot wings. He taught instrument flying to cadets and went on to pilot B-24 and B-29 bombers. He retired as a lieutenant colonel after 28 years of active and reserve service.

Mac and Sis were married in Kansas in 1945, shortly before Mac was discharged from the service. In true Clemson fashion, Mac gave Sis a ring the day of the Clemson-Carolina football game in 1944.

“I couldn’t watch the ball game for watching my diamond,” Sis said. “And all the people couldn’t watch the game for watching me.”

In 1946, Mac and Sis came back to Clemson, and Mac applied for a job with the Clemson Extension Service. His first job was to assist peach growers in controlling insects and disease in their orchards. He was then offered the position of cotton entomologist. In this position, he was responsible for developing annual cotton insect and disease-control recommendations and promoting their safe and economical use.

In 1962, he became the first Clemson Extension specialist to be assigned to a job overseas. The Federal Extension Service sent Mac to Egypt as a consultant to help control the Egyptian cotton worm, the country’s number-one pest. Mac retired from the Clemson Extension Service in 1976 after 30 years of service.

Mac and Sis still live in Clemson, and they are including Clemson in their plans for the future. They have made provisions in their will for the Clemson Foundation to support the construction and maintenance of a natural history museum on campus. They have also begun annual contributions for charitable gift annuities, which will be unrestricted gifts to the university.

“I wanted to return to Clemson a source of income for their use in payment for the education I received as a student, which led to a successful military career and a rewarding professional career,” Mac said.

Mac and Sis Sparks plan to stay in Clemson for the long-term; they will be buried in Woodlawn Cemetery, overlooking Death Valley. The epitaph on their headstone, which is already in place, reads, “Do not weep, we are in His keep. We can see the eagles soar and hear the Tigers roar.”

Since this article was written, Sis Sparks passed away on Aug. 25, 2004, and Mac Sparks passed away on Feb. 2, 2005.

## CONTACT US

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

JoVanna J. King  
Director of Gift & Estate Planning  
Clemson University  
P.O. Box 1889  
Clemson, SC 29633-1889

Phone: (864) 656-0663  
Toll Free: (800) 699-9153  
FAX: (864) 656-5899  
E-mail: [jovanna@clemson.edu](mailto:jovanna@clemson.edu)

OFFICE OF DEVELOPMENT  
[www.clemson.edu/friends/estate](http://www.clemson.edu/friends/estate)

