**UVA LAW**

**GROW THE FUTURE**

**RETIREMENT PLAN LEGACY GIFTS**

*Using Your Most Heavily Taxed Asset to Create a Legacy (and Eliminate Taxes)*

One of the most tax-wise of legacy gifts is one made with retirement plan assets. As described below, these assets can be subject to “double taxation” in your estate. By leaving retirement assets to the Law School Foundation, your estate will benefit from tax laws that allow the assets to pass to charity free of tax. This means that, unlike retirement assets distributed to a spouse or family member, 100 cents on the dollar will be used for the purposes you designate.

**Important During Life; A Hefty “Double Tax” at Death**

A retirement plan is an important step in building financial security for the golden years. Tax-free growth can increase the value of the account over the years and help ensure a stable source of retirement income when the time comes. However, if you don’t exhaust your account during your lifetime, remaining assets in the account will be subject to income tax in the hands of your beneficiary and, depending on the size of your estate and the identity of your beneficiary, may also be subject to estate tax.

This tax exposure can result in a combined tax bill of more than 50%, potentially leaving less than half of your plan assets to heirs. Even if your account is not subject to estate tax – either because your spouse is your sole beneficiary or because your estate is not large enough to trigger the tax – income tax will always be owed at your beneficiary’s top marginal rate.

**Define Your Legacy at the Law School (and Eliminate Both Taxes)**

You can eliminate both taxes on your retirement plan assets by creating a legacy gift at the Law School. The assets will pass to the Law School Foundation free of income and estate taxes, making the full value of the account available to fund your legacy.

Creating a gift with retirement plan assets requires that you complete a new beneficiary designation form with your plan administrator. Simply designate the University of Virginia Law School Foundation (tax i.d. # 54-0838566) as a beneficiary. If you are married, your spouse may need to consent to your designation.

Whether you want to provide unrestricted funds to meet the Law School’s highest needs, establish an endowed scholarship or professorship that will be administered in perpetuity, or support another area of interest, you will provide critical support for future generations of students and faculty at the Law School.
A Few Important Notes

- Please consult with the Law School Foundation before completing your designation, particularly if you hope to restrict your gift to a particular purpose, so that we can ensure that we can carry out your wishes. Note that your designation is revocable, so you will always have the flexibility to amend your designation if your circumstances change.

- If you are interested in making a current gift of your retirement plan assets, please contact the Law School Foundation or review information at www.law.virginia.planyourlegacy.org. There periodically exists “Charitable IRA Distribution” legislation that can provide a wonderful current charitable giving opportunity for individuals who are at least 70 ½ years old. The website will include the latest information about that option.

**EXAMPLE**

Tom Jefferson has a taxable estate, including a substantial retirement plan. He wants to provide for his son, but he also wants to create a scholarship at the Law School and minimize taxes. Assuming a net 35% estate tax rate and a 28% marginal income tax rate for Tom’s son, the following simplified estimated federal tax consequences will apply depending on whom Tom names as his beneficiary:

<table>
<thead>
<tr>
<th></th>
<th>Son</th>
<th>Law School Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRA value</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Federal estate tax</td>
<td>$350,000</td>
<td>$0</td>
</tr>
<tr>
<td>Federal income tax</td>
<td>$182,000</td>
<td>$0</td>
</tr>
<tr>
<td>(after deduction for estate tax paid)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beneficiary receives:</td>
<td>$468,000 (son)</td>
<td>$1,000,000 (for the Tom Jefferson Scholarship)</td>
</tr>
</tbody>
</table>

**Thank you** for your interest in participating in the Law School’s future with a gift of retirement plan assets. For more information, please contact Elizabeth Leverage Hilles ’92 at the Law School Foundation, 580 Massie Road, Charlottesville, Virginia 22903-1738; email us at eleverage@virginia.edu; or call 1-877-307-0158. You can also find information about other legacy gifts, including “life income” gifts, at www.law.virginia.planyourlegacy.org.

*The University of Virginia Law School Foundation does not provide legal or tax advice. We recommend that you seek your own legal and tax advice in connection with gift and planning matters. This communication is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.*