Meaningful Events and Opportunities at Harvard Law School

These are exciting times at the Law School. We graduated our 191st Class on Thursday, May 27. Justice David Souter, AB ’61, LLB ’66 received an honorary degree and delivered a thought-provoking address on the process of judging and interpreting the Constitution. Solicitor General and former Dean Elena Kagan, JD ’86, as of this writing is nearing the end of her confirmation process for the Supreme Court. Dean Martha Minow, delivering her first commencement address as Dean, spoke about the importance of public service and HLS grads finding their way across the globe. She announced earlier this year a new initiative to encourage and support students considering positions in public service. There’s a lot going on! The challenges are to maintain HLS’s standard of excellence, to provide meaningful and exceptional opportunities for our students, and to continue attracting the best legal minds in the country and from around the world.

We need the support of our friends and alumni to meet these challenges. In the current financial environment, there are planned giving strategies that enable you to reposition assets and provide lifetime payments for you and for others, while also providing for the Law School in your estate plans. The benefits of a charitable gift annuity make it a viable and attractive option for many of our alumni. A charitable gift annuity is an agreement in which Harvard irrevocably promises to make fixed payments to you for your lifetime in exchange for your gift. Harvard Law School eventually receives the remainder of the amount you donate to establish the agreement and will utilize it for a purpose you designate.

Charitable bequests also enable you to make a significant impact at the Law School by providing in your will and estate plans for financial aid, for public service programs, and for other purposes to which you direct your assets. You maintain complete control over your assets during your lifetime while knowing that you will eventually make an important gift to the Law School.

This issue of Making A Difference explores how a charitable gift annuity and a charitable bequest can meet a wide variety of personal goals; both are relatively easy to establish. Please review the examples outlined on the following pages, and consider whether they contain ideas you would like to explore further. If we can assist you in any way as you consider these opportunities, please return the enclosed card or contact us by phone or by e-mail. It would be our pleasure to help you examine the charitable gift annuity, the charitable bequest and other philanthropic options at Harvard Law School.

Sincerely,
Charles B. Gordy II, J.D.
Director of Planned Giving
What Does It Mean to Make a Gift to Harvard Law School and Receive Income in Return?

The charitable gift annuity provides lifetime payments to the annuitant (usually the donor) and to another person if you include one, and also makes a gift to Harvard Law School. The primary purpose of any gift annuity is to support a worthwhile non-profit organization, and the lifetime payments make this way of giving attractive to philanthropists with an array of financial goals.

The following representative examples show how a charitable gift annuity can work — please consider how it may help Harvard Law School while helping you as well.

*Create a Legacy and Receive Lifetime Payments*

All her life, Joan (age 80) has been a wise planner and fiscally prudent — through the years her diligence has served her well. She is now in a position to support Harvard Law School through a memorial gift to honor her husband. Joan worked with a financial advisor to review her retirement plan and consider her options.

Joan decides to use $50,000 once invested in a CD to set up a charitable gift annuity with Harvard Law School. In the gift annuity agreement, Harvard contractually agrees to pay Joan $4,000 every year for her lifetime. Because Joan contributed cash for her annuity, for approximately the next 9 years $3,016 of each payment is tax-free. Joan also receives a charitable income tax deduction of $21,654* that can lower her taxes (if she itemizes). Joan considers the charitable gift annuity a practical way to plan her charitable giving while maintaining her income: it provides a reliable source of yearly payments to her and a substantial charitable gift to Harvard Law School, which she directs to financial aid.

*Lifetime Payments for Two*

Gene and Louise (both age 75) have always been careful with their finances. After celebrating their 50th wedding anniversary, they took a close look at their estate plan to see how they might best manage their resources. Their goals included providing for themselves, their heirs, and their favorite organizations.

One option they considered was a charitable gift annuity. It seemed to be a great gift idea for Gene and Louise because it would enable them to make a significant gift while receiving fixed annual payments over both their lifetimes. They established a two-life charitable gift annuity by transferring to Harvard three different stocks worth a total of $100,000. In exchange for this transfer, Harvard contractually agreed to make annual payments of $6,200 for as long as Gene or Louise lives. Depending on their cost basis, some of their annual income will be tax-free, some will be taxed as capital gain, and some will be ordinary income. They will avoid tax on about half of any capital gain in the transferred securities. They will also receive a charitable tax deduction of $27,637 this year.

Gene and Louise both enjoy peace of mind from knowing the fixed payments continue as long as either of them is alive. Later, their gift will establish a permanent fund at HLS to support public service fellowships for current students.

*Predictable Income for Later*

James, a partner in an established firm, knows he will reach the annual contribution limit for his qualified retirement plan this year, so he is looking for additional ways to help prepare for retirement. At age 60, James does not anticipate retiring for another five to ten years, but he also wants to take advantage of opportunities available during his prime income-earning years.

One option that interests James is a deferred charitable gift annuity. He heard about the idea through a colleague. The deferred charitable gift annuity works just like a regular charitable gift annuity except that the first
payment to the annuitant begins a year or more after the gift is made to the charitable organization.

Compared to starting payments immediately, deferring payments for a year or more results in a higher annuity payout rate and a higher income tax deduction for the donor. James decides to make a gift of $50,000 and arranges the payments to begin in exactly ten years. This year, he will be able to deduct $14,975. In ten years, James will begin receiving $5,000 every year for the rest of his life. His gift will be credited to his Class Reunion gift and eventually be used at Dean’s discretion.

_The Charitable Gift Annuity: Greater than the Sum of Its Parts_

With the charitable gift annuity, you do not just give — you also receive something. You may find the charitable gift annuity a smart way to give and receive for different reasons, including:

- You can create more than one charitable gift annuity.
- There is no maximum annual contribution limit as there is with a qualified retirement plan.
- Charitable gift annuities are easy to set up and do not need annual maintenance or renewal.
- Gift annuity payments continue for life — you can’t outlive the payment period.

If you’re interested in more information about the charitable gift annuity and how you might help yourself while helping us, please let us know. Feel free to call or e-mail us directly. It would be our pleasure to help you determine whether a charitable gift annuity is a good match for your philanthropic goals.

**Graduating students at Harvard Law School, May 27, 2010**

_Leaving a Legacy at Harvard Law School_

With the flexibility of charitable bequests, there are several attractive ways to support Harvard Law School through your will. But as a general rule, you want to structure your charitable bequest in the way that best accomplishes your charitable goals while potentially maximizing tax savings. Here are some reminders that may prove useful in the decision process:

**Carefully Draft Your Bequest Language**

Charitable bequests can take many different forms to suit your particular needs. Two of the most favored types are _specific bequests_ and _residuary bequests_.

With a _specific bequest_, you designate a specific dollar amount or certain property to be left to Harvard Law School. Specific bequests provide a way to craft a unique and generous gift. However, keep in mind that a specific bequest of property can be left unfulfilled if you dispose of the property during your lifetime.

_Residuary bequests_ allow you to allocate to Harvard Law School all or a percentage of what remains in your estate after the payment of expenses and any specific bequests. Many of our donors favor residuary bequests because they balance the need to provide for loved ones and the desire to support favorite charities.

There are several other ways to draft your bequest language, and we will be happy to discuss with you possible solutions to meet your special needs.

**IMPORTANT ESTATE TAX REMINDER**

Under a law passed in 2001, the federal estate tax “disappears” in 2010 but returns in 2011. Thus an estate that makes a charitable gift this year does not generate a federal estate tax deduction because there is no estate tax.

It is still possible for Congress to put an estate tax in place during 2010. Throughout this time of planning uncertainty, be sure to keep abreast of estate tax law and how it affects your estate plan.
Explore Opportunities to Make a Charitable Bequest While Providing for Your Beneficiaries

Frequently, donors are hesitant to make a charitable bequest, fearing it will take needed assets or income away from their surviving friends and family. You can combine your desire to make a charitable bequest with your desire to maintain income for your loved ones through the use of a testamentary life income gift plan such as a charitable trust or gift annuity.

Example: Carl provides financial support for his older brother, John, age 65, who needs assistance to cover his medical and care-giving expenses for the rest of his life. Carl wants to make a bequest to ensure that John will be cared for if Carl should die before John. Carl also wants to provide a gift to Harvard Law School.

Carl sets up a testamentary charitable remainder unitrust in his will to be funded with property from his estate. At the end of Carl’s lifetime, John will receive each year 5 percent of the trust assets (re-valued annually) for the rest of his life. Then, at the end of John’s lifetime, Harvard will receive a significant charitable gift. Carl’s estate may claim an estate tax charitable deduction based on the expected remainder of the charitable remainder trust (if the estate tax is in effect). Carl is extremely pleased that he can meet several objectives with this arrangement.

Inform Us of Your Bequest

Please inform us if you have included a charitable bequest to Harvard Law School in your will so we can make sure your purpose can be fulfilled and so we can thank you. You can also become a member of the Oliver Wendell Holmes Society, which is our honorary legacy society. Be assured our policy is to respect your privacy and to treat the details of your gift confidentially. Remember, too, that informing us of your decision to include us in your will does not prevent you from changing your will should your needs and goals change in subsequent years.

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