

# Pathways

REVOCABLE GIFTS SPRING 2005

IDEAS FOR FINANCIAL, ESTATE  
AND PHILANTHROPIC PLANNING  
FROM THE UNIVERSITY OF TEXAS  
M. D. ANDERSON CANCER CENTER



## Steven Gordon: A Commitment to Cancer Prevention

Steven Gordon is a native son of Houston, an attorney who understands the importance of careful estate planning and a strong supporter of the cancer prevention mission at M. D. Anderson. This combination of interests and skills led him to arrange for his own significant planned gift, an IRA to benefit the Janice Davis Gordon Memorial Fellowship in Cancer Prevention at M. D. Anderson.

An attorney who specializes in estate planning, Gordon spends his days helping clients to plan

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## Planning with Confidence *Solutions for Uncertain Times*

As we celebrate spring 2005, we want to thank you for your consistent support. Individual gifts play a vital role in helping M. D. Anderson fulfill its important mission.

In this issue, we address the concerns of many charitably minded individuals in view of the uncertain marketplace and ongoing changes in the tax laws. The concern has to do with commitment: Are there ways to make a strong charitable commitment without a locked-in position so that you have the flexibility to adjust to changing circumstances?

The fact is that there are many ways to make important commitments and still maintain flexibility with your planning.

Financial planners call them revocable gifts. We call them comfortable commitments. Some of these plans you may be familiar with; others, perhaps not. More information about this attractive kind of giving is available in our new booklet, **Revocable Gifts — A Comfortable Commitment**. You can receive a free copy by using the enclosed return card.

Please note that the revocable gift plans we explore share important benefits. They are easy to make and require no up-front funding. While they do not confer income tax benefits, they do give you the flexibility to adapt to changes and retain use of your assets during your lifetime. With a revocable gift, you determine how you want your gift to be used, and you can pursue your philanthropic dreams with confidence. Here is an opportunity to make a real impact with your giving — which otherwise might not be possible in today's economy — and to leave a lasting legacy.

We think you will find this issue very timely and thought provoking. Please let us hear from you if you want further information. We would welcome the opportunity to explore a comfortable commitment with you.

### *Pursue Your Dream*

*Most of us would like to leave a lasting legacy. In the past, only a privileged few could afford to do so. Today, thanks to planned giving, there are many worry-free ways to achieve your philanthropic goals. Consider one of the comfortable commitments we feature in this issue...and pursue your dream.*

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carefully from a tax standpoint. Frequently, this work gives a client the satisfaction of sharing a life of accumulated wealth with a charity that will benefit humanity. With his recent gift, Gordon was in the unusual position of being both the estate planner and his own client.

Over the years, Gordon has advised many clients who have named M. D. Anderson in their estate plans, and he has personal knowledge of the work being done by physicians and researchers here. Janice, his wife of 35 years, was diagnosed with colon cancer in 1998 and was treated by Dr. Bernard Levin, an expert in colorectal cancer and an internationally recognized cancer prevention leader. After her death in 2000, Gordon was so moved by what he learned and experienced during her treatment that he made M. D. Anderson a beneficiary of his estate.

Gordon says, "I hope to accomplish two things with my gift. First, I saw vividly that death can be prevented with proper screening, and I want to educate people about screening. And second, I want to encourage other people to give to M. D. Anderson. Cancer research and prevention are as worthy a cause as I can imagine with the potential to benefit so many people."

His generous donations since 1999 and his planned gift of an IRA are being directed to fund the fellowship that he created to honor his wife. With the gift of an IRA to M. D. Anderson, a non-profit organization, he is ensuring that 100 percent of that amount will go directly to cancer prevention programs and education, whereas if an individual were named instead, conceivably 70 percent would go to estate and income taxes. He is doubly pleased to be making a wise financial decision while benefiting a cause he believes in deeply.

Gordon's gift will be put to good use at M. D. Anderson. Today, after ten years of experience, our broad, multifaceted cancer prevention program serves as a model for other programs throughout the nation. The newly expanded Cancer Prevention Center is ready to support the growth in patients anticipated this year and for many years ahead. Steven Gordon knows that he and M. D. Anderson are investing in the very best cure for cancer, stopping it before it occurs, and in early detection and intervention.

## Comfortable Ways to Make Your Commitment

There are various ways to make an important gift commitment and still leave yourself free to make adjustments should your needs change. Here are three attractive and time-tested options you may wish to explore.

### *Plan a Charitable Bequest*

Undoubtedly, the most popular revocable gift plan is the charitable bequest. Literally thousands of individuals each year leave charitable bequests to sustain the work of charities in which they deeply believe. A charitable bequest is simply a gift made through your will. Indeed, some of our most important programs are the result of such bequests.

By including us in your will, you make a comfortable commitment in which you incur no current out-of-pocket cost, and you retain full use of your assets during your lifetime. Equally important, you have the flexibility to make changes in your bequest provisions...and that includes both the amount and how you wish your gift to be used. You can even add other charitable beneficiaries you may wish to support.

There are different ways to make a charitable bequest. Some donors give specific assets such as rare books or a coin collection as a way to leave a highly identifiable legacy. Others prefer a percentage bequest so that all beneficiaries receive the same intended proportion regardless of whether the estate increases or decreases in value.



Another popular kind of charitable bequest is the residual bequest — a gift of what remains in an estate after all other bequests are satisfied. By using a residual bequest, you can be sure that the loved ones remembered in your will receive consideration before a gift is made to us. A residual bequest brings a thoughtful conclusion to your lifetime of giving without compromising your commitment to others.

**Example** ■ *Elsa (age 72) is a widow who always gives to us during our annual fund drive. Every December, like clockwork, she sends a check to help further our mission. Recently, Elsa named our organization as the residuary beneficiary of her estate. That means, after all her debts and costs are paid and specific bequests to individual heirs are distributed, we will receive the remaining value of Elsa's estate. While there are no income tax benefits to this arrangement, Elsa's estate will receive an estate tax deduction for the amount of the gift to our organization, helping to offset or eliminate possible federal estate taxes.*

A residual bequest is a thoughtful way to give “what’s left over” to a deserving charitable organization after taking care of loved ones first. “What’s left over” often can make a

big difference in our work without shortchanging your heirs.

### **Name Us as Beneficiary of Your Retirement Account**

One of the most attractive ways to make a comfortable commitment is to name us as beneficiary of your IRA. In fact, independent financial planners often recommend it as a planning strategy because it is one of the most tax-efficient assets you can leave to charity. Here’s why:

If you leave the assets to your children or other heirs, they will have to pay an income tax on the distributions from the IRA, in addition to the estate taxes your executor may already have paid. But, if you leave the assets to a qualified charity such as us, this double taxation is avoided. Thus, 100% of the IRA is available to support our work. Other assets that are less “tax cursed” can be left to your heirs. This strategy makes sense for individuals who want to achieve both personal and charitable goals.

In addition to being tax-efficient, it is quite simple to leave retirement assets to a qualified charity such as ours. All you need do is change the beneficiary designation. Ask your IRA trustee or custodian for the

appropriate form to make the change.

**Contingent plan:** You may want to name us as a contingent beneficiary of your retirement account. If your spouse or other primary beneficiary does not survive you, it will be used to support the important work we do.

### **Use Other Beneficiary Designations**

In addition to retirement accounts, you can make a simple, revocable gift through other beneficiary designations. A good example is a bank account or life insurance policy. These accounts have “payable on death” designations — meaning that you choose the person(s) to receive the funds upon your death. Usually you can list a primary and secondary (or contingent) beneficiary. Upon request, you also can add our organization as a beneficiary. It’s easy to do, and you can change these revocable designations if your needs change.

**Some examples** ■ *Sara Anthony holds a savings account — her rainy day fund — in which she keeps about \$20,000 for unexpected expenses or small emergencies. After her husband died, she changed the P.O.D. (payable on death) beneficiary designation to us. She still has access to the money in the fund if she needs it. If not, she has the comfort of knowing that the money will ultimately go to support our good work.*

■ *Herbert Fox purchased a life insurance policy on his wife. When he predeceased her, Mrs. Fox decided to name us as the beneficiary of that policy. If she needs the money, she can access the cash value in the policy. If Mrs. Fox does not need the money, the entire face amount of the policy will ultimately go to support one of the Foxes' favorite charities, cancer prevention research at M. D. Anderson. She could have made us a partial beneficiary had she decided to include other beneficiaries.*

## Consider a Living Revocable Trust

A living revocable trust is a trust you create during your lifetime that may be amended or revoked. As an alternative to a will, it can be used to avoid probate costs at your death so that more of your estate assets can pass directly to your intended beneficiaries, ensuring privacy and avoiding costly delays in estate settlement. It also provides you with a comfortable way to make a major gift commitment.

Typically, a living revocable trust agreement directs the trustee to pay the trust income to you for your lifetime and then, if you wish, to another named beneficiary such as a spouse. When the lifetime benefits end, the trust distributes the remaining principal to other named beneficiaries. The ultimate beneficiaries can be family, friends or worthwhile charities such as ours.

In the trust agreement you can reserve the right to add or remove property from the trust, to change the terms of the trust, even cancel the

whole arrangement should you wish. This flexibility of the living revocable trust makes it suitable for many people to make a gift commitment to a favorite charity without fear of being locked in to an irrevocable arrangement.

*Example ■ Leroy Hines (age 68), a widower, created a living revocable trust two years ago and placed investment assets worth \$650,000 into the trust. Every six months, Leroy draws on the income from the trust to pay his living expenses. He also can invade the trust principal in the event of an emergency. Recently, Leroy decided that he would like to name us as the beneficiary of the revocable trust. He wanted to be sure that he could continue to draw on the trust income as needed and that the trust assets he did not use would ultimately go to M. D. Anderson. The living revocable trust gave him the flexibility to accomplish these objectives.*

Please note that a living revocable trust requires careful thought and attention to detail. You will want to seek an attorney's assistance in creating such an instrument.



## Find Your Comfort Zone

The beauty of philanthropy is that there are many ways to support meaningful causes. From these opportunities to give, there is undoubtedly a way for you to make a comfortable commitment. And after making such a commitment, you always have the opportunity to take the commitment a step further through a permanent arrangement, such as a life income gift or an outright gift of property. Such gifts can provide added tax benefits and the opportunity to experience the personal satisfaction of seeing your important gift put to work during your lifetime.

If you would like more information about worry-free ways to partner with us in our important work, including conversion opportunities to accelerate your gift and make it permanent, use the reply card to order our new booklet, **Revocable Gifts — A Comfortable Commitment**. We look forward to hearing from you.

## Importance of Informing Us of Your Gift

If you have designated The University of Texas M. D. Anderson Cancer Center as a beneficiary for any purpose, please let us know. We would like to thank you and discuss how you would like your gift to be used. Please contact our Development Office, and thank you for all your support.

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*If you would like to discuss the benefits of any planned gift, or if you have questions about this issue of Pathways, please contact:*

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