Creating a Legacy

UNITRUSTS PROVIDE WIN-WINS FOR STANFORD AND DONORS

“I think it’s one of the most satisfying choices I’ve ever made,” says Doreen Foo Croft, ‘49, of her decision to create a Charitable Remainder Unitrust at Stanford.

Like other donors, Doreen wanted to help Stanford. When she learned about unitrusts and how they work—providing regular income for her now and an eventual gift to Stanford—she realized this was an ideal opportunity to achieve her personal financial goals as well as her goal of supporting the university in a significant way.

Doreen sees several advantages to creating a unitrust at Stanford. She received a charitable deduction on her income tax at the time she established her unitrust. She was able to create her unitrust with a gift of rental property that she no longer wanted to manage, but on which she would have had to pay a hefty capital gains tax had she sold it herself. And her unitrust, managed by the experts at the Stanford Management Company, produces higher monthly payments than she received when she was renting the property. As a retired educator-turned-actress, the income she receives allows her comfortably to pursue her new artistic passion without financial worry.

A unitrust pays income at an agreed rate to a donor (or other designated beneficiary or beneficiaries) for life or a term of years, based on the growth of the unitrust assets over time. Once a unitrust matures, Stanford uses the remaining assets to support any area of the university that the donor designates. Unitrusts have been used to endow undergraduate scholarships, provide unrestricted support to the university, fund research and public service opportunities, and enhance many other programs at Stanford.

Doreen, who spent her career working with young children and training early childhood educators, used her unitrust to endow an undergraduate scholarship for students who plan to work with young children. As an added benefit, the present value of Doreen’s gift was matched by The Campaign for Stanford women founded the first boating club at the university in 1896. A team paddles across Lake Lagunita, circa 1939. [Image 315x-9 to 981x981]
Doreen and her two daughters, who are both Stanford graduates, are proud of the scholarship. “I’m so happy to know that the money will go on being used for a good purpose forever,” she adds.

**Supporting Loved Ones**

Rachford Harris, ’35, is a veteran unitrust donor to Stanford. He has created four unitrusts over the years, customizing each to support multiple interests at Stanford while providing a secure income for his family.

“I spent some of the very happiest days of my life at Stanford,” says Rach, “and I wanted to help the university as much as I could.”

Rach and his late wife, Carlota, initially established two unitrusts to benefit the School of Medicine—one to endow a professorship in the Department of Nephrology, and one to support medical research in kidney disorders. These gifts recognize the expert medical care given to one of their daughters when she was treated at Stanford Hospital for kidney disease.

Rach has been impressed with Stanford’s management of the unitrusts and began to think of them as a way to provide for his daughters. “I think that the institution invests its own funds wisely and has good guidance,” he says, “so I thought that would be good for my daughters.”

To that end, last year Rach worked with the Office of Planned Giving to set up two additional unitrusts. Each names one of his daughters as the income beneficiary. When his daughters pass on, these unitrusts will provide endowment for a University Fellow in Undergraduate Education and undergraduate scholarships. Rach has remained connected with undergraduate life on campus, particularly now that his grandson, Tristan Harris, ’06, is a student. Today, he does what he can to ensure that others are able to attend Stanford and benefit from the university as much as he has.

“I got a lot out of Stanford,” he says, “but it wasn’t all from the books—it was from socializing with all kinds of people from all walks of life, and I think it placed me in good stead.”

**Recent Estate Gifts**

Stanford is grateful to the generous friends and alumni who remembered the university in their estate plans. These gifts make a difference across the university. A sampling of recent gifts received from estates is described below.

*Regina Beaumont*, a friend of the university, left the residue of her estate to the Stanford Libraries. The gift provides $75,000 in expendable funds.

*Timothy E. Colvin*, ’25, made a specific bequest of $5,000 to the School of Engineering.

*Mary E. Crumley*, ’42, willed an unrestricted gift of more than $60,000 to the university.

*William L. Endrud*, a friend of the university, left a residual gift totaling over $324,000 to the School of Earth Sciences through his charitable remainder unitrust. His wife, Vivian Endrud, also left one-third of the residue of her estate, totaling approximately $107,000, to the School of Earth Sciences.

*Jesse Feldman*, ’37, L.L.B. ’40, gave a specific gift of $100,000 to the School of Law for general support.

*Lawrence G. Olinger*, A.M. ’56, education, willed Stanford a specific gift of two-thirds interest in real property to endow scholarships for undergraduate mapping in humanities. The gift totaled $850,000.

*Phoebe Seagrave*, ’33, M.B.A. ’35, gave 90 percent of the residue of her estate, over $375,000, to endow the Phoebe Seagrave Fellowship for students at the Graduate School of Business.

*Richard S. J. Tam*, ’58, designated a specific bequest of $100,000 to Stanford for unrestricted purposes.

*Osvald G. Villard*, Ph.D. ’49, gifted a portion of the residue of his trust estate, more than $3,000,000, in unrestricted support for the university. Stanford has used the bequest to create the Osvald G. Villard University Fellow in Undergraduate Education in honor Professor Villard, a well-known member of the Electrical Engineering faculty for five decades.

*In addition to his personal motivations, Bob values the financial soundness of the unitrust. “It seemed like a reasonable thing to do,” reflects Bob. “We wanted to make a long term commitment to Stanford. We enjoy the income, and Stanford will get the whole thing eventually.” This is a particularly beneficiary type of gift for a university, he adds, because Stanford will still be around to make good use of their unitrust when it matures. “Universities have a long view of the future,” he says. “You know that what you do will mean something some day.”

Today, the couple looks ahead to the impact their gift will have. “When you want to do something substantial for an institution you believe in, and you know your gift will be well taken care of after you’re gone, it’s a wonderful feeling,” says Cynthia.
Donors want to diversify their assets and reduce the attorneys in Stanford’s Office of Planned Giving see earnings that are not paid out remain in the trust, like a charitable remainder unitrust, the trustee pays no capital and diversification. Instead, if the asset is used to create a new unitrust, the after-tax amount is available for reinvestment per the performance of the trust assets from year to year. A donor is also entitled to a charitable income tax deduction for part of the value of the assets that fund the trust.

Charitable remainder unittrusts are tax-exempt. Thus, there is an added benefit to funding them with appreciated assets. If a donor were to sell an appreciated asset, he or she would owe capital gains tax and only the after-tax amount is available for reinvestment and diversification. Instead, if the asset is used to create a charitable remainder unitrust, the trustee pays no capital gains tax upon sale, so the full amount is available to be reinvested by the trustee. The trustee makes payments to the individual beneficiaries from the trust assets, and any earnings that are not paid out remain in the trust, where they grow tax-free.

Stanford donors establish charitable remainder unittrusts for many strategic reasons. Here are a few that the attorneys in Stanford’s Office of Planned Giving see most frequently:

- Donors have rental property that they no longer want to manage, and they are concerned about the capital gains taxes they would owe if they sold the property themselves.
- Donors want to diversify their assets and reduce their holdings in certain highly appreciated and low yielding securities and would like the full value of those securities available to generate an income.
- Donors want to increase their future retirement income and have “maxed out” the amount they can contribute to an IRA and/or other tax-deferred retirement plans.
- Donors wish to ensure that another individual (e.g., a child, spouse, or friend) receives a steady income stream throughout his or her life, and upon death, that the remaining assets benefit Stanford. Some choose to accomplish this goal by including a charitable remainder unitrust in their wills or revocable trusts.

This way, the unitrust is created at the donor’s death. Choosing a trustee is an important decision in arranging a charitable remainder unitrust. The trust creator can choose to be his or her own trustee, or he or she can select another person or entity, such as Stanford, to be trustee. Stanford is currently trustee of more than 400 unittrusts that make payments to over 470 beneficiaries each year. Stanford is generally happy to serve as trustee so long as unittrusts meet certain requirements, including the following:

1. The trust must have an initial value of at least $200,000.
2. Most, and preferably all, of the trust remainder must be irrevocably designated for Stanford, either unrestricted or for a particular purpose.

If Stanford serves as trustee, the trust assets are invested by the Stanford Management Company, which manages all the financial assets of the University, including the endowment. The trust assets are invested in a diversified portfolio covering a number of different asset classes. (Read more about the role of the Stanford Management Company and its investment philosophy for charitable remainder unittrusts on page 5.)

When creating a charitable remainder unittrust, donors are providing for the continued strength of Stanford. Although these are gifts that Stanford will not receive for many years, they are recognized as current gifts (based on a present value calculation) and are acknowledged, for example, as part of reunion campaigns. In recent years, a number of unittrusts have earned matching funds through Stanford’s Campaign for Undergraduate Education, which runs through December 2003. Thus, although gifts through unittrusts will not be available to Stanford right away, matching funds are able to benefit the university today. Donors whose trusts are matched in this way have the joy of seeing their gifts at work during their lifetimes, enabling Stanford to establish and award endowed professorships, scholarships and other programmatic support in their names and for the purposes they have designated.

Stanford’s Planned Giving office is here to help by providing information about how charitable remainder unittrusts work and how they compare to other planning options. We recognize that these trusts are not for everyone, but we hope that all our readers will benefit from a better understanding of this option and an appreciation for when and why one might want to consider this type of arrangement. If you are interested in learning more, give us a call—we are waiting to hear from you!

**ASK THE STANFORD MANAGEMENT COMPANY**

As managing director of Stanford Management Company’s separate investments division, Tyler Edelstein oversees and designs investment strategies for Stanford’s charitable trust program. She explains SMC’s role in helping to ensure that unitrusts achieve their maximum potential for donors and for Stanford.

**RS:** What is SMC’s overall investment philosophy?

**TE:** SMC manages all the financial assets for the university. This does not include the lands on campus, but it does include nearly every other financial or investment asset. All together, that is a total of about $13 billion. Our investment philosophy is to think ahead for Stanford for the next 100 years. It assumes the endowment is going to be here into perpetuity, so we take a very long-term view and are highly diversified across a number of different asset classes. Our goal is to grow the real value of the endowment and to enable a payout rate of about 5 percent per year.

**RS:** How is this philosophy implemented in the charitable trust program?

**TE:** People should know that we put a lot of thought and energy into how we invest the trusts. We take the best ideas from the endowment and adopt the same philosophy, but adapt it for the trust program. That means invest, to the extent possible, in all the marketable securities that are in the endowment: primarily publicly traded real estate investment trusts (REITs), and fixed income assets. We use the same investment managers, and if we are doing something strategic for the endowment, we try to adapt that for the trust program as well.

**RS:** What value does SMC bring to trust investing?

**TE:** SMC provides access to top-tier investment managers who take an active asset allocation approach. For marketable securities portfolios we have highly diversified investments across emerging markets, REITs, and several different kinds of fixed income assets on a global basis as well as a range of domestic equity. We screen our managers very carefully, and we have the ability to shift around on a tactical basis where we see less expensive valuations. For instance, right now we think there is more value to be had in international developed stocks, especially in Europe and Canada, as opposed to the United States. We like the longer-term growth of the emerging markets, especially Southeast Asia.

**RS:** The IRS is considering allowing Stanford to invest its charitable trusts in its endowment. What would be the implications of a positive ruling?

**TE:** It would mean further diversification and growth potential for the trusts, because about half of the endowment’s assets are invested in non-marketable securities, or what we call alternative assets. This includes private equity like leveraged buyouts or venture capital investments, direct real estate investment development projects, absolute return investments in arbitrage hedge funds, and some direct natural resources investments. To date, we haven’t been able to include those investments in the charitable trust program due to tax issues. Should we get a go ahead from the IRS, it will mean that the whole complement of endowment investments could be available for the trusts.

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**STANDARD TRUST PORTFOLIO (% PUBLIC EQUITY%, FIXED INCOME)**

| Capital Appreciation Objective (85/5) | 10.6% | 10.7% | 7.5% | 9.2% | 7.5% |
| Balanced Objective (65/35) | 10.3% | 10.3% | 7.5% | 8.6% | 6.1% |
| Income Objective (45/55) | 9.9% | 9.8% | 7.7% | 8.5% | 5.0% |

*Payout represents the amount that is made available each year for expenditure per a spending formula adopted by Stanford’s Board of Trustees. It is not equal to total investment returns, which was 15.1% in the most recent fiscal year.*

**Students in step at the “Pajamarino” pajama party in the 1940s.**
Remembering Stanford

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Donald Winbigler retired from Stanford in 1975. But somehow he never managed to leave the Farm. Fondly remembered by decades of undergraduates, Winbigler served for five years as university registrar then as dean of students from 1950 to 1967. When he moved on to become academic secretary at the university, he sorely missed the students he spent so much time serving.

“He had a very optimistic view of people, which kept his sense of humor going under most circumstances,” recalls his son Myles, ’63, M.S. ’65. Myles remembers his father telling “all kinds of stories about students, their foibles, their strengths, and their triumphs. He was probably fondest of the times from the 1930’s. He had most of his interactions with students during that period.”

The Stanford Charitable Remainder Unitrust

Here’s how it works:

1. You transfer cash, securities, real estate, or other gift assets to Stanford. The university acts as trustee of your tax-exempt unitrust.
2. You receive an income tax deduction. If you create your unitrust by transferring appreciated assets such as stock or real estate, you save capital gains tax when the property is sold.
3. During its term, the trust pays income to you or to anyone else you name as a beneficiary. Your annual distribution will be a specified percentage (chosen by you at the time you establish the unitrust) of the value of the trust assets measured on the same date each year. Most unitrusts administered by Stanford are valued annually on January 1. The percentage agreed upon must be at least 5 percent and usually does not exceed 7 percent.
4. Your annual payout will vary based on the fair market value of the assets returned each year. The distribution is paid out of trust income and, to the extent necessary, from gain on the sale of trust assets or the trust principal itself. For example, if you transfer securities worth $200,000 into a 5 percent unitrust, your income for the year would be $10,000.

and so on...

Typically, part of your unitrust distribution is taxed as ordinary income and part as capital gain income. Any portion of your distribution paid out of trust principal is tax-free.

When the last beneficiary dies, the unitrust ends and its remaining assets are then available to Stanford to use in the manner you designate (e.g., student financial aid, a particular school or field of interest, or unrestricted support for the university’s most critical needs).

Some additional points:

• There are two other variations on the standard unitrust payout mechanism described above. The “net income unitrust” initially utilizes the “net income” payout mechanism described above; upon the occurrence of a triggering event, it converts to the standard unitrust percentage amount. The “flip unitrust” initially utilizes the “net income” payout mechanism described above; by minimizing the initial payouts, the trust has the potential to generate greater income at a later date. The “flip unitrust” initially utilizes the “net income” payout mechanism described above; by minimizing the initial payouts, the trust has the potential to generate greater income at a later date.

Here are two good Web resources available from Stanford to aid in your charitable gift planning:

For help calculating tax deductions for life income gifts, including charitable remainder unitrusts, use Stanford’s planned giving calculator, which may be found at http://givingatstanford.stanford.edu/opp/s/bequests.

For help in deciding how much to give to charity, go to the “NewTithingCalc” link at http://givingatstanford.stanford.edu/opp/s/bequests/bequests and select the PrudentPal Planner. This tool is provided by New Tithing Group, an organization that helps individuals incorporate philanthropy in their lives. The New Tithing Group offers a number of educational resources.

Contact the Office of Planned Giving for more information: phone toll-free at (888) 227-8977, ext. 54358, or e-mail us at planned.giving@stanford.edu.

Don Winbigler devoted himself to Stanford for nearly 60 years and helped nurture the university’s growth to an internationally recognized institution. He served with notable figures in Stanford’s history, including Wallace Sterling, Richard Lyman, and Fred Glover, and was instrumental in increasing the undergraduate and graduate student bodies, relocating the School of Medicine from San Francisco to Palo Alto, and establishing the Overseas Studies Program.

“He knew many young people passing through Stanford and watched them go on to great successes in life,” says Myles.

Ever a supporter of Stanford students, Don Winbigler’s dedication to undergraduates will continue in the form of a scholarship, which he endowed through a charitable remainder unitrust.

“Getting him to talk about Stanford was difficult because of his shyness,” says Myles. “But he did want to be able to make a substantial gift to support undergraduate scholarships. He talked of it often to me, and I know it made him happy,” says Myles.

Do you have a favorite memory, an amusing or touching story, or a photo of yourself from your Stanford days? Remember Stanford would love to know about it and have the opportunity to share it with our readers. You are invited to send your stories and digital photos to us through e-mail to Trisha Ball at trisha.ball@stanford.edu. You may also send them through regular mail to Remember Stanford, Office of Planned Giving, Frances C. Arrellaga Alumni Center, 126 Calvos Street, Stanford, CA 94305. We will make every effort to return photos.

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To learn more about the terms and restrictions for this gift, contact Stanford’s planned giving office at (650) 725-5504, or e-mail us at planned.giving@stanford.edu. Stanford University is a tax-exempt educational institution as described in Section 501(c)(3) of the Internal Revenue Code, and charitable gifts are deductible for federal income tax purposes.
**TAX TIPS**

New in 2005—Donations of motor vehicles, boats, and airplanes. In general, if you donate to charity a motor vehicle, boat, or airplane that is valued at more than $500 and the charitable organization sells the item donated, your deduction on Schedule A will be limited to the gross proceeds from the sale.

**IRA contribution limits**

The contribution limit to a traditional or Roth IRA for 2005 is increased to $4,000 ($4,500 if you are 50 or older). However, if your employer provides a retirement plan, the contribution amount can be further limited for higher income taxpayers. In that case, the contribution deduction phaseout has increased for 2005 so that your deduction for contributions to a traditional IRA will be reduced (or phased out) if your modified adjusted gross income (AGI) is:

- More than $70,000 but less than $80,000 for a married couple filing a joint return or a qualifying widow(er),
- More than $50,000 but less than $60,000 for a single individual or head of household, or
- Less than $10,000 for a married individual filing a separate return.

**Reduced deductions for high income taxpayers—2005 level**

For 2005, your total itemized deductions may be reduced if your AGI is more than $154,950 ($72,975 if married filing separately).

**Upper limit for Social Security Withholding for 2005**

Employers must withhold social security tax at a rate of 6.2 percent on the first $90,000 of each employee’s wages. There is no limit on the amount of wages subject to the Medicare tax of 1.45 percent.

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**FOUNDING GRANT SOCIETY**

We know their university, but who were Leland and Jane Stanford? Founding Grant Society members who attended the “Stanford Gatherings” on November 30, 2004, March 10, and March 11, 2005 learned about the visionary family who founded Stanford as told by University Archivist Maggie Kimball in her talk “The Life and Legacy of the Stanford Family.” The events took place in Livermore, Pasadena, and Santa Barbara. Additional “Stanford Gatherings” in Sacramento and Fresno are planned for November, and in the Pacific Northwest in early 2006.

FGS members again convened for the Society’s annual luncheon at Stanford’s Frances C. Arrillaga Alumni Center on May 3. One hundred eighty-five heard remarks by Founding Grant Society Chair Doug Brown, ’59, M.B.A. ’61, Provost John Etchemendy, Ph.D. ’82, and Head Coach of Women’s Swimming, Richard Quick, who is retiring this year after 18 years of service to the university. Attendees were also treated to an a cappella performance by Talisman, Stanford’s renowned student vocal ensemble.

The Founding Grant Society recognizes and honors those individuals whose estate gifts will provide future support for Stanford University, including its medical center and the Hoover Institution.

For more information about the Founding Grant Society and its events, contact the Office of Planned Giving by phone at (800) 227-8977, ext. S-4358, or by e-mail at planned.giving@stanford.edu. If you think you qualify for membership and would like to joining, please complete the attached application and return it to us.