



INFORMATION SHEET: US ESTATE PLANNING

A "planned gift" refers to any significant contribution that involves a provision in your financial and estate plans. Planned gifts can provide important benefits for you, your family, and Collegiate Cambridge. The 1209 Society acknowledges benefactors who demonstrate a commitment to strengthening Collegiate Cambridge through provisions in their estate plans. We advise that consult with your accountant for a full analysis of your financial situation and the tax consequences that may result from your choice of estate plans.

For more information contact Cambridge in America: www.cantab.org

An outright bequest to Cambridge in America is not subject to federal or state estate or inheritance taxes, and the value of your bequest is deductible in determining the value of the estate for estate tax purposes.

- **SPECIFIC BEQUEST:** A stated amount of cash or a specific asset, such as shares of stock or tangible personal property.
- **RESIDUARY BEQUEST:** A gift of all or part of the property remaining in your estate, after debts, taxes, administration expenses and specific bequests to other beneficiaries have been paid.
- **CONTINGENT BEQUEST:** A gift that takes effect only if other beneficiaries predecease you.

Please contact us for details on the wording required for your will.

LIFE INCOME PLANS:

A life income gift brings benefits to both you and Cambridge University: you may increase your income, receive an income tax charitable deduction, eliminate capital gains taxes and reduce your estate taxes. Under each plan, you irrevocably transfer cash or appreciated property to a trustee, who invests the amount transferred, and pays income for life to you or someone you designate. You may name a second beneficiary, as well. After the life interests have ended, the assets are distributed to Cambridge in America. Since the trustee can often invest the assets to provide a greater return than the contributed assets were earning, you have the opportunity to increase your income. You will receive an income tax deduction in the year you make the gift, for an amount determined by I.R.S. tables that depends upon the age of the beneficiary and the rate of return.





There are two life income plans at Cambridge in America:

- **CHARITABLE REMAINDER UNITRUST:** The donor irrevocably transfers assets to a trustee who agrees to pay the donor, or another named beneficiary, income for life. The income paid to the beneficiary is based on a fixed percentage, but not less than 5% of the total value of the trust assets, as revalued each year. Annual payments, therefore, will vary each year. The unitrust can be invested in a variety of assets, including closely-held stock, real estate and tax-exempt securities. If the unitrust is invested in tax-exempt securities, the income paid to the beneficiary may also be exempt from income taxes. A donor may add to a unitrust.
- **CHARITABLE REMAINDER ANNUITY TRUST:** The donor irrevocably transfers assets to a trustee, who agrees to pay the donor, or another named beneficiary, a fixed dollar amount at least annually for life. The amount cannot be less than 5% of the initial fair market value of the trust. The amount paid remains the same during the life of the trust. The annuity trust provides a donor with the security of a regular return, but does not have the long-term growth potential of a unitrust. A donor may not add to an annuity trust.

CHARITABLE LEAD TRUST:

A charitable lead trust is an arrangement whereby income generated by assets placed in a trust is paid to a charitable institution for a designated period of years. At the end of the fixed period, the assets are returned to non-charitable beneficiaries named by the donor. The trust is called a “lead” trust because the income interest paid to Cambridge in America “leads”, or comes before, the “remainder” interest is paid to the beneficiaries or returned to the grantor. The lead trust could be especially beneficial if:

- you want to give charity more than you can currently deduct.
- you will have unusually high income in one year and much lower income for a period of years thereafter.
- you are willing to part with income-producing property for a time, but want the property to return to you or your family.
- you can afford to do without part of current income and want to make gifts to your children or others in ways that can save gift and estate taxes.

There are different types of lead trust, each of which achieves different tax objectives:

- **LONG-TERM LEAD TRUST, ASSETS RETURNED TO YOU:** You irrevocably transfer assets, by a written trust agreement, to a trustee of your choice, for a period of ten years or more, and provide that the income is to be paid to Cambridge in America during the term of the trust. At the end of the trust term, the assets are returned to you. While you do not receive an income tax charitable





deduction when you create the trust, you benefit because the income paid to Cambridge in America is not included in your taxable income. This enables you to give charity as much as you wish, without the 30% or 50% deduction limitation on charitable contributions. The payments made to Cambridge in America must either be a fixed percentage of the fair market value of the trust property, revalued annually, or a fixed dollar amount. If you fund the trust with appreciated securities, you will not incur capital gains tax when the securities are sold and reinvested.

- **SHORT-TERM ASSETS RETURNED TO YOU:** You irrevocably transfer assets, by a written trust agreement, to a trustee of your choice, for a term of less than ten years. At the end of the trust term, the assets are returned to you. You will obtain an income tax charitable deduction in the year the trust is created for the actuarial value of Cambridge's interest. The deduction is limited to 30% of your gross adjusted income, with a five-year carryover for any excess. All income from the trust is taxed to the donor. Since the charitable income tax deduction is obtained from the outset, no additional deduction is generated when each year's income is paid-out. The income paid to Cambridge in America must be either a fixed percentage of the fair market value of the trust assets, revalued annually, or a specified dollar amount.
- **NON-GRANTOR LEAD TRUSTS: SHORT- OR LONG-TERM ASSETS PASS TO A BENEFICIARY:** You will not receive an income tax charitable deduction when the assets are distributable to anyone other than to you or spouse when the trust is terminated. However, you will receive a gift tax deduction that can be very useful if you have a large estate. It is possible to incur little transfer tax if the trust's term and the annuity amount payable to Cambridge in America are selected carefully. If the trust property appreciates significantly during the trust term, the appreciation passes to your heirs with no gift or estate tax consequences.

LIFE INSURANCE:

If you own a life insurance policy that you may no longer need, you can make a gift of the policy to Cambridge in America, naming it as the irrevocable owner and beneficiary. You may obtain an income tax charitable deduction for the "present value" of the policy approximately the lesser of the cash surrender value or the cost basis. You can purchase a new policy, naming Cambridge in America as owner and beneficiary. In both instances, if you continue to pay premiums on the policy, you will be able to deduct the premium payments as a charitable contribution. Insurance can be used as a replacement asset where you have contributed appreciated assets to Cambridge in America or you have funded a charitable remainder trust. The proceeds from the policy can be paid outside of your probate estate. The cost of the insurance can be covered by the tax savings you received when you funded the trust or contributed the assets outright.

