

California Institute of Technology
Office of Gift Planning

Guide to Gift Planning





From the Director



Caltech is fortunate to receive generous support from alumni and friends who partner with us in scientific discovery. It is possible to extend your support of the Institute and achieve financial and estate goals through gift planning. “What is gift planning?” you may ask. In the pages that follow is an introduction to some of the most popular gift planning vehicles, along with inspiring

examples of what others have chosen to do for Caltech, for themselves, and for their loved ones.

You may be surprised at how gift planning can generate even greater support for programs you care about than you originally thought. Planned gifts to Caltech have endowed scholarships, fellowships, and professorships, and have helped sustain research and education.

The Office of Gift Planning is here to help you achieve your philanthropic intentions with regard to Caltech, in concert with your financial advisor’s recommendations for wise tax, estate, and financial planning. Working together, we can ensure that your gift not only accomplishes your personal financial goals, but also creates a lasting legacy that supports Caltech in the ways you have intended.

Best regards,
Jim Ehlers
Senior Director
Office of Gift Planning

The Torchbearers of Caltech

Membership in the Torchbearers of Caltech is extended to individuals who have provided for Caltech in their wills or living trusts, designated the Institute as a beneficiary of a life insurance policy or retirement plan, or completed a deferred gift for the benefit of Caltech. Each member invests in the future of the Institute and the world, and shares a desire to ensure that their support continues beyond their lifetimes.

We thank the Torchbearers for their thoughtful and visionary support.

Gift Planning Solutions

From the Simple to the Complex

We often hear from loyal friends and alumni who would like to make a gift but are concerned about the effects an immediate gift would have on their financial security or the future needs of their spouses, children, and grandchildren. We also hear from donors who would like to support Caltech and are seeking advice on sophisticated, tax-advantaged ways to do so.

Do You...

- wish you could give more but are concerned about your future security?
- wish you could give more but are still saving for retirement?
- need an income tax deduction but aren't sure how best to go about it?
- want to make a gift but want to help your family, too?

Our office is staffed with experienced gift planners who can help you and your financial advisors structure the right gift to meet your goals...from the simple to the complex.



Philanthropic and Practical

Gifts of Highly Appreciated Assets

The IRS gives donors who contribute appreciated property, such as securities and real estate, two tax breaks: a charitable deduction and the avoidance of capital gains taxes on the transfer to Caltech. Similar benefits also apply to gifts of personal property such as artwork, antiques, and other items that help the Institute advance its mission.

You can thus leverage the impact of your donation to a greater degree than you could with cash—and receive a tax benefit—when you buy low and give high. You make a gift that costs you less than the benefit it delivers.

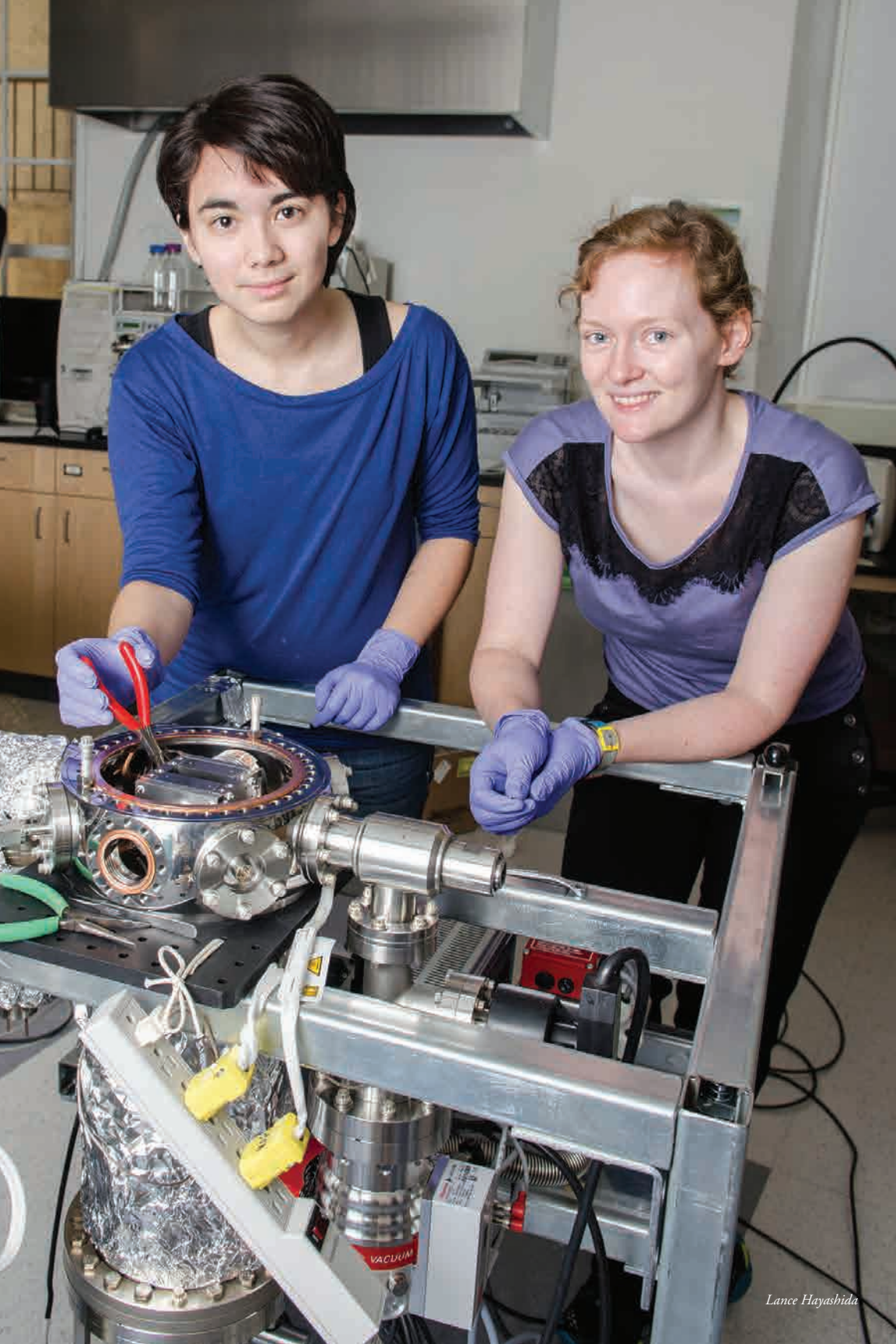
A number of generous Caltech supporters have funded life-income gifts with real and personal property. In many cases, they were able to give more than they could with cash, avoided immediate capital gains taxes, and are generating retirement income for themselves or providing for loved ones.



Steven and Mie Frautschi's relationship with Caltech has been linked with their love of music. A member of Caltech's faculty since 1962, Steve has promoted cultural and performing arts at the Institute and encouraged students to involve themselves in music, seeing this as important

to young people's development. This enthusiasm gave Steve and Mie an idea. "It's not just the wealthiest that make planned gifts to Caltech," Steve says. The couple owned a vacation home that the family used less and less over the years. Steve and Mie established a charitable remainder trust funded with this property, which will provide a stream of income during their lives, and, best of all, enhance the arts for Caltech students. Their trust will one day fund the Steve and Mie Frautschi Band/Orchestra Rehearsal room and realize their dream of providing a new space where Caltech students can enjoy music.





Lance Hayashida

Smart and Logical

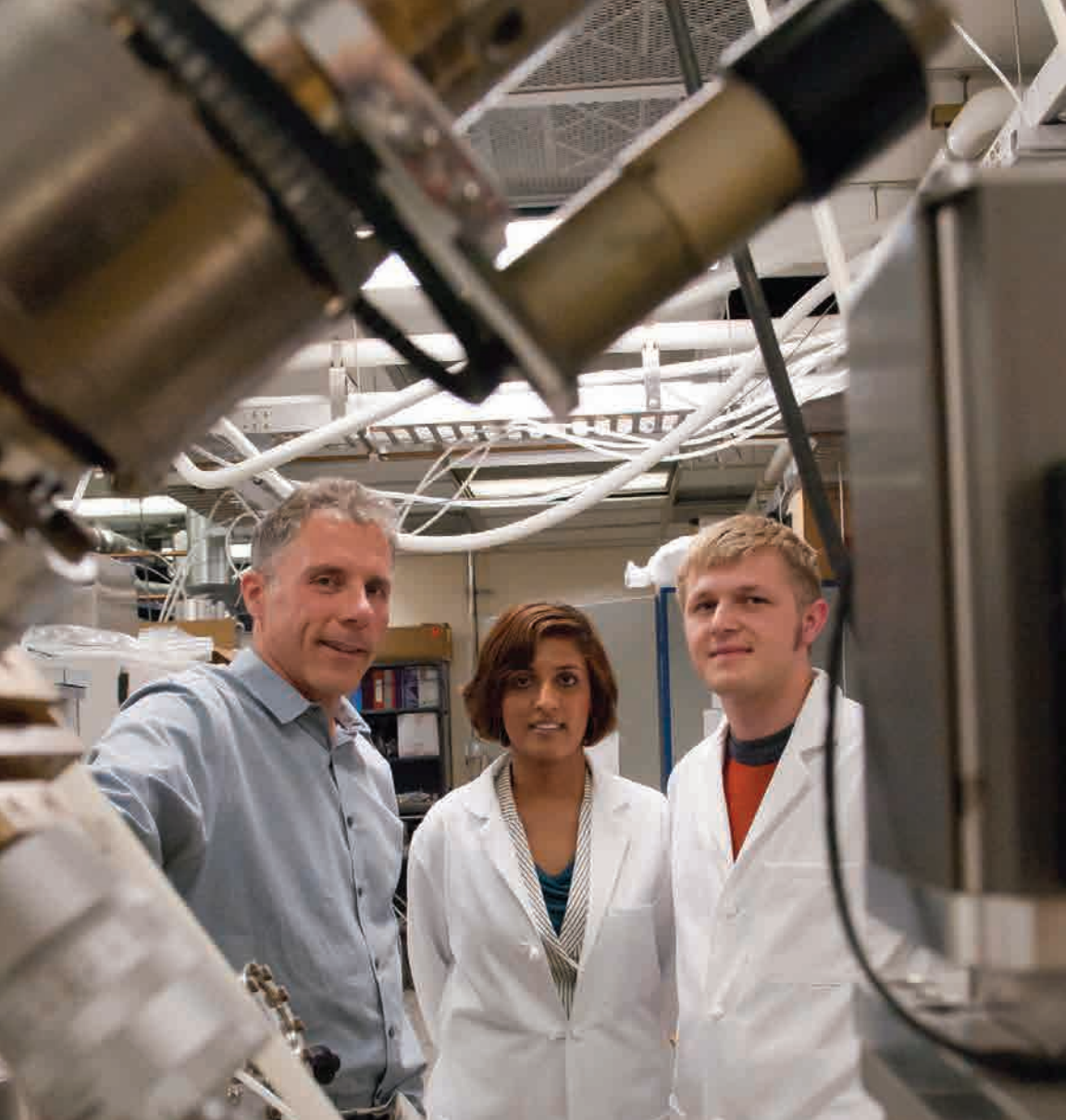
Gifts that Pay You Income

Did you know you can make a gift to Caltech that returns income to you? The IRS allows and encourages these creative plans that can stretch your giving ability. Donors who support Caltech through life-income gifts such as charitable gift annuities and charitable remainder unitrusts have found them to be “smart and logical” because these “Gifts that Pay You Income” help you make a substantial gift to the Institute while providing you an income! And if you fund the gift with highly appreciated assets such as stock or real estate, you avoid paying immediate capital gains taxes, receive an income tax deduction, and potentially generate more income for you and your loved ones.

These plans have one substantial advantage over investment vehicles you have read about elsewhere: they produce generous gifts to Caltech. So, while you receive income for life or over a set period of time, you can provide for yourself and Caltech today.



When it comes to most matters, including how to invest and what institutions to support, Jerry Werner (BS '47) says that he relies on logic. In 1998, Jerry established a charitable gift annuity (CGA) with Caltech, the first in a series of gifts—known as laddered CGAs—that he has created with the Institute. The strategy of laddering CGAs allows donors to diversify their payout rates by investing funds over time. Jerry has pledged to establish an undergraduate scholarship fund through the CGAs that will benefit Caltech students in perpetuity. “That’s the way to help people,” Jerry says. “The place where I got my college education seemed like the best place to give back to. Caltech has a tremendous reputation in the world. And that education is a person’s best investment. It seemed like the logical thing to do.”



Sensible and Significant

Gifts from Qualified Retirement Plans

One of the largest assets in your estate may be your **retirement plan**, such as a 401(k), IRA, or Keogh. You may be surprised to learn that the IRS will impose income tax on the beneficiary receiving the balance in the account, since these assets were invested pre-tax. If the beneficiary is a surviving spouse, it may be possible to defer the start of payments and the resulting income tax, but ultimately all of the distributions from the retirement plan, whenever they occur and to whomever they are paid, are taxable to the person receiving them.

This tax is in *addition* to the estate tax that may be imposed on the account. For estates fully subject to the estate tax, the result can be that up to *64 percent* of the value of your retirement plan will be consumed in taxes before your child, relative, or friend receives it.

There is a sensible charitable alternative. You may choose to name the Institute as the beneficiary of your retirement plan, then use other assets not subject to income tax to make gifts to your heirs. Caltech, as a qualified 501 (c)(3) organization, won't pay income tax on the distribution, and your heirs will receive their share of your estate without the burden of extra taxes.



With the approval of the Mathematical Association of America, Robert (Bob) Balles established the Robert P. Balles Mathematical Olympiad Prize in 2005 to honor U.S. participants in the annual International Mathematical Olympiad (IMO), one of the world's most difficult math exams. Bob says he is proud of the fact that all of his award recipients are considered for admission to top-ranking univer-

sities, including Caltech—whose outstanding reputation he has long admired. It was the Institute's reputation that motivated Bob to fund the Robert P. Balles Caltech Mathematics Scholars Award with annual IRA distributions. He has also named Caltech the beneficiary of his IRA, which will be used to establish the Robert P. Balles Endowed Scholarship Fund at Caltech. "This is a wonderful opportunity to recognize and reward high-achieving students of mathematics," Bob says.

Popular and Possible

Gifts Anyone Can Make

The most popular planned gifts are the ones we call “Gifts Anyone Can Make.” These are gifts to Caltech that don’t affect your current cash flow, lifestyle, or your family’s security. You can make these gifts by designating Caltech to receive these assets in the future, or by making immediate gifts with assets that are “out of sight and out of mind.” Using assets to make your gift after they’ve fulfilled their purpose makes it possible to give more than you may have thought possible. Such gifts can be made in the form of a bequest or a retained life estate.



Ask Jain-Ming “James” (MS ’59, PhD ’65) and Ying-Chu Lin “Susan” Wu (PhD ’63) what makes a university great, and they’ll tell you: “An institution is great only if it has excellent professors.” To honor such professors, the Wus established a retained life estate (RLE)—combined with an additional pledge—that will support the Graduate

Aerospace Laboratories at Caltech (GALCIT). Under this arrangement, the couple gifted their Pasadena condominium to Caltech—although they will live in it for the rest of their lives—and received an immediate income-tax deduction. One day their RLE will fund the Drs. Ying-Chu Lin (Susan) and Jain-Ming (James) Wu GALCIT Endowed Fund and support GALCIT’s priority initiatives. Not wanting “to waste time in waiting for our gift to mature,” the Wus made a pledge of outright funds to support a lecture series recognizing professors who’d influenced them. Susan says, “It is from the bottom of our hearts that we want to honor our professors, just to say thank you.”



Ways of Giving

<p>If Your Goal Is:</p>	<p>Make the simplest donation</p>	<p>Provide generous support to Caltech and avoid immediate capital gains taxes</p>	<p>Leverage one of the most valuable assets in your portfolio to support Caltech</p>	<p>Utilize an overlooked asset to provide substantial support to Caltech</p>
<p>Your Best Option Is:</p>	<p>Cash or credit card</p>	<p>Appreciated stock, bonds, or mutual funds held longer than one year</p>	<p>Real estate</p>	<p>Life insurance policy you no longer need</p>
<p>How It Works:</p>	<p>Write a check or give on-line</p>	<p>Contribute appreciated securities</p>	<p>Give appreciated real estate outright or to fund a life income gift</p>	<p>Donate a paid-up policy you no longer need or take out a new policy</p>
<p>Your Benefits Will Be:</p>	<p>Claim your deduction against your adjusted gross income and make an immediate impact at Caltech by supporting students or research</p>	<p>Buy low and give high – “tax-wise” support that costs you less than the benefit it delivers</p>	<p>Avoid capital gains taxes, receive an income tax deduction, and remove a large asset from your taxable estate</p>	<p>Increase your ability to support Caltech without affecting your lifestyle</p>

<p>Support students and research without affecting your cash flow or portfolio now</p>	<p>Avoid double taxation on IRAs or other retirement plans</p>	<p>Receive guaranteed lifetime income, reduce capital gains taxes, and supplement retirement income</p>	<p>Reduce high tax liability now, and secure additional retirement income later</p>	<p>Diversify portfolio, gain income for life or a term of years, minimize capital gains taxes on transfer of stock or real estate</p>	<p>Preserve lifetime use of your home, vacation property, or farm and receive a current income tax deduction</p>
<p>Bequest in will or living trust</p>	<p>Retirement plan naming Caltech as a full, partial, or secondary beneficiary, and leave other assets to family</p>	<p>Charitable gift annuity</p>	<p>Deferred payment gift annuity</p>	<p>Charitable remainder trust</p>	<p>Retained life estate</p>
<p>Name Caltech in your will or living trust by designating a specific amount or a share of the residue</p>	<p>Name Caltech as a beneficiary of your IRA or other retirement plan</p>	<p>Simple gift contract that provides lifetime payments to one or two persons</p>	<p>Simple gift contract that provides lifetime payments to one or two persons at a future date</p>	<p>Trust that pays income for life or a term of years to the donor and/or others</p>	<p>Give real estate, but retain the right to use and enjoy it for life</p>
<p>Retain control of your assets during your lifetime and receive an estate tax deduction</p>	<p>Eliminate income and estate taxes on retirement plan assets and free up other property to pass to your heirs</p>	<p>Receive an income tax deduction and fixed payments for life (with payments partly tax-free)</p>	<p>Obtain a larger deduction and higher payout rate compared to other life-income gifts</p>	<p>Receive current income tax deduction, avoid immediate capital gains taxes, diversify highly appreciated assets to produce income</p>	<p>Retain control of your home, vacation property, or farm during your lifetime; receive income tax deduction; avoid estate taxes</p>

breakthrough

THE CALTECH CAMPAIGN

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