Keep It Simple

The annual gift tax exclusion remains an excellent method to transfer assets to family and friends during one’s lifetime. You can give $14,000 ($28,000 for a married couple) to as many recipients as you wish each year without it counting against your lifetime gift, estate and generation-skipping transfer tax exemptions.
“I learned firsthand the importance of estate gifts.”

Following graduation, Kari Diamond Kayiatos ’01 reflected, “I worked for the Berkshire School and my alma mater, the Loomis Chaffee School. My development office experience demonstrated the importance of all gifts to the organization. Seeing firsthand how estate gifts build the endowment motivated me to include Hamilton as a beneficiary of my retirement plan. It was very easy to do, it saves estate and income taxes, and it can make a significant impact on the College.”

Occasionally, those who work in the alumni office hear that an alumnus/a may think his/her gift isn’t necessary or will not help. That is far from reality. All gifts are important. In order to remain a college of opportunity and ensure the future of need-blind admissions, Hamilton must continue to build the endowment, particularly for scholarship aid. Every current and future student will benefit when an alumnus, like Kari Diamond Kayiatos, steps forward with a planned gift commitment. At its core, planned giving is about people and their values, and about preserving those values in perpetuity. The ultimate purposes to which donors direct their gifts are as varied and meaningful as the donors themselves.

A Permanent Fix for Estate Taxes

After a decade of annual changes, the American Taxpayer Relief Act provides a permanent resolution for gift and estate tax rates and the gifts, estate and generation-skipping transfer tax “GST” exemptions. The gift and estate tax rate is set at 40%, and the exemption is $5 million (indexed annually for inflation). For 2013, it is $5.25 million per person.

This certainty presents an excellent opportunity to review existing estate plans or create new plans. If you are considering charitable giving through your will, a bequest can be tailored to support a cause that means the most to you. As you consider an estate plan provision for the College, please contact me or my colleagues to explore gift purpose options. Identifying a purpose that will ultimately help Hamilton students and one that meets your personal goals is a process that many donors find very fulfilling.

Ben Madonia ’74
Director of Planned Giving
866-729-0317
bmadonia@hamilton.edu

Did you establish a GRAT in 2012?

Charitably minded individuals who established a grantor retained annuity trust “GRAT” in 2012, might consider an option similar to what Dick ’44 and Patsy Couper did some years ago. In conjunction with establishing a GRAT, they also established a charitable trust. The GRAT provided payments to them for a period of years with the remainder value delivered to heirs at significant gift and estate tax savings. The charitable trust provided an income tax charitable contribution deduction, grew tax-free and replaced the income stream from the GRAT. Ultimately, Hamilton will benefit from the remainder value of the charitable trust. This innovative planning was a win-win for the Coupers, their heirs and Hamilton.
American Taxpayer Relief Act

Prepared as a service to the Hamilton family, the following are highlights of the American Taxpayer Relief Act of 2012 “ATRA”:

- Tax rates remain at 2001 and 2003 levels (10%, 15%, 25%, 28%, 33% and 35%) for individuals with taxable income up to $400,000 ($450,000 for joint filers). Those above the threshold amounts will be taxed at 39.6%.

- The long-term capital gain and qualified dividend income tax rate for individuals and joint filers in the 39.6% bracket increases to 20%. For others it remains at 15%.

- The maximum estate and gift tax rate increases from 35% to 40% while the current estate, gift and generation-skipping tax exemptions of $5 million (indexed for inflation) are preserved. For 2013, it is $5.25 million per person.

- Reinstatement of the “Pease” itemized deduction limitation and personal exemption phase-out for individuals with adjusted gross income over $250,000 ($300,000 for joint filers). This provision will not impact most charitable contributions.

- A permanent increase in the alternative minimum tax (‘AMT”) exemption amount (indexed for inflation).

- The IRA charitable rollover is renewed for 2012 and 2013. Donors age 70 ½ or older are eligible to make gifts to public charities of up to $100,000 from their IRAs.

What does this mean for personal and philanthropic planning?

- Now “permanent” estate and generation-skipping tax rules present an excellent opportunity to re-visit existing, or make new, estate plans.

- Gifts of appreciated securities held long-term are attractive for all taxpayers, especially those subject to the higher capital gain tax rate and the 3.8% Affordable Care Act Medicare surtax on investment income.

- Charitable lead annuity trusts and gifts of a remainder interest in a primary residence are favorable in the current low interest environment.

- Charitable gift annuities funded with cash provide donors with large tax-free payments.

- Donors age 70 ½ or older who do not itemize may find the IRA charitable rollover appealing.

A full description of ATRA prepared by Hamilton’s legal counsel can be viewed at www.hamilton.edu/plannedgiving
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