

UVA LAW

OVERVIEW OF LEGACY GIFTS

Legacy gifts, also known as planned gifts, have been among the most powerful gifts ever received by the Law School. Planned giving is a perfect complement to the robust UVA Law tradition of life-time annual giving. Many planned gifts offer tax-wise and flexible ways of extending your philanthropy into the future. Brief summaries of the most common types of planned gifts—bequests, beneficiary designations, charitable gift annuities, and charitable remainder trusts—are included below.

BEQUESTS – SPECIFIC OR RESIDUARY

Bequests are flexible planned gifts included in your will or living trust. They do not affect cash flow during your lifetime. The amount of your bequest will not be subject to estate tax.

Specific bequests leave a specified dollar amount and typically use language similar to “I give the sum of Fifty Thousand Dollars [\$50,000]. ...”

Residuary bequests leave all or a specified percentage of the residue of an estate after all specific bequests have been distributed and after all other estate expenses have been paid. They typically use language similar to “I leave all of my residuary estate ...” or “I give Ten Percent [10%] of the residue of my estate. ...”

Bequests can be designated for either *unrestricted* or *restricted* use. If you designate your bequest to support the Law School’s unrestricted purposes, your gift will give the school flexibility to meet its greatest needs at the time it receives your bequest.

If you wish to restrict your bequest to a particular program at the Law School or use your bequest to establish a scholarship or other endowed fund, please contact us first to review your intended provisions so we can be certain we can carry out your wishes.

Sample bequest language – unrestricted bequest

I give to the University of Virginia Law School Foundation, a Virginia non-stock corporation located in Charlottesville, Virginia, [the sum of \$_____] or [_____ percent of the residue of my estate] for its general purposes.

Sample bequest language – restricted bequest

I give to the University of Virginia Law School Foundation, a Virginia non-stock corporation located in Charlottesville, Virginia, [the sum of \$_____] or [_____ percent of the residue of my estate] for the following purpose _____.

BENEFICIARY DESIGNATIONS - RETIREMENT PLAN OR LIFE INSURANCE

You may designate the University of Virginia Law School Foundation (tax ID #54-0838566) as a beneficiary of your retirement plan or life insurance policy.

These gifts are not restricted by age and do not affect cash flow during your lifetime. Anyone, at any age, can name the Foundation as a beneficiary of his or her plan or policy. This typically involves only the completion of a simple beneficiary designation document, which is often available online.

With respect to retirement plans, tax-free growth can increase the value of the account over time and help ensure a stable source of retirement income. 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—the plan distributions will be subject to income tax at your beneficiary's top marginal rate.

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

EXAMPLE

A basic comparison of two different distributions of a \$2 million estate comprising \$1 million in a 401(k) and \$1 million in stock and cash yields the following results, assuming a 30% income tax rate for a surviving spouse or child.

401(k) to the Law School Foundation

\$1,000,000	401(k)
- 0	tax
\$1,000,000	to LSF

Cash/Stock to Spouse/Child

\$1,000,000	cash/stock
- 0	tax
\$1,000,000	to spouse/child

Net estate distribution to intended beneficiaries: \$2,000,000

401(k) to Spouse/Child

\$1,000,000	401(k)
- 300,000	tax
\$700,000	to spouse/child

Cash/Stock to the Law School Foundation

\$1,000,000	cash/stock
- 0	tax
\$1,000,000	to LSF

Net estate distribution to intended beneficiaries: \$1,700,000

LIFE INCOME GIFT - CHARITABLE GIFT ANNUITY

A charitable gift annuity is a simple contract with the University of Virginia Foundation. In exchange for your contribution of cash, stock, real estate or other property the University of Virginia Foundation agrees to pay one or two people you designate a fixed annuity for life. As donor, you can also be one of the annuitants, or you can create the annuity for someone else. If there are two annuitants, payments can be made to them jointly or successively.

The annuity amount will be fixed at the time you fund your contract and will be based on annuitant age and the maximum recommended rates set forth by the American Council on Gift Annuities. The payments will not be affected by investment performance or changes in interest rates over time, are typically made in quarterly installments, and are backed by the University of Virginia Foundation.

At the end of the contract term, the remaining contract amount will be distributed to the Law School Foundation to be applied to the purposes you designated when you made your gift.

Annuitants must be at least 55 in the year in which they begin to receive payments. Higher payout rates are available for deferring payments for one or more years (a deferred gift annuity). CGAs can be established with a minimum gift of \$5,000.

Donors may claim a charitable tax deduction for a portion of the gift in the year in which the CGA is established. In addition, a portion of your annuity payment will be tax-free income.

The University of Virginia Foundation is registered to offer gift annuities in most, but not all, states. As of January 2020, we are unable to offer CGAs to residents of California, New Jersey, and New York. If you live in one of these states and are interested in a life income gift to benefit the Law School, please consider whether a Charitable Remainder Trust might be a good option for you.

LIFE INCOME GIFT - CHARITABLE REMAINDER TRUST

A *Charitable Remainder Trust (CRT)* comes in two varieties: a *Charitable Remainder Annuity Trust (CRAT)* or a *Charitable Remainder Unitrust (CRUT)*. In both cases, you transfer cash or appreciated securities into an irrevocable trust that will make payments to you and/or other named beneficiaries for life or a specified term up to 20 years. When your trust terminates the remaining balance will be distributed to the Law School Foundation.

CRATs provide payments of a fixed dollar amount or a fixed percentage of the *initial value* of your trust to you or your beneficiaries. The payments will not fluctuate during the trust term. This means that the payments will be predictable and steady regardless of the trust's investment performance. Increases in the trust value will inure to the Law School's benefit, but decreases in the trust value will deplete the trust corpus, leaving a smaller legacy for the Law School.

CRUTs provide for payments of a fixed percentage of the *floating annual value* of your trust. The "unitrust" payment to you or your beneficiaries will increase as the trust value increases during favorable markets, but will also decrease if the trust value declines. You and the Law School share the investment risk.

Because part of your trust contribution is considered a charitable donation, you will be eligible to claim an income tax charitable deduction in the year of your contribution. You may also bypass capital gains tax on appreciated assets and benefit from a reduction in both estate and income taxes.

If you contribute at least \$50,000 to fund your CRT, you can appoint the Rector and Visitors of the University of Virginia as trustee. Payout rates must comply with federal law and typically range between 5% and 7% if the University serves as trustee. CRUTs established with a gift of \$50,000 or more maybe

invested in units of the University's endowment managed by the University of Virginia Investment Management Company (UVIMCO).

LAW LEGACY SOCIETY

Planned gifts, through a will, living trust, retirement plan, life insurance, charitable gift annuity, or charitable trust, are among the most powerful gifts received by the Law School and provide important financial support for future students and faculty. If you have provided a planned gift, we hope you will choose to be a member of the Law Legacy Society.

Members of the Law Legacy Society are recognized in the Law School Foundation's Annual Report. Your name in the Annual Report inspires others to follow your example, but we respect those who wish to remain anonymous.

If you prefer anonymity, please let us know of your plans on a confidential basis so that we may more properly plan for the future and honor your wishes for your legacy. Please note that letting us know of your current plans does not obligate you, your estate, or your heirs in any way.

How to Join

To be a member of the Law Legacy Society, you need only notify us that you have arranged any one of the following gifts to benefit the Law School Foundation:

- A plan in your will or revocable trust
- A beneficiary designation for your retirement plan assets
- A beneficiary designation on a life insurance policy
- A life income gift that names the Law School Foundation as a remainder beneficiary (for example, a charitable gift annuity, a charitable remainder annuity trust, or a charitable remainder unitrust).

Qualifying gifts may be revocable or irrevocable, for any amount, and for either restricted use (such as financial aid) or unrestricted use.

If you have already included the Law School Foundation in a bequest or other planned gift, we hope you will let us know by filling out a non-binding Statement of Intent to Provide Future Support, available online or by contacting the Foundation.

FOR MORE INFORMATION

Thank you for your interest in supporting the Law School's future. Please contact the Law School Foundation at alumni@law.virginia.edu or 877-307-0158 for more information on these and other legacy gift options. You will also find in-depth information and a gift calculator at www.law.virginia.edu/plannedgiving.

The University of Virginia Law School Foundation does not provide legal or tax advice. We recommend you seek your own legal and tax advice in connection with gift and planning matters.