

THE Bishop William White REPORT



The Episcopal Academy

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Hilton with his son Will

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Giving in Challenging Economic Times

It is no surprise that the economic downswing is making people cautious about their charitable giving. Increasingly, donors are looking into deferred giving arrangements that will let them stay in control of their assets today. At times like this, planned giving options make a lot of sense—especially those that cost nothing now.

First among such gifts are bequests. Bequests by will or revocable trust are a powerful and beneficial way to support The Episcopal Academy. In good times and bad, Episcopal is at work educating our children and nurturing their souls, training them to protect our environment and make sound and ethical decisions, molding them to become leaders.

Bequest?
Retirement?
Plan Assets?
Life Insurance?
Proceeds?

Even though bequests may not deliver your gift until some time has passed, the school values the future support that they represent. Your bequest, whether large or small, will provide fiscal stability in difficult economic times to come as well as the means to achieve new levels of excellence in

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Dear Alumni and Friends,

No matter what the economic climate, giving to charity can help you accomplish important personal financial planning objectives. For charitably inclined individuals interested in transferring assets to the next generation at the lowest possible cost, the weak economy is creating a rare opportunity to benefit from the Charitable Lead Trust. While the CLT may not suit everyone, its advantages today are so compelling as to warrant inclusion in this newsletter.

A Charitable Lead Trust may be right for you if you want to make significant charitable gifts and pass the underlying assets to your heirs at greatly reduced transfer costs. It can be a great way to establish and grow an endowed fund at the school, and you'll be able to see and experience the results during your lifetime.

Interested in learning more? Before you sit down with your

estate planning attorney, visit EA's planned giving Web site and give me a call. I would be delighted to hear about your interest in Episcopal and happy to provide a detailed illustration of a CLT for you to consider with your advisor. As always, I welcome your questions about the CLT and other planned giving options.

Best regards,
Carolyn Jaeger,
Director of Planned Giving

Would you like to...

- Learn about one of the most tax-efficient choices for charitable giving?
- Support Episcopal and increase your retirement income?
- Turn around an under-performing asset without incurring capital gains tax?
- Support Episcopal today while preserving your estate for your family?

Episcopal's planned giving Web site is designed to introduce you to these and other creative giving strategies. Visit us online at www.episcopalacademy.org/plannedgiving.



Woody Griffiths '54, John DeTar '49, George Stanley '39, and Jean Kirk (Mrs. G. Lloyd Kirk '41)



Speaker and Middle School Chaplain Albert Zug '78, Valle Schloesser '67, and Tom Zug '64



Raye and Jerry Johnson, parents of alumnus Jonathan Johnson '02



Hughes Cauffman '34, Jeff Morrison '74, and Robert Toland '40



Valle Schloesser '67, Chat Lee '41, and Sandy McCurdy '57

Bishop William White Society Lunch

Last November the Bishop William White Society gathered for lunch with Head of School Ham Clark and Middle School Chaplain Bert Zug '78. In a compelling discussion of the chapel program at Episcopal, Chaplain Zug explained how he helps students articulate their personal beliefs in a faith paper while teaching them to respect the beliefs of others. A fellow member of the Bishop William White Society, he has included Episcopal in his estate plans.

The Bishop William White Society recognizes all who name The Episcopal Academy as a beneficiary of a will or trust, retirement plan, life insurance policy, life income gift or other planned giving arrangement.

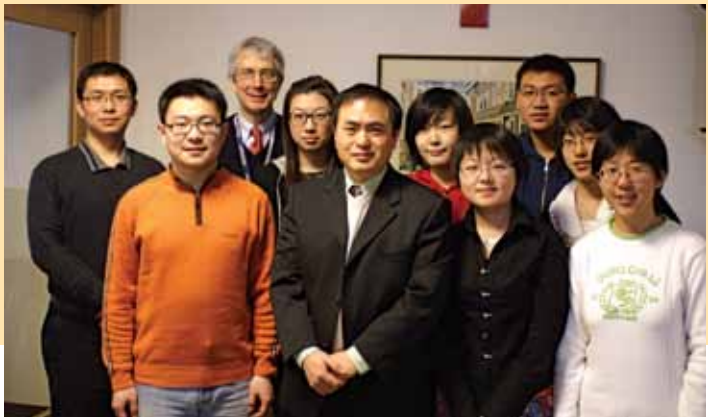


“Globalization is a fact of life today, and we need to continue to make every effort to help our students to become citizens of the world. Our students need to understand and appreciate diversity and be comfortable living in different corners of the globe; at ease speaking different languages; and able to work

and collaborate with people from different cultures and backgrounds. We need to push our students out of their comfort zones and encourage and support exchanges, foreign travel, and experiential education. We have to help our students to understand that work and success will be defined differently for them than it was for our generation and provide them with the requisite skills.”

Head of School Ham Clark, May 2009

Faculty members Andy Hess, Hon. and Wei Yang met with students and faculty members from Northeast Yucai School in Shenyang, China.



Giving Continued from page 1

good times. To maximize your legacy, you may want to consider bequeathing a percentage of your estate instead of a specific dollar amount so that your gift will grow as the market recovers.

There are additional advantages if you designate Episcopal as a beneficiary of retirement plan assets or life insurance proceeds. For retirement assets, completing a simple beneficiary designation form, available from the manager of your retirement fund, is normally all that is required. For life insurance, simply contact your insurance carrier and complete a change of beneficiary form. Both of these options cost nothing now. Neither requires the assistance of an attorney.

An Episcopal education produces graduates who will move the world forward in positive, hopeful directions. Through your estate plans, you will determine into whose hands you will transfer your estate. For the future of our children and grandchildren, we hope you will consider entrusting a portion to Episcopal.

Market Slump: A Good Time to Use a CLT to Shelter Wealth

These are difficult economic times. The credit markets are tight; stock values have dropped; and the Federal Reserve Board is doing everything it can to stimulate the economy, including setting extremely low benchmark interest rates. The combination of low interest rates and a depressed market makes this the best time in living memory to use charitable planning to shield wealth transfer from one generation to the next via a Charitable Lead Trust (CLT).

What is a Charitable Lead Trust?

A Charitable Lead Trust is an attractive way to provide an annual stream of income to Episcopal (and other charities, if desired) for a period of years. At the end of the term the principal is distributed to whomever the donor chooses. One popular form is the non-grantor **Charitable Lead Annuity Trust (CLAT)** which distributes the trust principal to one's children or grandchildren at term end.

Current economic conditions make the non-grantor Charitable Lead Annuity Trust one of the most powerful ways to transfer assets to your heirs at a significantly reduced gift and estate tax cost. It works like this: A donor

irrevocably transfers assets, often cash or securities, to a trustee. The trustee invests the trust's assets and provides a fixed dollar amount each year to one or more charities of your choice, qualifying you for a gift tax deduction equal to the income payments. These payments continue

If you have already established a Charitable Lead Trust, please remember Episcopal as an income beneficiary.

until the trust term ends. The term may be a specific number of years, the lifetime of one or more persons, or a combination of the two. When the CLAT term ends, the trust distributes all of its accumulated assets to your designated heirs or to a trust in their benefit.

Why is this a good time for a CLT?

The IRS uses a special interest rate—known as the 7520 Discount Rate—to calculate the present value of remainder interests left by charitable trusts. The key is that the lower the IRS discount rate, the lower the calculated remainder value of a trust. In the case of Charitable Lead Trust, where the remainder value goes to your heirs, a lower discount rate translates into lower gift and estate taxes levied on the transfer. The IRS discount rate has recently dropped to historically low levels—2.8% for June 2009. This means big tax savings for CLT donors.

Does the weak economy present other advantages?

Yes. Any asset appreciation that occurs within the trust will be distributed to the trust's heirs free of additional gift or estate taxes. Donors who feel that financial markets are near their bottom and are likely to rise substantially in coming years should find CLATs especially appealing.

Each year the donor is free to designate which organization(s) to support with the trust income. CLTs appeal to donors who have assets they don't need for their own financial security. A typical CLT is funded with \$500,000 or more and lasts for 10-20 years, although longer or short terms are permitted.

This is not intended to be legal or tax advice. We encourage you to consult your own legal or tax advisor to learn how you might benefit from the CLT.



Francis J. Mirabello
Morgan, Lewis & Bockius LLP

In my experience, clients make significant charitable gifts when they have a strong philanthropic objective which can be accomplished consistent with their financial and estate planning goals. The current environment of low asset values and low interest rates makes the Charitable Lead Trust a very powerful tool to accomplish all three objectives—the charity receives current dollars to support a program now and the client can shift future appreciation and income to younger generations tax

free. Many clients who have always had Charitable Lead Trusts as part of their testamentary estate plans are implementing them now through a lifetime trust in order to take advantage of this unique confluence of favorable factors.

Francis J. (Frank) Mirabello is a partner in and manager of Morgan, Lewis's Personal Law Practice. His practice focuses on estate planning; closely held business planning, including succession planning, philanthropic planning, and shareholder agreements; and federal income, estate, and gift taxation. Frank also regularly handles matters involving charitable trusts, foundations and nonprofit organizations, family law, international tax, and real estate planning. A former Episcopal Academy trustee, he is the father of Alexander '03.

The Episcopal Academy gratefully acknowledges bequests received from 2003 to 2009.

Alfred K. Althouse, Jr. '43

Philip E. Barringer '33

William L. Bishop '71

Warren S. Davis '31

Robert F. Dee, *alumni parent*

F. Eugene Dixon '42

Robert C. Lea '33

Anthony W. Ridgway '34

Thomas Ridgway, Jr. '33

Nancy McCurdy Schnebly, *alumni spouse and parent*

Mr. and Mrs. John J. F. Sherrerd '47

Mary A. Sonier, *friend*

Mr. and Mrs. William R. Spofford '42

J. Derek Stephenson, *retired faculty*

T. Johnson Ward, Jr. '31

The Enduring Value of an Episcopal Academy Education

Stuart Hilton Smith, Jr. '59, *who has remembered Episcopal in his estate plans, wrote these words on the occasion of his 50th class reunion.*

It's a long trip looking back over 75% of our life to get perspective on the impact that those years at Episcopal had on each of us in the Class of 1959. It amazes me how much time I spend in the present in hopes that I get that job done before the future disappears. The best part is that I seem to have forgotten most of the bad times and treasure so dearly the good ones.

With the perspective of 67 years I truly believe that my father's decision in the fall of 1950 to enroll me at Episcopal was one of the most propitious he made for me. My Dad had a mantra which guided the decisions he made on my behalf during his too short life—"I will give you the best education I can afford and you can earn. You will have that all of your life. No one can take it away from you." Episcopal was a special place for him and for me.



Masters Jarvis and Latham lit my fire for history, a passion that continued at Princeton as a history major and throughout my life—an appetite for US history in the latter half of the 19th century. Kenneth Balsley wore me out as a less than stellar English student, but it paid off with an exceptional senior thesis at Princeton and a love of writing for pleasure these past 45 years. In my old age, I am finding Chaplain McDowell's "leap of faith" easier than I did 50 years ago and I find myself cherishing my Episcopalian (Catholic Lite!) roots, probably because of my connection to the monks at Saint Martin's Abbey these past 20 years.

My father did not graduate from college. Two of the biggest moments of his life were the evening we graduated from Episcopal in June 1959 and the day I graduated from Princeton four years later. By the time I graduated from Stanford with an MBA in 1965 Dad had suffered a stroke. He died the year I turned 30. The greatest gifts I ever gave my father were those three graduations; they were the greatest gifts he ever gave to me. He is still my guiding light.

"I will give you the best education I can afford and you can earn. You will have that all of your life. No one can take it away from you." —*Stuart Hilton Smith, Sr.*

An Episcopal Academy education produces graduates who will move the world forward in positive, hopeful directions.

