



## Bequests

You may make a gift of cash, securities, real estate, or other assets by providing in your will for a bequest to the International House of Chicago. Your gift may be a specific bequest of a designated sum or asset, or it may be a percentage of your residuary estate.

The value of your bequest to International House is fully deductible for estate tax purposes. You may also establish an income-producing planned gift for the benefit of others through your will, thereby reducing your taxable estate. A bequest, whether outright or to fund a planned gift, can be a useful and advantageous addition to your estate plan.

If you have provided for International House in your estate plans but have not previously notified the International House of your intentions, please contact Heather McClean in the [Office of Gift Planning](#) at (773) 834-2117 or [hmclean@development.uchicago.edu](mailto:hmclean@development.uchicago.edu).

## Charitable Gift Annuities

### Immediate Payment

You can transfer cash or securities to the International House of Chicago in return for an annuity that pays a fixed income for life to you and/or your spouse or other designated beneficiaries. An annuity requires a gift of \$10,000 or more, and is backed by the full faith and credit of the University. The amount of your charitable deduction depends on the ages of the income beneficiaries, the annuity rate, and the value of the gift. Part of each annuity payment will be taxed at ordinary income rates, part at the applicable capital gains rate if appreciated property is used, and part may be tax-free.

### Deferred Payment Charitable Gift Annuities

You may wish to defer receiving income from your annuity for a specified term of years. An effective retirement planning tool, the deferred payment charitable gift annuity entitles you to an immediate charitable deduction at a time when your income tax bracket is likely to be higher than in retirement. You may postpone receiving income until you retire, when your income tax bracket may be lower. The donor or the income beneficiary may determine the age at which income payments begin. Part of each annuity payment will be taxed as ordinary income, part may be taxed as capital gains, and part may be tax-free.

## Charitable Lead Trusts

A charitable lead trust allows a donor to make a significant gift to International House, minimize his taxable estate, and pass assets on to non-charitable beneficiaries, such as children. A charitable lead trust works by first using the assets contributed to the trust to make annual annuity payments to the International House for a term of years (usually 10 to 20). At the end of the term, the assets remaining in the trust pass to the non-charitable beneficiaries, without passing through the donor's estate.

Charitable lead trusts are fairly complex vehicles with many variables to consider. It is recommended that an attorney be consulted in connection with any charitable lead trust proposal. However, with proper thought and preparation, a charitable lead trust can be an excellent way for a donor to reach personal charitable and tax planning goals.

## Charitable Remainder Trusts

### Unitrust

A charitable remainder unitrust is similar to an annuity trust but is more flexible and offers potentially higher income possibilities. Unlike the fixed payments from an annuity trust, the annual income from a unitrust is a fixed percentage of the fair market value of the trust assets as revalued each year. Furthermore, additional contributions may be made to a unitrust at any time. If you are considering a gift of real estate, a unitrust may be an effective way to generate your flow of income from the property.

A unitrust can be an excellent hedge against inflation. Because the income payments to you are tied to the changing value of the trust assets, your payments will fluctuate. As the value of the trust assets grows over the years, your income payments will increase. However, if the value of the trust assets declines, your income payments will decrease. To establish a unitrust, a gift of \$50,000 or more is required.

### Annuity Trust

An annuity trust can be established by transferring cash or securities in trust to the International House. If you select the University, as trustee, it manages the trust for you and/or other designated income beneficiaries. The trust provides you with an annual fixed income amount that is at least 5 percent of the initial fair market value of the trust assets. These fixed payments continue for your life and the lives of any other beneficiaries. Any income earned by the trust that exceeds the annuity amount is added to the trust principal. If trust earnings are insufficient to meet the annuity amount, principal is used to make up the deficit.

An annuity trust entitles you to a current-tax-year charitable deduction. In addition, you avoid having to pay capital gains tax on the appreciation in the year of the gift, and can instead

spread this liability over a period of years. In addition, the gift may result in increased annual income to the beneficiaries. Upon the death of the last surviving income beneficiary, the assets in the trust pass to International House.

A gift of \$50,000 or more can be used to fund an annuity trust. No additional contributions can be made to this type of trust.

### **Term Trusts: Income for a Specified Term of Years**

You can use a charitable remainder term trust to provide income for yourself or designated beneficiaries for a specified term not exceeding 20 years. Such trusts can be particularly useful in funding the cost of college and graduate school education for your children or grandchildren. Income from the trust is paid to the children and is taxed at their rates; the children then use the income to pay their educational expenses.

A term trust may take the form of an annuity trust (fixed payment) or a unitrust (fixed percentage of the trust's annual fair market value), with the same advantages as a life-income trust. If you use appreciated property to fund the trust, you avoid capital gains tax liability on the transaction, the beneficiary's income may be taxed at ordinary and capital gains rates, and some income may be tax-free. As a donor, you receive a charitable deduction based on the value of the property given, the payout rate, and the term of years. Recipients of the income may be anyone designated by the donor.

## **Real Estate**

A gift of real estate to International House is a unique way to provide lasting benefit to International House and to provide a convenient way for you to enjoy a charitable deduction based on the current fair market value of your property and to reduce the size and complexity of your estate. Because a gift of real estate will usually be sold as soon as practicable after it is gifted, the real estate must be free of debt and must be readily marketable. An added benefit is that in most cases, all aspects of its sale are handled by the University.

Not only can real estate be used to make outright gifts, it can also be used to make future gifts to International House. For example, should you wish to give a remainder interest in a piece of real estate now, but still desire to live in or continue to vacation in the property for the rest of your life, you may do so. On the other hand, if you have a need for current income, you may wish to use a piece of real estate which you no longer wish to use to fund a trust which will provide valuable financial support to you and your family for years to come.

## Gifts of Retirement Plan Assets

Designating International House as beneficiary of an IRA, 401(k), 403(b), or other tax-deferred retirement plan is an excellent way to give. Unlike other property, retirement assets are subject to income and estate taxes at death. The combined tax "bite" can be as much as 80%. By designating International House as a direct beneficiary of these plans, the donated assets will pass income and estate tax-free. This will leave a larger balance of the estate for the donor's other intentions.

In addition, gifts of retirement plan assets qualify the donor for inclusion in the Phoenix Society. Depending on the donor's age, campaign credit may also be available for a portion of the value of the retirement plan gift.

For more information on planned gifts or to let us know you have provided for the International House in your estate plans, please contact Heather McClean at 773.834.2117 or

[hmclean@development.uchicago.edu](mailto:hmclean@development.uchicago.edu).

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The information on this website is not intended as legal advice and should not be relied upon as legal advice. Individual state laws may have an impact on the availability of certain types of gifts. In considering any planned gift, we encourage you to consult your own tax or legal advisor to ensure that your gift plan meets your specific needs.