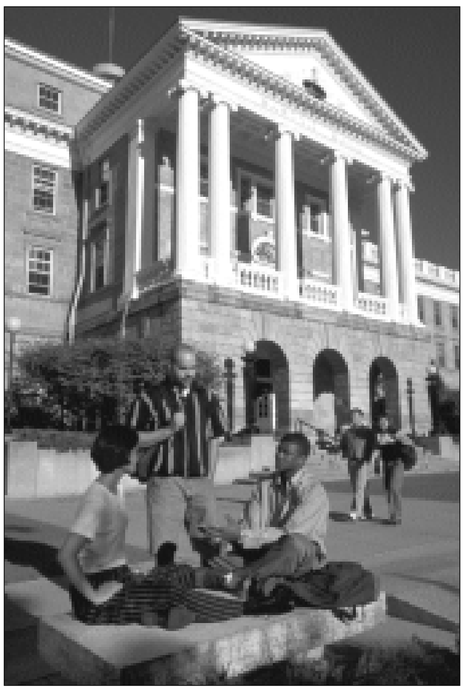
Wisconsin DIVIDENDS

UNIVERSITY OF WISCONSIN FOUNDATION SPRING, 2003

Is It Time to Take Your Will In for a Checkup?

If you have executed a will, congratulations! You are among a minority of Americans who have taken advantage of the opportunity to express your wishes about the ultimate distribution of your assets.

Drafting your will is the first and most important step in addressing the interests of the persons and organizations important to you. However, life is not static, and it is vitally important to update your will regularly to be sure it continues to reflect your current wishes. Changes in family circumstances, shifts in your personal financial fortunes, fluctuations in market conditions, new and modified tax laws–any of these factors can be good cause to reexamine your will to ensure it still meets your personal, family and charitable goals.



Students congregate in front of Bascom Hall on a beautiful day.

Most of us have been affected by at least two significant developments since the turn of the millennium. First, the longest bull market in history finally ran out of steam in the early part of this decade and has yet to reestablish upward momentum. If you own securities in any manner, directly through individual issues, through shares in mutual funds or through your participation in a retirement plan, you probably have experienced major changes in the value of your investments.

Tax-law changes may have rendered your current will obsolete.

In addition, the 2001 tax reform act brought about sweeping changes in the federal estate-tax system. Starting in 2002, estate-tax rates began to fall and estate-tax credits rose significantly. Both of these trends will continue until 2010 when the tax is scheduled to disappear completely. However, "sunset" provisions could bring the tax back to pre-tax reform levels in 2011 unless Congress takes steps to extend the changes or to make them permanent.

All of us know the importance of seeing our doctors on a regular basis to monitor the state of our physical health and to head off potential problems. Now is an excellent time to take your will in for a "checkup" to be sure it is still functioning effectively as part of your overall estate plan.

Rebalancing Your Bequests: Are Your Beneficiaries Still Getting What You Intended?

Assets can pass to beneficiaries in a variety of ways. In addition to provisions in your will, you can pass assets by way of joint ownership or through beneficiary provisions in an insurance policy, trust or retirement plan, just to name a few. It is a good idea to regularly analyze all of these methods to be sure they are working together to effect your intentions.

It is especially important to do this when there have been significant changes in the value of some or all of your assets. Changes such as those brought about by the recent fluctuations in the stock market can cause provisions for specific beneficiaries to become out of balance.

Example: *When Ron T drafted his will several years ago, he had a clear idea of how he wanted his assets distributed. There were a few special friends Ron wanted to remember, and he wanted to make a meaningful gift to the University of Wisconsin-Madison. His main objective was for his two daughters, Pam and Barbara, to receive approximately equal shares of the majority of his estate.*

To that end, Ron left Pam some rental real estate and directed his stock portfolio to Barbara at a time when each provision was worth approximately $1,000,000. After the developments of the last several years, the real estate is now worth about $1,250,000 but the stock has dropped in value to about $750,000. After conferring with his advisors, Ron decides to make changes in his will to rebalance the provisions for his daughters so that each will receive approximately the same value.

Your beneficiaries may not get what you intend.

Ron could achieve his goal by expressing the provisions for his daughters as a percentage of his entire estate or as a percentage of the remainder of his estate after other bequests have been addressed. ***Note:*** Unless you have a particular reason why you want a certain beneficiary to receive specific assets, a percentage bequest works to keep provisions in the same relative proportion regardless of fluctuations in the size of your estate.

Taxing Decisions: Avoiding Unintended Results

One of the main considerations in allocating assets among your intended beneficiaries is the impact of the federal estate tax. Depending on how your existing will is worded, major changes under the 2001 tax reform act may have rendered your current will obsolete.

The 2001 tax reform act increased the amount of assets you can pass free of federal estate tax from $675,000 to $1,000,000 starting in 2002. At the same time, the tax act reduced the top federal estate-tax rate, initially lowering the top rate from 55 percent in 2001 to 50 percent for 2002. The exemption equivalent will increase and the top rate will decrease according to the following schedule:

Calendar Year	Exemption Equivalent	Maximum Estate-Tax Rate
2002	$1,000,000	50%
2003	$1,000,000	49%
2004	$1,500,000	48%
2005	$1,500,000	47%
2006	$2,000,000	46%
2007	$2,000,000	45%
2008	$2,000,000	45%
2009	$3,500,000	45%
2010	Tax Repealed	Tax Repealed
2011	?	?

One popular planning technique for married couples has been to divide assets in a manner that provides for the surviving spouse and succeeding generations by eliminating estate taxes at the death of the first spouse. Here's how such a plan works.

Example: *Jim R's will provides that if his wife Helen survives him, the maximum amount that can be passed free of estate tax will be placed in a trust that will eventually pass to his children. The balance of his assets is to go outright to Helen.*

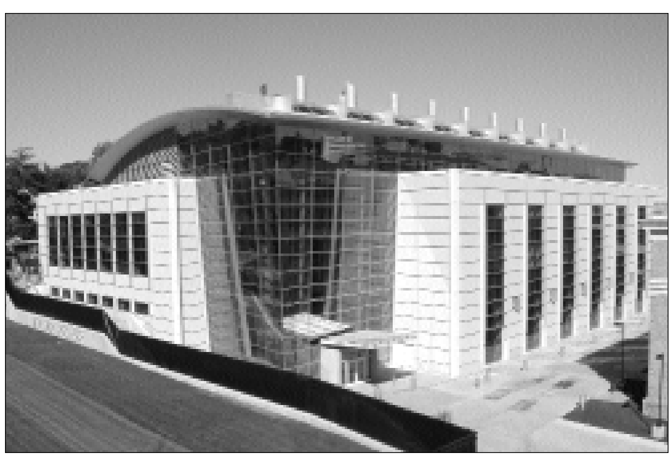
The amount in the trust is completely sheltered from estate tax due to the credit on the exemption equivalent; and the amount going to Helen outright qualifies for the unlimited marital estate-tax deduction, resulting in zero tax at Jim's death. During her lifetime, Helen will be able to get all the income from the trust and will have limited rights to invade the principal of the trust. However, the trust will not be considered part of her estate and at her death the remaining trust assets will pass to the children free of any estate tax.

This kind of plan can be very effective, but it can also contain a trap for the unwary. Suppose, for instance, that Jim's total estate was $1,500,000 and the exemption equivalent was $675,000 at the time he drafted his will. Under those circumstances, Helen would have received $825,000 outright, and $675,000 would have gone into the trust.

Springtime daffodils emerging from the snow at the UW Arboretum's Longnecker Gardens.

Now, though, with the exemption equivalent at $1,000,000, Helen would receive only $500,000 outright if Jim's assets maintain their value. If his assets dropped to $1,100,000 during recent challenging market conditions, Helen would receive just $100,000 outright, far less than Jim would want.

You will want to take a close look at the language in your own will to be sure it does not contain any similar traps. A few simple changes may prevent provisions for your beneficiaries from falling woefully short of your objectives.



Built on the site of post-WWII temporary facilities, the new Engineering Centers Building brings the Breese Terrace corner of the engineering campus into the 21st century.

Slicing Taxes Produces a Bigger Portion of Pie

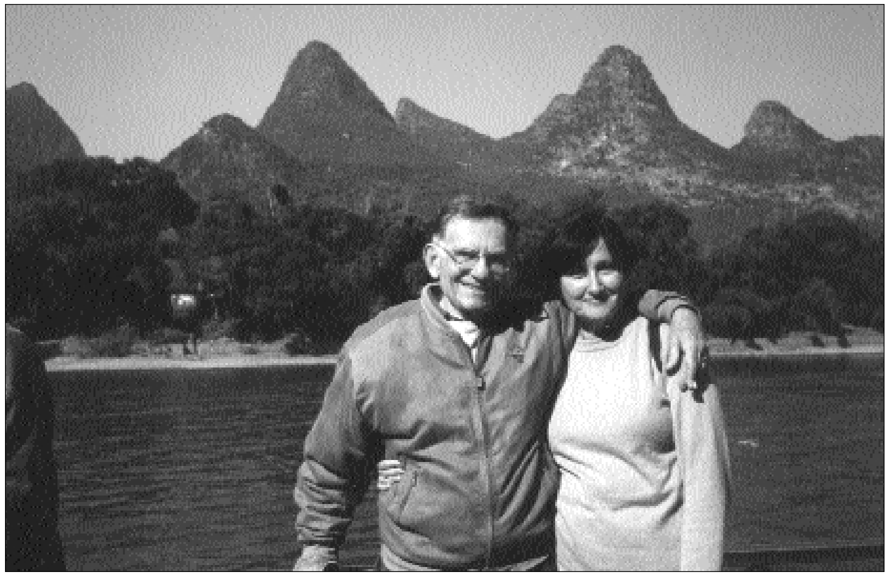
If you previously expected your estate to be subject to federal estate tax, the tax-law changes contain some very good news for you. There are now more net after-tax assets that you can use to address your planning objectives.

Charitable giving can benefit your family and the University of Wisconsin-Madison.

For example, a person with a $5,000,000 taxable estate will pay about $240,000 less federal estate tax under the current exemption equivalent and top tax rate than under the tax laws that existed prior to the 2001 tax reform act. That amount will increase in the future as the exemption equivalent continues to rise and the top rate continues to fall.

Belief in Democracy Leads to Estate Gift

Doris Weisberg learned early on the value of political awareness. While visiting her father, Samuel Feldman, at his office in Racine, Wisconsin, in the early 1950s, U.S. Sen. Joe McCarthy, who was campaigning for re-election, came to the front door. Sen. McCarthy introduced himself and said he wanted to speak to Samuel Feldman. Doris told him he absolutely could not enter the building because her family didn't like him. The senator made a quick retreat. While Doris's family was proud of her, she admits she's not quite so straightforward today.



Robert and Doris Weisberg, shown here on the Li River in China, have established, with a bequest from their estate, the Doris Feldman Weisberg and Robert Weisberg Chair in Liberal, Political Thought and the Doris and Robert Weisberg Current Issues Symposium Fund.

Having a strong belief in political activism, Doris, a 1958 UW-Madison graduate of the College of Letters and Science, and her husband, Robert, initiated The Doris Feldman Weisberg and Robert Weisberg Chair in Liberal, Political Thought. Established with a bequest from their estate, the chair will support and honor a distinguished faculty member in the department of political science.

"Bob and I both gave a lot of thought to our estate plans," she said. "Wisconsin has always been politically aware and establishing this fund is a good way for us to put our money where our passion is."

The couple has also included the Memorial Union in their estate by establishing the Doris and Robert Weisberg Current Issues Symposium Fund. Speakers will present timely, interesting topics that will benefit the teaching, research and public service at the UW-Madison.

"… establishing this fund is a good way for us to put our money where our passion is."

"While I was at the UW, I was very active at the Memorial Union," Doris said. "I was president of the Union Directorate my senior year and I'm still active as a voting member on the board of trustees.

"I learned a lot during my early affiliation with the Union. Foremost, I learned how to lead a group and the value of community service. The Union was, and still is, a very special place," said Doris.

Born and raised in Racine, Wisconsin, Doris had been accepted to two East Coast women's colleges, but her father, being a loyal Wisconsinite, persuaded her to go to the University of Wisconsin. "I have absolutely no regrets and feel that the UW-Madison was a better fit for me at that time in my life." Doris also has a

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master's degree and a Ph.D. from Columbia University.

Robert, a native of Brooklyn, New York, is a graduate of Brooklyn College and attended Columbia College for graduate work. The couple met at Amagansett, New York, where he had a summer home. They were married in 1969 and still have a summer home in Amagansett. They also have a home in Santa Monica, California, and recently purchased a small farm in Spring Green, Wisconsin.

Robert, a pioneer in the field of cable television, was one of the co-founders of HBO. He also developed Bravo and American Movie Classics networks and owned Mountain Cablevision, Inc. in California. In addition, he owns community newspapers in California. Robert sold Mountain Cablevision a year ago and currently does volunteer work for the Committee for Accuracy in Middle East Reporting in America (CAMERA). CAMERA is a media-watch organization that analyzes newspaper, television and radio news reports to determine the accuracy of Middle East reporting.

In 1979, Doris joined the faculty of The City College of The City University of New York to develop a program in speech pathology and audiology. In 1979, she took a year's sabbatical to start a celebrity cooking school in Macy's Department Store. Although the business was a success, she sold it three years later to focus on her educational career. A faculty member for 26 years, she retired from City College in 1992 as chair of the speech department.

Not a person to rest on her laurels, Doris began a second career in television. She became part of the team that launched the Television Food Network where she produced shows and was the managing editor of food news. She also has produced cooking shows for Lifetime Television. Currently Doris teaches "fun things with food" and organizes a course featuring speakers called New York: Behind the Scenes at New York University School for Continuing and Professional Studies. "I've always been interested in the idea of cooking," she said. "I can rise to the occasion and cook if I have to."

"I've been associated with a lot of colleges –each one is different and unique but my favorite one is Wisconsin."

Doris had no contact with the University for almost 30 years. Although she would come back to Racine, to visit her family, she never had time to visit Madison. About six years ago, Doris and Robert came back to the city for a vacation and "he fell in love with Madison for the first time and I fell in love all over again.

"I've been associated with a lot of colleges–each one is different and unique–but my favorite one is Wisconsin," she said.

Today, while living in New York, Doris stays active in UW-Madison affairs. She is a member of the Tri-State Women's Initiative. "It's a very good group of UW women who bring professors to the area to speak on current events," she said. "This group brings people back into the UW fold." Although none of the women knew each other before serving on this committee, all have become good friends and get together socially with and without their spouses.

Like many semi-retired couples, Doris and Robert love to travel–they recently spent a month in China, are frequent travelers to India and, now that they have more time, have started exploring more of Asia.

Slicing Taxes *(cont. from page 3)*

What you choose to do with those extra funds depends on your own objectives. There may be other beneficiaries you want to add to your plans, or you may want to pass more on to family members.

Some of our friends tell us that they have a specific amount in mind that they want to pass on to children and grandchildren (often an amount they view as sufficient to open doors of opportunity without dampening their ambition) and then direct the balance to charities such as the University of Wisconsin Foundation. If you anticipate being able to pass more net assets after taxes and have already met your planning goals for family and other noncharitable beneficiaries, you may want to consider changes to your will to direct additional assets to the University of Wisconsin Foundation or other charitable organizations.

Share the Wealth. Another option for an unexpected tax windfall could be a plan to benefit family members and the UW Foundation. For example, you might want to direct in your will that those funds be used to create a life-income gift for a family member.

Example: *Marilyn J is pleased that tax-law changes will enable her to pass more on after taxes–about $100,000 based on current rates and the exemption equivalent. She would like these additional funds to benefit both her son Eric and the University of Wisconsin-Madison.*

Marilyn decides to create a $100,000 charitable remainder unitrust in her will that will pay 6 percent of its annual value to Eric for life. Any funds remaining at his death will pass to us. If Eric is 60 when the trust begins and the trust generates an 8 percent annual return, he will receive more than $182,000 over his life expectancy and more than $160,000 will eventually pass to the UW Foundation.

Lifetime Gifts Can Produce Income-Tax Savings. Now that you can pass up to $1,000,000 free of federal estate tax, more net assets are available for all your beneficiaries. This is true even though, in some cases, charitable estate gifts may no longer produce estate-tax savings.

For example, a $100,000 charitable provision from an estate of $900,000 would have saved $39,000 in estate taxes when the exemption equivalent was $675,000. Although such a gift would now generate no estate-tax savings, because you can pass up to $1,000,000 free of estate tax, your other beneficiaries would still receive about $47,000 more than under the previous tax law.

Since estate-tax savings are no longer available for estates under $1,000,000, some of our friends are changing their wills and making gifts during their lifetimes. In addition to the satisfaction of seeing the results of their gifts, this generates income-tax savings. For instance, a $100,000 gift can save as much as $38,600 in federal income tax.

The Best Time to Review Your Will Is Now

All of us should plan to review our estate plans, including our wills, on a regular basis. It becomes even more important to do so when there have been major changes such as those we have experienced in the stock market and federal tax laws in the last several years.

We would like to assist in your review process by sending you our booklet, ***Ensuring Your Wishes: A Guide to Your Will***. Simply return the enclosed reply card, or call **Russ Howes,** vice president, planned giving and legal affairs, 608-263-0371; **Bonnie Bruce,** senior director, planned giving, 608-263-2135; **Scott McKinney,** director, planned giving and real estate, 608-262-6241 or **Mikel Domnitz,** planned giving officer, 608-265-8068.

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