

Heritage

A Newsletter for Members of the Heritage Society and Special Friends

Gift Annuity Will Benefit Donor *and* Mary Washington

Katherine (Kate) Mayo Schmidt completed her degree at Mary Washington College in 1949. An educator for 35 years, one year in Roanoke followed by 34 years in the Houston, Texas Independent School District, she derived great satisfaction working with junior high and high school students. Kate spent 17 years in the classroom and an equal number as a guidance counselor and hopes that many of her students give her some of the credit for getting started on the "right track."

Retired now for 15 years, Kate and husband, Bill, have enjoyed traveling extensively in Europe and the U.S. They have also enjoyed cruises in all parts of the world.

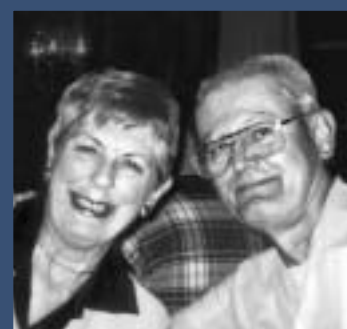
Back at home they raised cattle for a few years on their small Texas ranch. The cattle are gone now and "we are pursuing our interest in conservation by returning the ranch to its natural state by replanting native grasses and providing an encouraging wildlife habitat," Kate explained. The Schmidts' son, Bill Jr., is an Albuquerque area

psychologist and Blue Grass music enthusiast and encouraged his parents along the conservation route.

Having read about the various life income gift planning options available through the Mary Washington Foundation, the Schmidts entered into an agreement earlier this year.

"Although it is nice to increase our income with a predictable and safe investment, our primary objective was to benefit Mary Washington. We considered a charitable trust but settled on a charitable gift annuity," Kate explained. "Having our broker transfer the shares of appreciated stock to the Foundation and completing a simple agreement was all that was required to put the annuity in place. Our CPA is very excited about the tax benefit we will enjoy over the next few years and the annuity is much more than the dividend income from the stocks," she added.

The Schmidts' gift annuity was set up to pay them both an income for life. Kate put a great deal of thought into what would



Kate & Bill Schmidt

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How Gift Annuities Work for You



TAX SAVINGS HELP YOU GIVE MORE

- A portion of the amount contributed for a gift annuity is deductible for federal income tax purposes.
- There can be additional income tax savings depending on your state of residence.
- Capital gains tax can be lowered and delayed when property that has increased in value is used to fund a gift annuity.
- Gift annuity payments can be taxed more favorably than many other sources of income.
- Assets used to fund gift annuities are typically removed from your taxable estate.
- Gift, estate, or capital gains tax considerations may arise in some cases where a gift annuity is created for someone other than a spouse.

Gift annuities are a simple and convenient way to make a gift. Under the terms of a gift annuity, you make a gift of cash or other appropriate assets in a way that allows you to retain payments for the remainder of your lifetime. If desired, you can also provide for payments that continue for the life of one other person or direct that the payments be made to one or two others you name.

How much are the payments?

Gift annuity payments vary according to the age of the annuitant (person who receives payments) at the time the annuity is funded. See the chart at right for examples of rates for one or two persons. The older you are when you fund your gift annuity, the higher your payments will be.

What stands behind the payments?

Under state law all of the available assets of the charitable recipient serve to back the annuity payments.

Enjoy tax savings

A generous charitable income tax deduction is allowed for the year your gift annuity is funded. Capital gains tax that would be due on the sale of assets used to fund an annuity will be partially avoided. The remainder is typically reported over the donor/annuitant's life expectancy.

Additional benefits

Under the terms of federal tax legislation enacted in 2001, it will be a number of years before many estates are exempted from estate tax. A gift annuity can be an excellent way to enjoy income tax savings today while assuring that the amounts used to fund the annuity will never be subject to estate tax.

Gift Annuity Payment Rates			
<i>Selected Rates for One Person</i>		<i>Selected Rates for Two Persons of the Same Age</i>	
Age	Rate	Ages	Rate
65	6.0%	65/65	5.6%
70	6.5	70/70	5.9
75	7.1	75/75	6.3
80	8.0	80/80	6.9
85	9.5	85/85	7.9
90+	11.3	90/90	9.3

Please write for current benefits and rates for other ages.

For illustrative purposes only.

Giving for Maximum Income

To receive the greatest possible benefit from a gift annuity, it is important to think carefully about the property used to make your gift. Consider the following assets as you decide what might offer the greatest opportunity for you:

- Cash or the proceeds from bonds, certificates of deposits, and other investments that may be providing less income in today's environment.
- Stocks, bonds, or mutual funds that have increased in value since you have owned them but yield little or no income. Because capital gains tax is not due at the time you fund a gift annuity for yourself and/or a spouse, this can be a good way to make a gift while increasing your spendable cash flow.
- Withdrawals from retirement plans you may be required to make. A gift annuity can offer a way to set aside more of such funds to provide future income, while reducing taxes that would otherwise be due today.

We will be pleased to talk with you and your advisors as you consider which asset might be best for you to use to fund a gift annuity.

Provide for Yourself and Others

You may create a gift annuity for your life only, your life and that of your spouse, or the life of one or two other persons. The following examples illustrate just a few of the possibilities.

Payments for one person

Martha, in her late seventies, decides to fund a gift annuity using \$25,000 in cash. At her age she receives payments from her gift annuity equal to 7.8% of the amount contributed. (See page 2 for examples of rates.) She is also entitled to an income tax deduction for approximately \$11,000, and for the first 10 years she will pay income tax on less than half of her payments.

Payments for two lives

George and Susan, age 70 and 72, decide to use stock that pays no dividends to fund an annuity that will continue payments for both of their lives. They are entitled to payments equal to 6.0% of the amount transferred as well as a generous tax deduction. In addition, the value of the annuity will be completely removed from their probate and taxable estate.

Income for other loved ones

Barbara decides to create a gift annuity that will make payments to her sister for the rest of her sister's life. Barbara will be entitled to an income tax deduction for a portion of the amount contributed. In addition, she enjoys the knowledge that her sister will receive payments that are backed by all of the assets of the charitable recipient.

Contact us for gift annuity rates for you and/or others of your choosing.



Build Income for the Future

The amount of your gift annuity payments will never change. But the rate for each new annuity will be higher at later ages. For this reason, some choose to create a new gift annuity each year as part of their retirement planning. In this way, they make meaningful gifts over time while enjoying increasingly higher amounts of steady income.

Giving & Receiving

Make gifts while providing for your economic well-being and that of your loved ones.

Have you ever wanted to give more in support of your charitable interests, but hesitated to do so because of financial concerns?

The need for income or for access to assets later in life are just two of the reasons people sometimes choose to delay or forgo charitable gifts. Fortunately, ways exist to make gifts while addressing these and other financial needs.

Predictable income

There are plans that allow you to make gifts while receiving generous payments that will not change over time. Along with substantial tax savings, such payments can allow you to make gifts you never thought possible. The charitable gift annuity featured in this newsletter is just one example of this type of gift planning tool.

Income that can increase

You may prefer to make a gift that provides for an income that can fluctuate over time depending on the future value of the funds and/or the way they are invested.

Whether you prefer a fixed income or payments that may grow in the future, you can enjoy the knowledge that you have made a wonderful gift that will continue to meet the needs of others for years to come. Congress has provided generous tax incentives for people who choose to give in this way.

We will be pleased to discuss how you can make charitable gifts a part of your long-term plans.

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For information about establishing a charitable gift annuity with the University, or making a simple bequest provision, please contact:

The Office of Gift Planning
University of Mary
Washington Foundation
1119 Hanover Street
Fredericksburg, VA
22401-5412
Call: (888) 692-0004
E-mail:
umwgift@umw.edu

Gift Annuity ...continued from page 1

happen with the remaining funds. Four separate endowments will be funded at her direction. She chose to fund a scholarship in memory of her dear friend and roommate, Ann Jackson Atkinson and a second scholarship will also be funded in Kate's name.

As a tribute to the beautiful Mary Washington campus, she chose to fund a Bushnell endowment. Named in honor of Nina G. Bushnell, Dean of Women from 1921 through 1950, this fund assists in campus improvements. Kate's fourth endowment will establish a special acquisitions fund for the Simpson Library.

"Working as a student assistant in the library in my senior year gave me great experience in preparation for the years after graduation and a knowledge of library functions that benefited my education and has been extremely helpful over the years," Kate remarked.

"I value each and every moment of my MWC days. I hope in some small way these endowments will help future students enjoy and reap the benefits of their Mary Washington education," she added.