

S H A P I N G   T H E   F U T U R E



*Create a Legacy*



AUBURN  
MONTGOMERY

OFFICE OF TRUSTS, ESTATES AND GIFT PLANNING



## AUBURN UNIVERSITY FOUNDATION

# *Create a Legacy*

As an Auburn University at Montgomery donor, your giving can achieve personal goals, enhance your financial security, and help shape the university's future. Planned giving is a technique of including charitable giving in your total financial and estate plans.

Many Auburn Montgomery alumni and friends who wish to help shape Auburn Montgomery's future have chosen a planned gift to extend their loyal support beyond their lifetime, while realizing substantial benefits for themselves today. These benefits can mean saving on income, estate, and gift taxes; providing an income to you during your lifetime; and possibly passing on a greater amount of wealth to your family.

Aside from financial benefits you might receive through planned giving, there is an intrinsic value to making a planned gift. You can help maintain and advance the quality of education for students, provide a dean with funds to address needs in targeted areas of education, lure professors to Auburn Montgomery who will attract outstanding students, or construct necessary campus buildings. These are just some of the many ways your planned gift could help.

Auburn University Foundation has been created as a fundraising organization to support academics at Auburn and Auburn Montgomery. Another organization, Auburn University Real Estate Foundation, was recently established to receive any gifts of real estate for the benefit of Auburn and Auburn Montgomery. Both of these organizations were created as separate, fund-development organizations to receive charitable contributions for the benefit of Auburn University and Auburn Montgomery. These foundations provide assurances to those considering giving to Auburn and Auburn Montgomery that their gift will be kept separate from public funds, will be invested in a prudent manner, and will be applied only as directed by the donor.



## *The George Petrie Society*

*The George Petrie Society recognizes and honors, during their lifetime, individuals who have made provisions for future generations of Auburn and Auburn Montgomery students and faculty through planned gifts.*

*Planned gifts may be in several forms, including wills, revocable living trusts, life insurance policies, trusts, gift annuities, retained life estates, and retirement plan assets. When the Office of Trusts, Estates and Gift Planning receives written notice of a planned gift commitment, the donor automatically becomes a member of the Petrie Society and receives continuing recognition as a member of the society.*

## *Wills and Revocable Living Trusts*

A will and a revocable living trust are statements about what matters most in your life. A gift to Auburn Montgomery through your will or revocable living trust will demonstrate to your family and community your philosophy and values as they pertain to your devotion to Auburn Montgomery.

Most people believe that a will or a revocable living trust is primarily a means of managing and distributing their assets upon their death, while identifying family and friends who will receive those assets. However, a significant element of this process is identifying your lifelong beliefs that drive your actions, and then imparting your ideas so that others can benefit.

A gift through your will or revocable living trust could create a scholarship, fellowship, professorship, or help construct a building. Your gift could affect change in the lives of generations of students, it could leave a legacy, and your gift could make a difference.

To include Auburn Montgomery in your will, simply inform your lawyer of your intent, and you can use the following bequest provision if you wish:

*"I give, devise and bequeath to Auburn University Foundation, a qualified 501(c)(3) charitable organization and nonprofit corporation, as described in Section 170 (c) of the Internal Revenue Code, located in Auburn, Alabama, \_\_\_\_\_ percent of my residual estate (or a specific bequest of \$\_\_\_\_\_, or other personal or real property appropriately described) for Auburn University at Montgomery, to be used in accordance with the terms of the most recent written directive I have signed with the Foundation, and, if none exists, to be used as directed by the Chancellor at Auburn University at Montgomery." (Tax ID 76-2739622)*

The following are the various descriptive ways you can elect to identify your gift to Auburn:

- Identify a **percentage** of your estate.
- Identify a **specific dollar amount** or a **specific asset** of your estate.
- Name Auburn University Foundation as a **residuary beneficiary** of your estate after all taxes, debts, expenses, and other bequests have been made.
- Name Auburn University Foundation as a **contingent beneficiary** to receive funds in the event that one or more of the primary beneficiaries predeceases you or disclaims interest in your bequest.



# *Life Income Plans*

## Charitable Remainder Trusts

A charitable remainder trust is an instrument that provides an income to the donor and/or someone of the donor's choosing for the life of the individual(s). At the termination of the trust, the principal of the trust is distributed to AUF or AUREF. More than two beneficiaries are allowed on these trusts.

There are two categories of charitable remainder trusts: unitrusts and annuity trusts. There are several types of unitrusts: standard unitrust, net-income unitrust, net income with make-up provision unitrust, and flip unitrust. There is only one type of charitable remainder annuity trust.

**Unitrusts:** A charitable remainder unitrust pays a fixed percentage (a minimum of five percent) of the net fair-market value of the trust that is revalued at the end of each year. The value of the assets within the unitrust will change from year to year due to market fluctuations, which will result in varying income payment to the beneficiary(ies) year to year. Additional contributions to the unitrust can be made after the trust has been created.

**Annuity Trusts:** A charitable remainder annuity trust pays a fixed amount (a minimum of five percent) of the initial fair-market value of the assets that are contributed to the trust. This fixed amount remains constant throughout the life or lives of the beneficiary(ies). No additional contributions can be made to the annuity trust once it has been created.

## Charitable Lead Trusts

Charitable lead trusts are essentially the opposite of charitable remainder trusts. The charitable lead trust pays an income to AUF for a period of years. At the end of the period, the trust distributes the remaining principal to the donor, the donor's children, or the donor's grandchildren.

There are two categories of charitable lead trusts: unitrusts and annuity trusts.

**Unitrust:** A charitable lead unitrust pays a fixed percentage (a minimum of five percent) of the net fair-market value of the trust, which is revalued at the end of each year. The value of the assets within the unitrust will change from year to year due to market fluctuations, which will cause the income payment to the AUF to change from year to year.

**Annuity Trust:** A charitable lead annuity trust pays a fixed amount (a minimum of five percent) of the initial fair-market value of the assets that are contributed to the trust. This fixed amount remains constant throughout the period of years established at the creation of the trust.

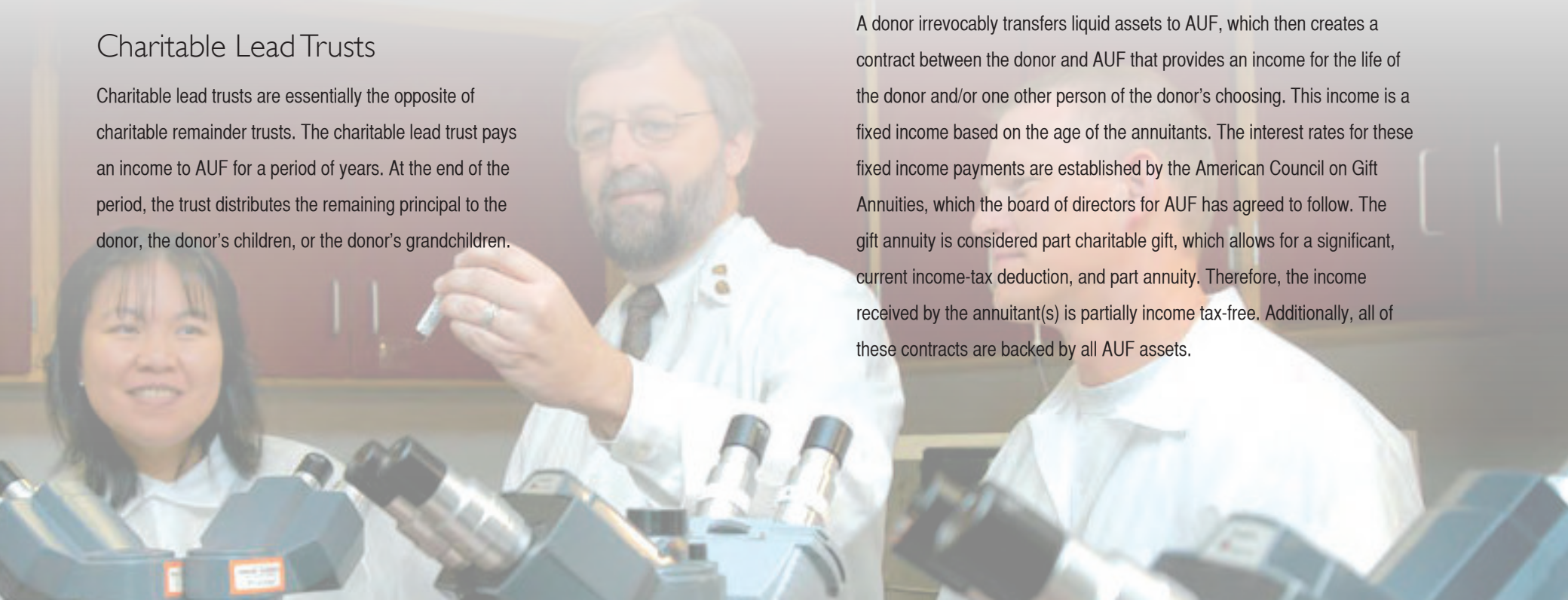
The lead trust is one of the few ways for a donor to reduce estate and gift taxes and possibly generation-skipping transfer taxes on assets that he or she would like to leave to succeeding generations.

## *Charitable Gift Annuities*

The charitable gift annuity is a basic contract between a donor and Auburn University Foundation. AUF has been designated as the only charitable organization that raises funds for the benefit of Auburn and Auburn Montgomery to offer charitable gift annuities. Gift annuities allow a maximum of two annuitants per contract.

## Current Gift Annuity

A donor irrevocably transfers liquid assets to AUF, which then creates a contract between the donor and AUF that provides an income for the life of the donor and/or one other person of the donor's choosing. This income is a fixed income based on the age of the annuitants. The interest rates for these fixed income payments are established by the American Council on Gift Annuities, which the board of directors for AUF has agreed to follow. The gift annuity is considered part charitable gift, which allows for a significant, current income-tax deduction, and part annuity. Therefore, the income received by the annuitant(s) is partially income tax-free. Additionally, all of these contracts are backed by all AUF assets.



## Deferred Gift Annuity

The deferred gift annuity allows donors to defer income to a later date. The donor creates a deferred gift annuity through AUF, just as a current gift annuity is created. The donor also gets a current charitable-contribution deduction for creating this deferred gift annuity. The difference is that the donor can choose when he or she would like to receive the income, which is generally later, when the donor may be in a lower income-tax bracket due to retirement. Additionally, the donor/annuitant(s) will receive an income rate based on the number of years deferred. The greater the number of years deferred, the greater the income rate.

## *Gifts of Life Insurance*

Many alumni would like to make a gift to Auburn Montgomery, however, they may think their small contribution would not make a difference due to the great need of the university. A life insurance policy allows you to make a significant gift to Auburn Montgomery for a relatively small amount of money.

Listed below are several ways you can use life insurance to create a significant gift.

- **Purchase a new policy, naming AUF as the owner and beneficiary.**  
By purchasing a new policy, the donor will receive a charitable-contribution deduction for the premium payment made each year for this policy. Additionally, the donor will receive recognition credit for the face amount of the policy. In most cases the donor will make payments for one, five, or up to 15 years until the policy becomes self-sustaining. The Office of Planned Giving can provide guidance on choosing a life insurance agent and company.
- **Name AUF as the owner and beneficiary on an existing policy, whether it is paid up, self-sustaining, or premiums are still being paid.**  
If you decide to give an existing policy to AUF, you will receive a contribution deduction on the lesser of the premiums paid or the cash value of the policy. If you are still paying premiums, the annual payment will also qualify for a charitable-contribution deduction. The donor will receive recognition credit for the face amount of the policy at the time of the transfer.
- **Name AUF as a beneficiary or contingent beneficiary on an existing policy.**  
The donor will not receive any charitable-contribution deduction for this gift and will receive recognition credit of \$1 (not the face amount).

## *Retirement Plan Assets*

Retirement plan assets, such as IRAs, 401(k)s, 403(b)s, and Roth IRAs, can also be used to leave a gift to Auburn Montgomery. The donor can name AUF as a beneficiary on these plans, which will provide a gift to the university and will avoid estate and income taxes. Additionally, if the donor specifically identifies any of these plans to AUF within their will instead of as a beneficiary on the plan, the estate of the donor will still avoid estate and income taxes.





## *Real Estate*

The Office of Trusts, Estates and Gift Planning facilitates planned gifts as well as real estate gifts for Auburn and Auburn Montgomery. Giving a gift of real estate to Auburn Montgomery allows you to receive a contribution deduction and avoid capital gains tax on the appreciation. Generally, your gift of real estate provides a contribution deduction of 30 percent of your adjusted gross income, with a five year carryover allowed for any unused contribution deduction. The office's address and phone number can be found on the back cover of this brochure.

## *Retained Life Estate*

As a donor, you may give AUF a personal residence, a farm, or a second home and retain the right to occupy the residence or operate the farm for the rest of your life. This gift will provide the donor with a current charitable-contribution deduction for a portion of the value of the property.

The term "farm" includes any land used by the donor for the production of agricultural products or for the sustenance of livestock. The term "personal residence" is defined to include any property used by the donor as a personal residence, even though it may not be the primary residence. A single-family dwelling, condominium, or a vacation home qualifies as a personal residence if it is used each year by the donor.



*Auburn University, Auburn Montgomery, Auburn University Foundation, and Auburn University Real Estate Foundation are not engaged in rendering legal or tax advice. For advice and assistance in specific cases, the services of an attorney, accountant, or other professional advisor should be obtained. The purpose of this publication is to provide accurate and authoritative information of a general and educational nature only.*



For more information about planned giving and the  
George Petrie Society of Auburn University  
and Auburn Montgomery, please call or write:

Auburn University Foundation  
Office of Trusts, Estates and Gift Planning  
317 South College Street  
Auburn, AL 36849  
334-844-7375  
[plannedgiving@auburn.edu](mailto:plannedgiving@auburn.edu)  
[www.auburn.edu/plannedgiving](http://www.auburn.edu/plannedgiving)



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