Public Service and the Harvard Law School Experience

One of the hallmarks of Harvard Law School is the energy and collaborative spirit that students, faculty, and alumni bring together in making a difference in our world and addressing societal problems and issues.

In recent months, students representing HLS’s Veterans Legal Clinic successfully argued a case before the U.S. Court of Appeals for Veterans Claims; our Food Law and Policy Clinic co-wrote an enlightening report that gained national attention; and HLS alumnus Sumner Redstone ’47 established fellowships for HLS students interested in pursuing public interest work after graduation.

These are just a few examples of the collaborative, analytical, energetic, problem-solving spirit Dean Minow spoke of when she addressed over 750 alumni and guests returning for Reunion last fall. It is the student body, faculty, curriculum, clinics, research programs, collaborations, and alumni network that make HLS unique.

The diversity of HLS’s student body is strong and contributes greatly to the student experience. The new 1L class includes six Fulbright Scholars, one Rhodes Scholar, 22 Teach for America alumni, and nine Peace Corps alumni. The LL.M Class of 2014 represents 65 countries; 67% of its members have two or more years of practice or teaching experience.

HLS is also unique in the broad array of classes and opportunities it provides to this wonderful student body. Its world-class faculty has an amazing depth of expertise in all fields of legal scholarship and practice. The time our students spend in classrooms and clinics, interacting with faculty and each other, is transforming.

Our students are preparing for a changing world; a good example is the precedent-setting ruling resulting from their successful arguments on behalf of a decorated U.S. Army veteran before the U.S. Court of Appeals for Veterans Claims this fall. The court ruled that the veteran was entitled to file an appeal on his disability claim, a ruling that will aid thousands of veterans. To prepare for the case, students in the HLS Veterans Legal Clinic spent hours researching and reviewing previous rulings and writing and filing briefs. The students said working on veteran issues has inspired them to work on similar issues in the future.

continued on page 6
Including the Law School in Your Estate Plans

Each year, the Law School receives important financial support from testamentary gifts made by alumni in their wills, trusts, and retirement plans. These gifts help us continue and enhance our mission of educating future world leaders and of advancing the education, research and practice of law. Testamentary provisions may be for a specific dollar amount or a percentage of your residuary estate. The amount of the gift is not as important as the statement you make by including the School in your plans: The Law School meaningfully contributed to my life and success and now I can contribute to the success of others that follow me. Endowed Scholarship funds and general purpose funds are frequent designations for testamentary gifts, and we would encourage you to think about establishing one.

If you are including the School in your testamentary plans, we recommend you use the following language:

I give (________ dollars/_______ percent of the residue of my estate) to the President and Fellows of Harvard College, a Massachusetts educational, charitable corporation, for the benefit of Harvard Law School to be used for its general purposes (or for a more specified purpose, e.g. financial aid, clinical education, library, etc).

It is never too soon to think about a meaningful legacy. One element of legacy is certain—making provisions for others requires thoughtful planning. We are available to discuss the possibilities with you.

Life Income Gifts Are Another Way to Shape Your Legacy

If you already have decided to make a gift to Harvard Law School in your estate plans, or are thinking about making a gift but would like to maintain the income stream from the assets you are thinking of donating, there are several ways for you to make your gift during your lifetime and to receive financial and tax benefits now. These types of gifts are called “life income gifts” because in exchange for your gift, you receive an income from Harvard for your lifetime.

Life income gifts in the form of a charitable gift annuity or charitable remainder trust provide you and other beneficiaries if you include them (e.g. your spouse, child, or even a parent) with a lifetime income or income for a term of years. They also reduce your present and future tax liability and help Harvard Law School carry out its important mission. Benefits of life income gifts include:

- Lifetime income for the donor and other beneficiaries if included
- An immediate income tax deduction for a portion of the value of the gift
- Savings on income and capital gains taxes
- Removal of part or all of the asset from your estate for estate tax purposes
- The ability to convert low or non-income producing assets into a gift with a larger income stream
- Successful investment and diversification with no management fee
- Making a significant gift to Harvard Law School
**The Charitable Gift Annuity: A Simple and Reliable Life Income Agreement**

The charitable gift annuity (CGA) is the simplest life income gift to establish and is the most frequently chosen option. It is an irrevocable contract between you and Harvard in which Harvard promises to pay you reliable annual payments for life in exchange for your gift. A CGA provides the opportunity to increase an income from 2% or 3% to 6%, 7% or more. In a low interest rate environment, a CGA is an ideal way of increasing an income while making a gift to support HLS. Part of the payment to you may be tax-free or taxed at a more favorable capital gains tax rate depending on the asset you use to fund the annuity and your age. A gift of cash may result in a significant portion of your payment being tax-free. A gift of appreciated securities results in some of that tax-free income being re-characterized as capital gain and taxed on a prorated basis over your actuarial lifetime; the amount of the re-characterization depends on the cost basis of the securities you donate. We have software that will illustrate this for you.

A CGA with the Law School is backed by the University’s assets and the annual payment percentage is based on your age and on the age of an additional person if you include one. There can be one income beneficiary or two, and the second beneficiary can be a spouse, a friend, even a parent. The payments can begin immediately or can be deferred. Deferring payments results in higher payments compared to starting payments immediately. At the end of the last income beneficiary’s lifetime, the Law School will use the principal in accordance with the terms of your gift. Annuities can be established with a minimum gift of $25,000.

**IMMEDIATE PAYMENT GIFT ANNUITY RATES**

<table>
<thead>
<tr>
<th>AGE</th>
<th>RATE</th>
<th>AGES</th>
<th>RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>5.4%</td>
<td>65, 65</td>
<td>4.8%</td>
</tr>
<tr>
<td>70</td>
<td>6.0%</td>
<td>70, 70</td>
<td>5.3%</td>
</tr>
<tr>
<td>75</td>
<td>6.7%</td>
<td>75, 75</td>
<td>5.9%</td>
</tr>
<tr>
<td>80</td>
<td>7.7%</td>
<td>80, 80</td>
<td>6.5%</td>
</tr>
<tr>
<td>85</td>
<td>8.7%</td>
<td>85, 85</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

**A gift annuity example—two beneficiaries:** Lawrence and Mary, both age 75, would like to support Harvard Law School. They are considering a $50,000 gift but are also mindful of retirement income needs. A charitable gift annuity may help them. In exchange for a $50,000 gift, a gift annuity would provide lifetime annual payments of $2,950—a 5.9% payment rate—and $2,197 of the payment would be tax-free for approximately 16 years. After 16 years, the annual payment would be taxed as ordinary income in its entirety. The gift would also provide an income tax charitable deduction of $13,949.*

A gift annuity can help Lawrence and Mary fulfill their desire to make a charitable gift to the Law School while providing for their personal retirement needs. If the annuity is paid to only one of them, the percentage would increase to 6.7% and the deduction to $18,678.

**Charitable Gift Annuity—two beneficiaries**

- $50,000 cash
- donors, ages 75, 75
- income tax deduction $13,949
- annual payments $2,950
- remainder to HLS

**A gift annuity example—deferred payments:** Susan, age 55, has $100,000 worth of low-basis stock in her portfolio that she is thinking about liquidating. She has been thinking about her Class Gift for her upcoming 30th Reunion and likes the idea of a deferred charitable gift annuity that provides an income tax deduction today and retirement income later. A $100,000 gift annuity with payments deferred for 15 years would meet her goals. She will receive a deferred annuity percentage of 12.4% and an immediate income tax charitable deduction of $17,569.* In 15 years, Susan will begin receiving annual payments of $12,400, of which $1,295 will be tax-free and $3,887 will be taxed as capital gain. The payments will continue for her lifetime.

*Examples for illustration purposes are based on an Applicable Federal Rate (AFR) of 2.4% and an annual payment. The AFR is 120% of the average of mid-term treasury obligations and used by the IRS to calculate the deductions for charitable gift annuities and charitable remainder trusts.
Charitable Remainder Trusts
Charitable remainder trusts are planned gifts that provide either an income for life or for a term of years not to exceed 20 years. They can be structured in one of two ways. A charitable remainder annuity trust pays a fixed amount (like a gift annuity). A charitable remainder unitrust pays a variable amount that is determined by applying the trust’s payout percentage to the annual value of the trust. IRS regulations require the annual payout percentage to be at least 5% and cap it by requiring a charitable deduction of at least 10% of the remainder value of the assets transferred (the higher the payout percentage, the lower the charitable deduction). For the annuity trust, the payout percentage is applied to the initial value of the trust and the annual payments remain the same for the duration of the trust. For the unitrust, the payout percentage is applied to the value of the trust on the first business day of each year to determine your quarterly payments over the following year.

Harvard will serve as trustee of charitable remainder trusts and provide the trust document for you to review and to share with your advisors, with whom we encourage you to consult. When Harvard serves as trustee, our trust payment guidelines generally specify trust payout percentages between 5% and 6% and a minimum funding amount of $100,000. Possible remainder designations for trusts that benefit the Law School include general purposes, financial aid, and scholarships. When you transfer property to a charitable remainder trust, you are eligible for a federal income tax deduction based on what is expected to go to the School at a later date and the deduction is determined in a similar fashion as the deduction for a gift annuity.

You can fund a charitable remainder trust with cash, appreciated securities, real estate, or tangible property. Low-yielding, highly appreciated assets are good choices to fund the trust because making a gift to a charitable remainder trust does not incur the immediate capital gains taxes that you would have realized if you had sold the property outright.

A Comparison: Charitable Remainder Unitrust or Charitable Gift Annuity
When comparing the charitable remainder unitrust to the gift annuity, the advantage to the trust is your annual income has the chance to increase over time as long as the trust assets appreciate; the disadvantage is the income can decrease if the trust assets depreciate. The advantage to the gift annuity is the payments are fixed and unaffected by the performance of the underlying assets contributed for the annuity; the disadvantage is you forgo any participation in the appreciation of those assets if it occurs and inflation will erode the value of your payments over time.
Gifts of Appreciated Securities

A gift of appreciated securities is another effective way to shape your legacy and support Harvard Law School. In addition to making a profound impact on our work, a carefully planned gift of appreciated stock can:

- Eliminate or reduce capital gains taxes
- Generate a significant income tax charitable deduction
- Provide a tax efficient way to meet your charitable objectives

The main reason why giving appreciated stock as a gift is more advantageous than simply giving cash is the additional tax benefit created by avoiding capital gains. Here are two planning factors to keep in mind if you are considering a gift of stock.

**Direct transfer:** A gift of appreciated stock must be a direct transfer of the stock to HLS in order to avoid capital gains tax. If you sell the stock and then make a gift of cash, you still pay capital gains tax on the stock’s appreciation.

**Deductions for noncash property:** A donor cannot deduct more than 30% of his or her adjusted gross income for a charitable contribution of noncash property like stock in a single year. However, should your gift exceed this annual limit, you can carry over the excess deduction for up to five years.

Planning Your Gift to Harvard Law School

The type of gift that is best for you will be determined by your individual circumstances and objectives. Please contact us at (617) 496-9265 or at plannedgiving@law.harvard.edu if you think that one of these options might be a good fit for your planning and allow you to make a lasting impact at Harvard Law School. Be sure to consult with your advisors as this newsletter is not legal or financial advice.
This past fall, students in HLS’s Food Law and Policy Clinic, the first legal clinic of its kind in the country, co-wrote with the Natural Resources Defense Council a report that calls for legislative reform on food labeling to avoid excessive food waste.

HLS offers more opportunities for clinical education than any other law school. The Law School’s 27 clinics focus on a broad range of issues, from transactional law and shareholder’s rights to environmental law and international human rights. Clinical students work under the supervision of experienced attorneys in specific fields of practice and gain hands-on experience interviewing and representing clients in court, conducting legal writing and research, and drafting policy and legislation.

A time-tested example of the success of clinical education at Harvard Law School is the esteemed Harvard Legal Aid Bureau, which in 2013 celebrated its 100th anniversary of providing legal assistance to a diverse population of low-income clients in the greater Boston area. As the country’s oldest student legal services organization, HLAB specializes in family law, housing law, wage and hour laws, and government benefits. For more information on any of HLS’s clinics, please visit the Clinical and Pro Bono Programs web page at http://law.harvard.edu/academics/clinical/index.html

The visionary gift from Sumner Redstone ’47, one of the nation’s pre-eminent media entrepreneurs and philanthropists, will provide HLS with significant funding to address today’s critical societal issues. Mr. Redstone has established a $10 million endowment to fund the Sumner M. Redstone Fellowships in Public Service for HLS students who wish to work in the public interest after graduation. In making this magnificent gift, the largest HLS has ever received in support of public service, Mr. Redstone said, “The need for public service today is greater than ever, demanding innovation and progress to make a fundamental impact. …It is an honor to further this commitment to public service and it is my hope that the Redstone Fellows will continue to put their intellectual tools to the best possible use in building a better world.”

Harvard Law School is most grateful to Sumner Redstone for employing philanthropy to be an agent for change. We invite you to join him and other HLS alumni in making a difference by taking advantage of the various options detailed in this newsletter for making a planned gift in support of Harvard Law School and the students we serve.

Charles B. Gordy II, J.D.
Director, Office of Planned Giving
617-496-9265
cgordy@law.harvard.edu
Harvard Law School Alumni Center
1563 Massachusetts Avenue
Cambridge, Massachusetts 02138
FAX: 617-496-0309
plannedgiving@law.harvard.edu

VISIT http://www.law.harvard.edu/alumni/plannedgiving/