



From Generation to Generation

If Donald A. Millette (B.A. '37, M.A. '42) could return to DePaul University today, he would undoubtedly be swept away by the expansion that has taken place since he graduated more than 50 years ago. He would also be thrilled to see that the School of Education is now its own freestanding college within the university system. And he would be happy to learn that DePaul is still the dominant provider of quality education to first generation college students. Donald came from a family of five children, and he was the only one to earn a college degree. His DePaul education and the values he learned here gave him the tools he needed to teach math and nurture high school students for nearly 50 years. Even after he retired, Donald took a part-time position teaching math to students in a school in Las Vegas, after moving there with his wife and son in 1978.

Interestingly enough, Don Jr. is the only one among his siblings to obtain a college degree and, like his father, he is an accomplished math teacher. To honor his father's memory, Don Jr. has included the School of Education in his living trust, and his future gift will be used to establish the Donald A. Millette Endowed Scholarship Fund. In his own words, "Dad talked

about DePaul and those beautiful baccalaureate Masses all the time, and he would have wanted us to use our accumulated wealth to benefit college students." In addition, Don says he "wants people to know that this is one way for an adult child to give back to a parent." The advantage of planning through a living

trust is that it allows Don to preserve future assets for his living relatives, while also making charitable bequests to three different charities that were important to his father.

Some of us may wonder how Don Jr. was able to retire at age 49, and also ensure the

future of college students through his deferred gifts. Not surprisingly, his father taught him how to invest wisely and, more importantly, that we should use our gifts to help others. Don Sr. felt strongly about educating young people and, as a high school math teacher, his son shares that belief. So, this planned gift is an ideal way for Don Jr. to follow in his father's footsteps and leave a legacy at DePaul University. The Donald A. Millette Endowed Scholarship Fund will make it possible for future undergraduate education majors to pursue their dreams well beyond DePaul's classrooms, investing their time and talent in classrooms across the country.



Don and Margaret Millette with Camille Licklider, Director of Planned Giving

Providing a Legacy . . . From Your IRA

Suppose you owned an asset upon which was fastened a warning label:

“70% tax due upon death.” Shocking? Not if the asset is your IRA or other retirement account. A combination of state and federal “death taxes” and income taxes can virtually confiscate your savings, leaving little remaining for your heirs.

Federal Estate Tax. The full, date-of-death value of retirement savings is subject to federal estate tax at rates as high as 49%.

State and Federal Income Taxes. Both federal income tax and state income tax (depending on the place of residence of your heirs) will be due on death benefits from an IRA or other plan – costing as much as 40% or more.

Generation-Skipping Transfer Tax. This tax can be 49% when retirement savings pass to a grandchild or other “skip” person (above a \$1,120,000 exemption amount).

Note: Many of these taxes can be postponed when retirement assets pass to a surviving spouse who then establishes a “rollover IRA.” But an expensive visit from the tax collector lies ahead, for married and unmarried people alike, when death benefits from retirement savings pass to other relatives.

How to Make a Gift

It’s simple to pass an IRA or other retirement account to DePaul. Just instruct the custodian of your account to name the University as death beneficiary. (If you have a spouse, his or her written consent may be required.)

At the very least, consider the University as the contingent beneficiary of retirement plan death benefits and give your heirs the right to “disclaim” (decline) any death benefits. We encourage you to contact our office if any of these ideas are of interest to you. Please call us at (312) 362-8268.

What Are Your Options?

- If you will turn 70½ in 2003, you’ll have to begin required minimum IRA distributions by April 1, 2004. Check with a financial adviser about your beneficiary designation options and guidance on how to make the most of qualified retirement plans.
- Leave retirement plan savings to family members – who might keep as little as 30 cents on the dollar.
- Leave the retirement account to DePaul University – and preserve most or all of the funds free from tax. Many donors would have no trouble choosing the second alternative . . . especially if they were assured that family members were left financially secure.

Retirement Distributions Need Careful Planning

The tax laws require owners of retirement accounts to begin receiving payments no later than the year after they turn 70½ years old. These distributions must be at certain minimum levels or else the taxpayer will be subject to a 50% penalty tax on any underpayment. Distributions taken before the taxpayer reaches age 59½ are subject to an additional 10% penalty tax.

Many retirees try to keep distributions as low as possible in order to maximize tax-deferred growth of their savings. Minimum distributions are based on a simple table that applies to both single and married people (unless you are more than 10 years older than your spouse).

Note: You can take retirement funds out before age 59½, without the 10% penalty, if withdrawals are made in roughly equal payments, calculated over your life expectancy (or over your life expectancy and that of another person). Payments must continue for at least five years or until you reach age 59½, whichever takes longer.

Hidden Sources of Retirement Income

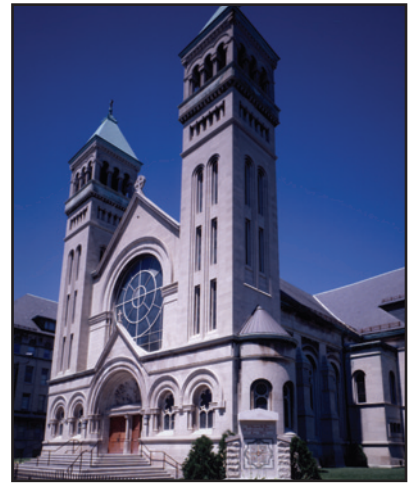
There are several ways to augment retirement income that may not have occurred to you.

- Charitable gift annuities with DePaul can be a tax-wise way to convert CDs, securities or U.S. savings bonds into a fixed income for life. Your income may be favorably taxed, and an important gift to DePaul will result – as well as a charitable deduction for you.
- Life insurance can often be converted into retirement income as a paid-up annuity.
- Post-retirement employment won't reduce your Social Security benefits if you are 65 or older.

Become Bolder with Investments

Some retirees put savings into the most conservative investments they can find (certificates of deposits, government bonds and the like) and then simply hope inflation doesn't come 'round their door.

A better plan may be to invest for some growth, while guarding safety of principal. Your investments in the



*St. Vincent de Paul
Parish in Lincoln Park*

market should focus on stocks and mutual funds with relatively low risk: blue chip common stocks, preferred stocks, balanced funds and equity-income funds. Retirees in high income tax brackets might consider municipal bond funds as part of their investment mix.

Increase Your Income with a Gift

An important contribution to DePaul can be particularly attractive in retirement, providing tax savings as well as great personal satisfaction to you. A charitable remainder trust established after you retire can result in significant income and estate tax savings, while providing income for you or others.

The Bride Wore Bifocals

Older brides and grooms may not worry about selecting a china pattern, but they do have other concerns, such as children and grandchildren. Several estate planning options are available:

Trusts – A qualified terminable interest property (QTIP) trust will pay all income to the spouse for life and qualifies for the unlimited marital deduction. At death, the assets can pass to children.

Premarital agreements – A family business, or other assets, remain separate assets, passing to children at death.

Insurance – The value of assets left to a new spouse can be replaced by establishing a special insurance trust that avoids estate tax at death.

Retirement plans – Under federal law, certain qualified retirement plans pass automatically to a surviving spouse unless the spouse waives the right to joint and survivor treatment.

Wills – All states have minimum amounts to which a surviving spouse is entitled, regardless of what a will provides.

Golden Opportunities for Retirees

Making the most of one's retirement years requires careful planning, and the ability to take advantage of opportunities that present themselves.

DePaul University has a new booklet, **Golden Opportunities**, that will be of great benefit to people who are retired or who expect to retire shortly. It illustrates ideas for maintaining, even

improving, your financial security, and for dealing with personal and estate planning concerns that arise as one grows older.

Wise planning can permit retired people to enjoy all that life has to offer and then to pass on to future generations both their resources and life values. Our article about Don Millette on page one of this newsletter is a

perfect example of this theory. We have ideas for gifts that can actually increase your retirement income – paired with the satisfaction of tax savings and significant future assistance for DePaul University. You can receive your personal copy of **Golden Opportunities** simply by returning the enclosed card. We look forward to hearing from you!



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