Planned Giving Program For Wilkes College Pamphlet, n.d

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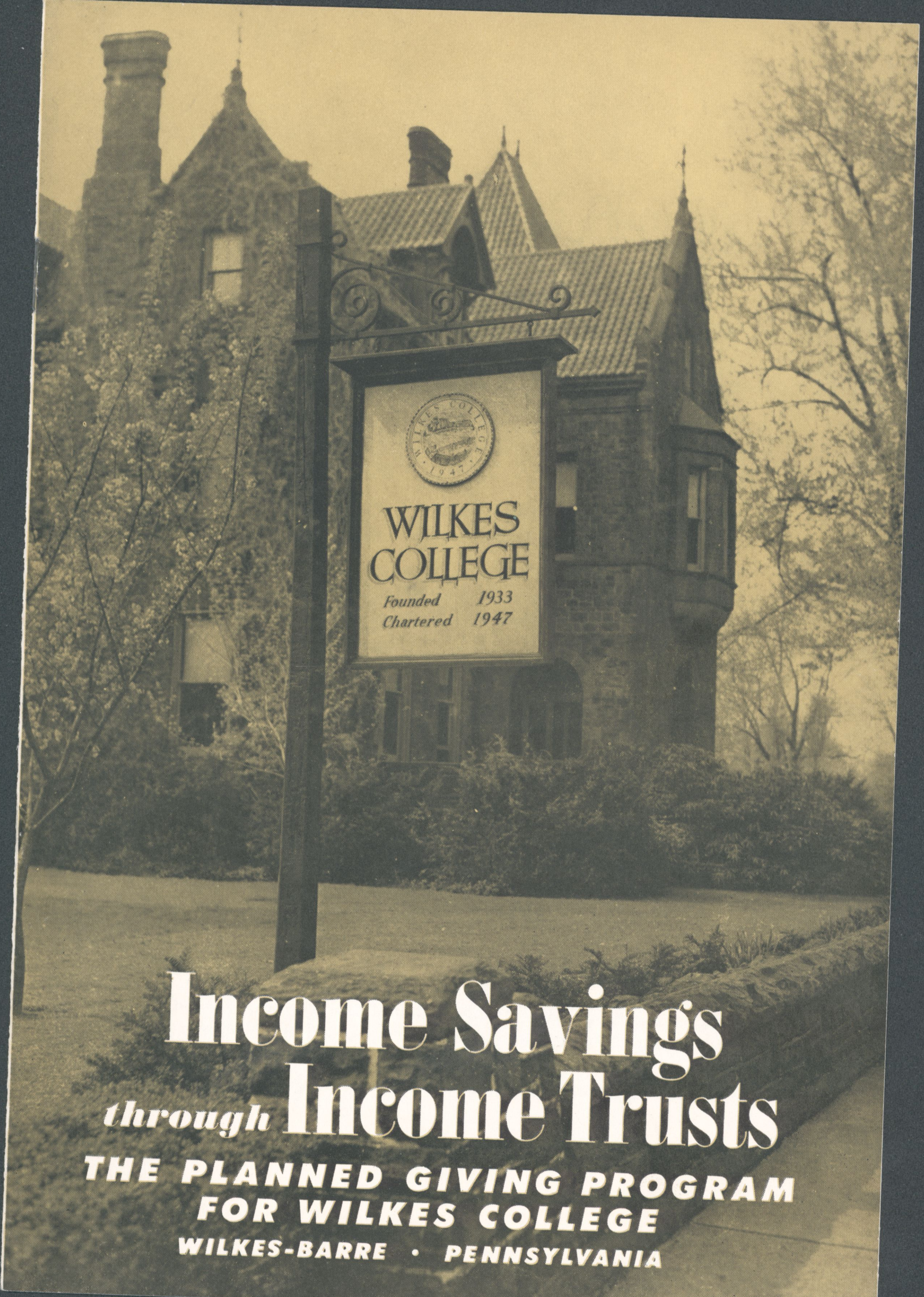

Income Savings *through* Income Trusts

THE PLANNED GIVING PROGRAM FOR WILKES COLLEGE

WILKES-BARRE • PENNSYLVANIA

Money Saved Through Planning

. . . How It Can Benefit
YOUR FAMILY and EDUCATION

Some people "do more with their money" than others. Consider these two situations:

$196,000 for Children

Mr. A when he died had an estate that was valued at about $300,000,* with his life insurance included.

After taxes and expenses were taken out, $261,000 remained for the support of his widow. After more taxes and expenses when the widow died, the children received $196,000.

$197,000 for Children AND $50,000 for Education

Mr. B also had an estate of $300,000.* But here is what he accomplished:

He succeeded in leaving a little more capital ($269,000) for the support of the widow than did Mr. A, and a little more property ($197,000) for eventual distribution among his children.

And, in addition, he had the great satisfaction of leaving $50,000 to an educational institution—a wonderful gift that will help provide an education for young people for many years in the future.

The Two Plans

There was no magical "estate stretcher" that Mr. B possessed and Mr. A did not. Instead, it was a matter of simple planning.

*In a community property State such as Texas the $300,000 might be community property.

Mr. A's will left everything to Mrs. A outright. She died ten years later, leaving the property by her will to the children.

In these circumstances the property—some of it, at least—was taxed twice, once in each estate. And there were two sets of estate settlement costs.

In Mr. B's case one-half the property went outright to Mrs. B and the other half was left *in trust* for her.

She received all the income from the trust while she was a widow. When she died the trust ended and $50,000 of the principal was paid, pursuant to instructions in Mr. B's will, to the educational institution. The rest of the principal went to the children.

The children received also, under Mrs. B's will, the one-half of the estate that she held outright.

Here there was a Federal estate tax on only one-half the property when each of the two persons died; none of the property was taxed twice. Moreover, the $50,000 gift to the educational institution lowered the tax on the husband's estate.

The Actual Figures

Perhaps you would like to see some of the arithmetic that can produce such striking results for anyone in Mr. B's situation:

	Mr. A	Mr. B
Estate	$300,000	$300,000
Less: Tax (the gross Federal tax) and costs (estimated at 8%), husband's estate	38,540	30,525
Capital available for widow	$261,460	$269,475
Less: Tax and costs, wife's estate	65,780	22,489
Gift for education	-0-	50,000
	65,780	72,489
Left for children	$195,680	$196,986

The $50,000 gift for education, it's clear, is derived from the saving of taxes and expenses—a saving that is likely to be within easy reach of any married person who has an estate of this size and who has not yet looked into modern estate planning procedures. And the larger the estate, of course, the larger the possible saving from which the gift for education can be made.

It's much as though someone were to ask: "*Which would you rather do—leave a certain amount for your family? . . . or leave that much or more for your family PLUS a substantial amount for a school, college, or university that you believe is forming and advancing our youthful citizens?*"

It seemed to Mr. B that there could be only one reasonable answer to such a question. He accordingly took steps to make his property of the greatest possible use.

A Money-Saving Plan in Operation

Let's examine more closely this plan of Mr. B's that promises so much in advantages and benefits.

Does the wife's age at the time the husband dies have any effect on the amount of savings from the gift-and-trust arrangement?

ANSWER: Yes, but only a small effect. In the above computations it has been assumed that Mrs. B was 60 when her husband died. If she were older, the results would be slightly more favorable. For example, if she were 70, the estate tax deduction for the $50,000 gift for education would be larger, the tax on the husband's estate would be smaller, and the capital available to Mrs. B during widowhood would be approximately $271,000 instead of $269,475. The amount left for the children would be more than $198,000 instead of $196,986.

Doesn't the amount left for the children depend on whether Mrs. B keeps her capital intact after her husband dies?

ANSWER: That same uncertainty applies to Mr. A and his outright-distribution plan. To make a fair comparison we've assumed in each case that the amount of capital available to the widow doesn't change during her lifetime.

How did Mrs. B feel about having one-half the estate "tied up" in a trust?

ANSWER: She saw in the trust arrangement a welcome relief from worry and responsibility.

The trustee—it was a financial institution—kept the fund invested and paid her the income at regular intervals. Mrs. B, like most wives, understandably lacked experience in buying stocks and bonds, collecting interest and dividends, and analyzing financial news for its effect on her investments. "I wish ALL the property were handled by the trustee, instead of just half of it," she said. As it was, much of the capital on which she was dependent was protected by the trust, and she was able to turn to the trustee for financial advice and assistance with respect to the property "outside" the trust. What she would have done if the entire estate had been given to her to invest when her husband died is hard to say.

It is true that the principal of the trust was not available to her to draw upon. But she had the other one-half of the estate that she could use at a moment's notice if an emergency arose. The combination—the assets from which she received a sure, worry-free, lifelong income, and the assets over which she had unfettered control—gave her the kind of financial protection that was ideally suited to her circumstances.

Isn't it true that a trustee can somehow take care of the beneficiary financially in case of extreme old age or incompetency?

ANSWER: Yes. If the will authorizes the trustee to do so (and it's a common provision in wills that create trusts today), the trustee can *apply the income to the beneficiary's use,* instead of simply mailing checks to the beneficiary or crediting her checking account. Thus, hospital, nursing, and living expenses could be paid directly from the trust. There would be no risk that the money would ever be "locked in," idle, at the very time it was needed most.

Many a person spends a lifetime in building an estate but very little time in planning its distribution. As a consequence, much may be lost that *could* have been put to good and lasting uses.

Whether or not you have considered gifts for educational purposes, you may find it highly profitable to look into the taxes and costs connected with the distribution of your property. Perhaps, as did Mr. B in our example, you may find a way to "do more" and "lose less."

In our booklet, "The Tax Discount on Educational Gifts," there are more illustrations of how people have increased the usefulness of their property to themselves and their families—and, at the same time, have given great assistance to educational institutions.

If you would like to have a copy of this interesting and up-to-date booklet—"The Tax Discount on Educational Gifts"—just fill in and send back to us the enclosed card. You will be under no obligation whatever.

Inherent in the material progress of our century are the paradoxical promises of greater well-being and the threat of extermination. To survive man must resolve this paradox, and it is only in the mind and heart that the answers can be found.

The highest intelligence is required if we are to realize the possibilities of a finer life and are to maintain stability and equilibrium in the midst of change. Only by a trained and disciplined intelligence can we hope to resolve the innumerable economic, social, and political problems arising from the advance of science and technology and from the growing expectations of all people.

To reduce the great cultural gap of this century and to assure the growth of freedom, a bridge of understanding must be built, and this bridge must be based upon respect for the individual.

From the Annual Report of
the President of Wilkes College