



Gift Planning at Georgia Tech

The following feature is by Louis W. Rice III, J.D., a director of Gift Planning in the Office of Development at Georgia Tech.

Preparation is key to estate planning

In our last article (available at <http://gatech.plannedgifts.org>), we discussed how a donor may conceive his or her ultimate gift, then use creative gift planning to bring that vision to reality in a way that allows for maximum flexibility. Expressing that charitable intent through an estate provision, then making lifetime gifts to bring your ultimate gift to fruition, is a way to make a gift you may not have thought possible. In this issue of *Philanthropy Quarterly*, we discuss some ways to structure the estate provision of this “backstopping” technique.

We have long counseled donors who want to make a provision for Tech in their wills to express that gift in terms of a percentage of their estate rather than as a set dollar amount. For example, a donor with a net worth of \$4 million wants to leave \$1 million to the Georgia Tech Foundation. We advise that the bequest be expressed as 25 percent of the donor’s estate rather than \$1 million. The reasons are twofold: In boom times, the dollar amount of that 25 percent increases. The proverbial rising tide lifts all boats. However, in down markets, the opposite may be even more

important. By expressing the amount the Georgia Tech Foundation receives as a percentage, the other beneficiaries who will receive the other 75 percent of the estate are provided for at a level commensurate with the donor’s original intent.

Incorporating the “backstopping” strategy, such a provision might provide, “To the extent I have not given the sum of \$_____ to the Georgia Tech Foundation Inc. during my lifetime, I leave the amount necessary, not to exceed 25 percent of my estate, to bring my total giving to the Georgia Tech Foundation to that amount.”

Many married couples want to make provisions in their wills for the same charitable organizations. Having determined the appropriate percentage distributions for their combined estates to benefit, these couples will use reciprocal wills to accomplish their charitable intent. Essentially, these wills leave assets to a surviving spouse with the provision that should the spouse NOT survive, charitable distributions are then made. A simple way of employing this strategy is a provision that says, “I leave all my assets to my spouse if he/she survives me. If he/she does not survive me, I make the following charitable distributions in the following percentages.” (Sometimes, these identical, reciprocal wills are referred to as “I love you wills.”) This method has the added advantage of having couples discuss all charitable distributions they want to make through their estates.

Once this gift plan is in place, the couple has the security of knowing each spouse is provided for after the death of the first, while also knowing the charitable organizations that are important to each of them will eventually benefit.

Of course, any estate plan requires dialogue and communication between spouses and other family members at the time the estate plan is being conceived. Deciding which charitable organizations will benefit, and in what percentages, is an important component of a sound plan. As always, we invite your inquiries. Please call us at 404.894.4678, send e-mail to founderscouncil@dev.gatech.edu, or visit us at <http://gatech.plannedgifts.org>.

Estate tax update

The current law enacted in 2001 calls for the total repeal of the estate tax in 2010, but in 2011 the estate tax will revert to the pre-2001 level (\$1 million exemption and 55 percent maximum rate). In anticipation of this sunset provision, no fewer than 15 bills have been introduced in Congress, but as yet no consensus has been reached regarding comprehensive reform. We continue to monitor these developments and will alert you when we know something definite.