3 Ways to Provide a Secure Future for Your Grandchildren

It’s a special privilege to help grandchildren achieve their dreams, and there are many sound financial management tools to help you do just that—some of which also help you achieve your charitable goals. Please review these three options and find the one that’s right for your situation.

1. Charitable lead trust. The income from the trust you create and fund with cash, property or other assets is paid to Creighton University for a stated number of years. At the end of that period, the assets can be distributed to your grandchildren or other individuals you choose. This strategy will reduce gift and estate tax costs.

2. Charitable remainder trust created through your estate plan. Upon your passing, this trust is funded with assets you specified in your estate plan. It can provide your grandchildren with income for life or a fixed term of years. After that, the assets remaining in the trust will provide unrestricted support to Creighton. Alternatively, you may specify that your gift create a perpetual scholarship endowment or support a specific school, area of research or program.

3. Annual exclusion gift. If you want to help them now, you can give up to $13,000 to each of your children or grandchildren once a year, gift tax–free. This reduces the size of your future estate, allowing a smaller federal tax bill.

For more tax-smart ways to give to the people and organizations you love, look inside to learn about the effects of the 2010 tax law changes and how thoughtful planning can help.

Teach Grandkids How to Manage Their Own Futures

Your wisdom can be just as valuable as your financial assistance. Your life lessons can teach your grandkids how to avoid financial pitfalls and positively impact their world. Here are some ways to offer guidance:

- Emphasize the importance of saving.
- Teach them good budgeting and spending habits.
- Involve them in your philanthropy.
Prepare for Tax Law Changes in 2010
They May Affect How You Plan Your Estate

Estate taxes. Now you see them, now you don't. Are you and your heirs ready for the implications of the disappearing act coming in 2010?

The first $3.5 million of an individual's estate will be exempt from federal estate tax if he or she dies in 2009. However, unless Congress intervenes soon, estate taxes will be repealed in 2010. The trouble is, the very next year they are back at historically high levels! As it now stands, for those who die in 2011, estates greater than $1 million will be subject to estate taxes up to 55 percent.

The Generation-Skipping Transfer Tax
In 2009, gifts above $3.5 million made to someone more than one generation below you are subject to generation-skipping transfer taxes at a rate of 45 percent, and these taxes are in addition to estate taxes. Like the estate tax, in 2010 this tax will also be repealed; however, it will reappear in 2011 at less favorable levels.

The elimination of estate taxes and generation-skipping taxes for one year may mean your heirs will receive more if they inherit in 2010. Another law change that will occur only for the year 2010, however, results in heirs facing a different tax on their inheritance—a capital gains tax.

The Taxes on Your Family’s Inheritance
In 2009, an heir's cost basis for most assets is generally equal to the asset's value as of the deceased's date of death. For example, if you passed away and left your son a building that you purchased for $100,000 in 1965 that is now worth $300,000, his cost basis would be $300,000, not the $100,000 you originally paid for it. This allows your son to sell it at the fair market value of $300,000 without having to pay any capital gains tax.

But in 2010, if you died and left the building to your son, his cost basis would be only $100,000. So if he sold it at its current value of $300,000, he'd have $200,000 of long-term capital gain taxed at a maximum rate of 15 percent. That adds up to $30,000 in taxes. Plus, he would need evidence of your cost basis.

An exception in the law allows your heirs to inherit assets at their current value in 2010 for up to $1.3 million in assets, plus an additional $3 million for assets passing to your surviving spouse. If your estate falls under these thresholds, you won't have to worry about their taxes. But if it doesn't, look out.

Take Action Now
Revise your estate plan now so it fulfills your current circumstances and wishes. Your estate planning attorney may suggest asset transfers prior to 2010—or options, such as charitable remainder trusts, that allow you to diversify your assets, defer taxes and meet your charitable goals. Contact us to learn more about tax-wise ways to provide support.
**A Charitable Solution**  
*For Avoiding Capital Gains Tax on Your Appreciated Property*

If you are looking to sell your stock, mutual fund shares or other property that has increased in value since you bought it, beware of the tax you likely will owe on the capital gain.

**What You Can Do**  
If you donate appreciated property that you have owned longer than one year to a qualified charity, such as Creighton, you will not be taxed on the capital gains. We can sell the property tax-free. In addition, you receive a charitable deduction on your income taxes for the full fair market value of the asset, and you can use this deduction against up to 30 percent of your adjusted gross income, when you itemize on your tax return.

**Consider Your Options**  
The way you make your donation can affect your total tax savings. This example assumes a 35 percent federal tax bracket.

<table>
<thead>
<tr>
<th></th>
<th>Give $10,000 Cash to Us</th>
<th>Sell $10,000 in Appreciated Property And Give Cash to Us</th>
<th>Give $10,000 In Appreciated Property Directly to Us</th>
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<tbody>
<tr>
<td>Fair market value of gift</td>
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<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Cost basis</td>
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<td>$2,000</td>
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<tr>
<td>Capital gain</td>
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<tr>
<td>Federal capital gains tax ($8,000 x 15%)</td>
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<td>$1,200 due to IRS</td>
<td>$1,200 avoided</td>
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<tr>
<td>Income tax savings ($10,000 x 35%)</td>
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<td>$3,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>Total tax savings</td>
<td>$3,500</td>
<td>$2,300</td>
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<tr>
<td>Net cost of gift</td>
<td>$6,500</td>
<td>$7,700</td>
<td>$5,300</td>
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</tbody>
</table>

Remember Creighton in your estate plans.
‘Tis the Season to Act Generously
But the Clock Is Ticking...

As year’s end approaches, it is a good time to reflect on how we can help others. Many people review their finances and make meaningful gifts to charitable organizations and are awarded tax benefits.

Timing Is Everything
Accomplish the following by Dec. 31 to ensure that your gift is eligible for a 2009 charitable deduction:

Cash
Mail your check so it is postmarked by Dec. 31.

Stock
Complete the entire transfer of securities to us electronically. Visit giftplanning.creighton.edu for further instructions. If mailing stock certificates, please ensure that your stock power is signed and bears a signature guarantee. Mail certificates and stock powers separately, postmarked by Dec. 31, to ensure safety. Or you may deliver these documents directly to our offices at 1624 Webster, Omaha, Neb.

Real estate
Deliver the executed deed.

Tangible personal property
Deliver the donated property.

If you are interested in making a year-end gift and have any questions, simply give us a call at (402) 280-1143 or (800) 334-8794, Ext. 1143.

Action List
Planning Measures You Can Take Today

Visit giftplanning.creighton.edu to discover other gift planning methods that benefit you, your family and Creighton University’s mission.

Schedule an appointment with your estate planning attorney to make sure your estate plans are prepared for the 2010 tax law changes.

Return the reply card to receive The Top 7 Questions to Ask Your Estate Planning Attorney.

For more information, please call or write:
Steven A. Scholer
Executive Director of Estate and Trust Services
Robert J. Skrydlak
Senior Director of Estate and Trust Services
Office of Estate and Trust Services
2500 California Plaza ■ Omaha, NE 68178
Telephone: (402) 280-1143 ■ (800) 334-8794
http://giftplanning.creighton.edu

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