Ask Professor Joyce

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Legacy Giving

Ask Professor Joyce

Kenneth F. Joyce, SUNY Distinguished Teaching Professor, has spent over 40 years in the Law School teaching Estates, Trusts and Taxes. Beyond the classroom, Professor Joyce was Executive Director of the New York State Law Revision Commission from 1985 to 2000, working to revise and modernize New York state law. In conjunction with the UB Office of Planned Giving, Professor Joyce here considers some frequently asked questions about charitable gifts to UB.

• What exactly is a planned gift?
The phrase “planned gift” refers to an arrangement where (unlike an outright transfer of an asset to charity) you retain (or give to someone else) an interest (present or future) in the charitable gift. Planned gifts can be made during lifetime or at death and can result in tax benefits under the income tax or estate taxes. Typical examples include charitable gift annuities, charitable remainder trusts, and charitable lead trusts.

• What is a charitable gift annuity?
A charitable gift annuity is a contractual agreement between you and a charitable organization like the University at Buffalo Foundation, Inc. In exchange for an irrevocable contribution, the charity agrees to pay to you (or someone else you select) a fixed amount every year for life. A charitable deduction on your income tax results from the fact that the value of your contribution exceeds the value of the life annuity received.

• How does UB determine the rates it offers on charitable gift annuities?
Like many non profits, UB follows the rates recommended by the American Council on Gift Annuities. These rates are based on actuarial tables and a conservative projection of investment return. For more information on rates and other aspects of charitable gift annuities (including New York regulatory provisions) you can visit the Council’s Web site at www.acga-web.org.

• If I set up a deferred charitable gift annuity, will the principal grow during the deferral and if so how does this affect me?
Since your contribution is invested during the deferral period and since the annuity payments begin at the end of the deferral period, you will benefit from a larger annuity payment than if the annuity was to begin immediately. In addition, because the annuity is fixed at the time you make the contribution, you will know the exact amount of the annuity you can expect to receive unaffected by general market conditions.

• How do I determine what is the best way to make a planned gift?
Determining the best planned gift arrangement for you depends on your personal circumstances and what you wish to achieve philanthropically and personally. For instance, if you prefer...
not to relinquish any assets during your lifetime then a bequest may be best for you. However, if you are looking to make a gift and supplement your income now or at a later date during your lifetime (i.e. upon retirement) then you may want to consider establishing a charitable gift annuity. Or, if you may decide that you would like to make a current contribution and leave a significant inheritance to your loved ones at a reduced tax cost, a charitable lead trust may be the best choice for you. Staff from the UB Office of Planned Giving is available to assist you to determine the best gifting method depending upon your personal needs and circumstances.

- **What are some of the tax benefits I should expect after making a planned gift arrangement?**
  It depends on the type of planned gift you make and how you fund your gift. If you establish a life-income gift, you can typically expect to benefit from an immediate charitable deduction that can be used to offset current income tax obligations. In effect, this reduces the out-of-pocket cost of making the gift. Additionally, if you fund your gift with an appreciated asset (i.e., real estate, stock) that you might otherwise sell, the cost of making your gift is reduced even more when you take into account your capital gains savings. Regardless of how you make your planned gift, you can generally expect to benefit at some point from a charitable deduction as well as reducing the size of your taxable estate.

- **Suppose I've already completed my estate plans and do not want to incur the time or expense to re-do my will to include a bequest to UB Law. What other options do I have?**
  You have a number of options, including having your attorney draft a codicil modifying your will. Additionally, you can choose to name the University at Buffalo Foundation, Inc. beneficiary on a tax-deferred retirement account or life insurance policy. Typically this is easily accomplished by completing a new beneficiary designation form with your plan administrator or insurance agent.

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- **What kind of person makes a planned gift?**
  Anyone who understands the importance of philanthropy and the need to give back should consider a planned gift, especially a testatory commitment. Life-income gifts such as a charitable gift annuity typically appeal to an older constituency (age 70+) while a charitable remainder trust is often selected by donors who want to have some involvement in the decisions about how their gift is managed.

- **Can I fund my gift with assets other than cash and marketable securities?**
  While money and securities are the easiest ways to fund a planned gift, any marketable asset that has value can also be used. For example, a planned gift may be funded with real estate and artwork or other valuable collectibles that you may own.

- **Should I consider making a gift of retirement assets? If so, what's the best way to do so?**
  Under the current tax code, a great way to make a charitable gift is to fund a bequest with retirement plans assets that have accumulated on a tax-deferred basis. Typically, the value of such assets when left to heirs can be significantly eroded by a combination of income and estate taxes. Even if the overall value of your taxable estate is not subject to the estate tax, the value of retirement accounts left to heirs will be reduced since each distribution will be taxed to your heirs as taxable income, whereas a charity like UB can receive your retirement benefits on a tax exempt basis.

- **Do you have to be a certain age before you can make a planned gift?**
  While planned gifts are often thought of as ideal for older donors, adults of any age can make a planned gift. Everyone should have a testamentary arrangement and if circumstances permit, making a bequest to the University at Buffalo Foundation, Inc. for the benefit of UB Law should be considered. Planned giving arrangements are flexible and therefore can be fashioned to meet your personal circumstances.