When Fred, MBA ’61, and Marcia Rehmus decided it was time to sell their Atherton, California home of 35 years, they did not stray far from their Stanford connections. They moved to Classic Residence by Hyatt, the newly built retirement community across the street from Stanford Shopping Center. Marcia and Fred have a magnificent view of Hoover Tower from their patio. Many of their neighbors are retired Stanford professors and alumni. More important, though, is how the couple turned their move into a mutually beneficial arrangement for themselves and for Stanford.

A Unique Opportunity

Fred is well versed in planned giving strategies. As the cofounder of a financial advisory firm, he spent 40 years counseling clients on the effectiveness of available estate planning tools, including charitable remainder trusts. When he looked at the calculations for funding a trust with his own home, he found a clear win-win situation.

“It is a perfect way of dealing with a common problem today,” says Fred. “For people who have owned their homes for a number of years, the property has probably appreciated in value, and the tax consequences of a sale can be severe.” Fred suggests that anyone whose residence has significantly appreciated should consider a charitable remainder trust as a way of benefiting Stanford while preserving his or her assets. “As a professional planner,” he says, “I can tell you this is a unique opportunity to use the tax code to your advantage.”

Because the property involved was the Rehmuses’ primary home, the first $500,000 of appreciation was tax exempt. They were able to retain for themselves the exempt portion of the home’s value plus their home improvement investments; the balance was placed into the charitable remainder trust. This trust will make payments to them for the rest of their lives. When the trust terminates, the remainder will go to Stanford.

“Between the charitable deduction it allowed us, and the income stream it created for us, we come out almost the same financially as if we’d sold the home and kept the proceeds,” says Fred. “And Stanford ends up way ahead.” The Rehmuses also took advantage of the opportunity to invest their trust with Stanford’s endowment, which has a track record that is difficult for most individual investors to achieve.

Though they have yet to designate how they would like Stanford to use the remainder of their trust, the Rehmuses’ legacy at Stanford is already firmly in place. Their generosity over the years includes the Rehmus
While working for HP in Santa Rosa, California, he met Sandy through mutual friends. Their first date: a sailing excursion. She turned out to be his perfect match. “When we got married, I knew Ed was planning to retire early, that he wanted to get a sailboat and go cruising,” says Sandy. “I like traveling, I like change, and I always thought it would be fun to sail, so I learned to sail with him.”

Ed and Sandy made their early retirement possible, in part, through investments in real estate—mostly rental properties that generate a steady income. Since 1990, they’ve resided primarily on a one-of-a-kind sailboat that Ed was instrumental in designing. As they grow older, they want to sell off some of the rental properties and maintain a similar level of income without the expense and hassles of property management. However, these appreciated investment properties will generate significant capital gains taxes (including some recaptured depreciation) when they are sold.

After looking at a variety of options, they came across a notice about life income gifts in Stanford magazine. It mentioned the possibility of using real estate to establish a charitable remainder unitrust. Ed requested information from the Office of Planned Giving, and Sandy talked to a cousin who’d recently done something similar. “We had always planned to donate something to Stanford in our wills,” says Ed. “So this seemed like a perfect way to give something to Stanford now.”

In July 2007, they established a charitable remainder unitrust with Stanford, and gave one of their Utah rental properties to the trust. Because the trust’s assets will eventually go to Stanford as a charitable gift, the Martinezes received an income tax deduction, paid no capital gains tax on the sale of the property, and will receive quarterly payments from the trust for the rest of their lives.

Ed and Sandy designate their trust remainder to Stanford’s Product Realization Lab, a facility run by the Department of Mechanical Engineering. The lab gives students the space and materials needed to create prototypes for class assignments, independent research, or other design projects. “I did manufacturing process development for HP,” says Ed, “so it’s something I really connect with.”

An Unconventional Plan
Ed Martinez, ’64 (mechanical engineering), comes by his love of travel naturally. His father was a commercial sea captain from Spain, his mother hailed from Portugal, and his extended family is spread out all over the world. During his years as a Stanford undergraduate, Ed spent his summers working on cargo ships that took him to far-off ports in Latin America and Asia. After graduation, he spent his 20s alternating between the aerospace industry and international travel. During his travels, he discovered his passion for sailing and dreamed of sailing the world on his own boat.

Eventually, Ed came back to California and devoted the next chapter of his life to his career. He continued to work as an engineer while he earned an MBA from the University of Southern California. Soon after, Ed returned to the Bay Area to work for HP, where he was in engineering management for 20 years before taking early retirement. He also took advantage of the proximity of San Francisco Bay and learned to sail. He made many friends in the sailing community and spent as much free time as he could on the water.
Good Counsel
BY STEVE PLAYER, ’63
SENIOR ASSOCIATE DIRECTOR OF PLANNED GIVING

As many of us who are fortunate enough to own our own homes reach a certain point in our lives, we begin to ask ourselves some complicated questions: Will I be selling my home or investment property soon? Do I expect a large capital gains tax bill from the sale? Would I like to turn my property into a reliable source of income? Do I want to make a special gift to Stanford, possibly to commemorate a milestone reunion? If you’ve answered yes to any one of those questions, you could consider creating a charitable remainder unitrust.

Whether such a trust is right for you depends on your own circumstances. With the current unsettled state of the economy, this type of gift may be ideal for some, while others may be well advised to consider creating a trust at a later date. My colleagues and I can help you and your professional advisors weigh your options. In general, however, the process goes something like this:

1. Decide whether you want to give a partial interest or all of your home to Stanford.
2. Choose a payout arrangement, typically between 5 percent and 7 percent of the trust value each year, paid quarterly.
3. Work with the Office of Planned Giving to designate the ultimate purpose of your gift, e.g., a scholarship, professorship, or research fund, to be used in the manner you’ve chosen.
4. Review with your advisor(s) the unitrust agreement initially drafted by Stanford’s Office of Planned Giving. When your trust is signed, transfer your real estate to the trust irrevocably.
5. Claim a charitable income tax deduction in the year of your gift for the “present value” of Stanford’s “remainder interest” in the property. (Note: This is less than the fair market value of the property.)
6. Reduce or avoid capital gains taxes.
7. Receive income from the trust for the rest of your life, or your children’s or other beneficiaries’ lives, or for a fixed number of years.

When your trust terminates, Stanford will use the remaining trust assets for the purpose you designated.

If you want to learn more about real estate gifts or charitable remainder unitrusts, please contact the Office of Planned Giving at 650.725.4358.

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

MERLIN W. BAKER, JD ’49, made a $10,000 bequest to Stanford Law School.
CHARLES W. DICK, MS ’48, left one-third of the residue of his estate to the university, with no restrictions on its use. The funds, totaling approximately $700,000, will be used at the provost’s discretion to support Stanford’s environmental initiative.

NATALIE A. HOPKINS, the widow of Mark F. Hopkins, ’38, made a $50,000 bequest that will be used to support the construction of the Green Dorm, a student residence and living laboratory for environmentally sustainable energy technologies. She also left $10,000 to support the Hopkins Marine Station, a marine biology research and teaching facility that operates as a branch of Stanford’s Department of Biology.

JOYCE LAWSON, a friend, endowed the Joyce Lawson Fund for Radiation Oncology with a gift of her IRA as well as the residue of her trust. Her bequest totaled approximately $1.5 million, which will support the work of radiation oncology researchers in the early stages of their careers.

ANNETTE MARDGESICH, a friend, left one-fifth of the residue of her estate for medical research at Stanford. Her gift of approximately $1.4 million established the Annette Mardgesich Fund at the School of Medicine.

BARBARA MACK MCKAY, ’38, made a $10,000 bequest of expendable funds for undergraduate need-based financial aid.

ELIZABETH AND LEONARD D. OFFIELD, ’35, MD ’39, left a portion of their estate to the Iris & B. Gerald Cantor Center for Visual Arts at Stanford University. At their request, their gift endowed the Elizabeth and Leonard Offield Art Fund, which will be used for the acquisition of drawings, prints, watercolors, and paintings from the 17th, 18th, and 19th centuries. They also made a bequest to the Dr. and Mrs. W. B. Hurlbut Scholarship Fund at the School of Medicine.

LENORE J. STEIN, a friend, directed one-half of the residue of her estate to the Hoover Institution. Her endowment gift of approximately $1.5 million, which established the Lenore J. Stein Fund, will support the institution’s mission and research.

STANLEY YAGER, a friend, established the Stanley Yager Medical Research Fund with a bequest of one-fourth of the residue of his estate. His gift to the School of Medicine totaled nearly $1 million.
TAX TIPS

Tax-Free Individual Retirement Account (IRA) Rollover to Charity Renewed Through End of 2009

On October 3, 2008, Congress renewed a tax code provision that allows you to distribute up to $100,000 from your IRA to charity, which will count toward your required annual minimum distribution and will not be considered as taxable income.

Here are the requirements:

• You must be 70 1/2 years old or older at the time of the distribution.
• Distributions must be made to public charities (such as Stanford).
• Though the provision has been extended through the end of 2009, you must complete a transfer by December 31, 2008, if you wish to count it toward your 2008 minimum distribution.
• Your IRA administrator must make the distribution directly to the charity, or you may write a check payable to the charity from your IRA checkbook.

Some important considerations:

• These distributions will not be deductible as a charitable contribution on your income tax return.
• Though California law conforms to this new federal law, other states’ laws may not. Please consult your tax advisor before making a distribution.
• Distributions to private foundations, to donor advised funds, or for life income gifts (e.g., charitable remainder trusts) will not qualify.
• You should consult with your own tax and financial advisors before making such a gift.

To make an IRA rollover gift to Stanford:

• Contact your IRA administrator and request a direct distribution from your IRA to Stanford in any amount up to $100,000 or, if you have IRA checkwriting privileges, make a check payable to “Stanford University.”
• Checks should be sent by you or your administrator to: Stanford University, Gift Processing, 326 Galvez Street, Stanford, CA 94305-6105
• Stanford University’s federal tax identification number is 94-1156365.

For more information about gift planning at Stanford, please visit our Web site at http://rememberstanford.stanford.edu or contact the Office of Planned Giving:
Toll-free: 800.227.8977, ext. 54358 (USA)
International: 001.650.725.4358
Fax: 650.723.6570
E-mail: rememberstanford@stanford.edu