Notes from the Director

Estate Planners: Note Recent Tax Law Changes!

Greetings! The cover story of this Cal Futures focuses on a timely topic — getting your estate plan in order. In case you need additional reasons to review your plan now, I bring to your attention two recent and important changes in the tax law:

Increase in the Estate Tax Exemption. Estates of up to $2,000,000 per person are now exempt from estate tax. (Last year the exemption was $1,500,000 per person.) With proper estate planning, a married couple can pass on a combined total of $4,000,000 at their deaths without paying any estate tax. With this change, less than one percent of households are subject to estate tax. Even with the rapid real estate appreciation in California and elsewhere, effective use of the exemption should allow most assets to pass without the imposition of estate tax.

Increase in the Gift Tax Annual Exclusion. As of January 1, 2006, you can now give away $12,000 to anyone you wish without having to report it to the IRS. (Previously, these gifts were limited to $10,000 each.) You can make as many of these $12,000 gifts to as many people as you wish, and they will have no effect on your exemptions from gift and estate taxes.

Finally, let me add my personal thanks to all of you who have decided to support Cal through a bequest or other planned gift. UC Berkeley’s Office of Gift Planning will be happy to speak with you and/or your financial advisor, or mail to you informational materials for your review. Call 510.642.6300 or 800.200.0575, or e-mail ogp@berkeley.edu.

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Who is this Famous Alum?

Kevin T. Crilly
Director, Office of Gift Planning

The coming of warmer weather longer days, and tax time creates an ideal opportunity for an important activity — reviewing and possibly modifying your estate plan to make sure it most effectively serves your philanthropic, financial, and personal goals. For those of you who have not yet made an estate plan, spring is also an excellent time for beginning this crucial task.

Fundamentals of Estate Planning

An effective estate plan specifies how your assets will be managed both at death and in the event of incapacity during life. A good plan can save you estate taxes and administrative costs.

A well-structured plan usually includes: 1) a revocable trust which protects designated assets from probate; 2) a “pour-over will,” which sends any assets outside the trust at your death (other than those that pass by beneficiary designation) to the revocable trust; 3) a general durable power of attorney, which allows an agent to manage any assets not already in your revocable trust, in the event of incapacity; and 4) a health care directive that outlines your wishes regarding treatment in the event you cannot make your own health care decisions.

Estate plans are prepared or modified under the guidance of an attorney who either specializes in the trusts and estates field or practices in that area frequently. If you decide to include a charitable bequest to Cal in your plan, UC Berkeley’s Office of Gift Planning can provide you or your attorney with bequest language that accurately expresses your charitable intentions for the campus. The Office of Gift Planning can also offer suggestions about how life income gifts such as charitable gift annuities and charitable remainder trusts might fit into your overall plan.

Reviewing Your Plan

First, keep in mind that the IRS considers the following assets part of your estate when determining your estate’s value at your death: real property, personal property, insurance policies owned by you, retirement plans (IRAs), 401(k)s, etc., bank accounts, and savings bonds. You will want to make sure that each of these items is handled in the way that will best help you realize your goals while minimizing or avoiding estate tax.

For example, you should review the beneficiary designations for your retirement plans, IRAs, insurance policies, and any other assets that use beneficiary designations. Remember that these assets will be distributed according to their beneficiary designations, not according to the provisions of your will or trust.

Also remember that the value of your estate for estate tax purposes will include the face value of any life insurance policies you own. Therefore, if your insurance policies are large, or if you plan to purchase a new policy, you may want to talk to your estate planner about establishing a life insurance trust to hold the policy or policies. A properly designed and implemented life insurance trust can remove the life insurance proceeds from your estate.

Using Your Estate Plan to Support Cal

Smart estate planning can allow you to become a partner in Cal’s excellence — and contributions to the world — while still effectively pursuing your own financial and personal goals.

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Bill and Grace ’37 Ford

A Family Connection

“E ven though you’re not an alumnus, we’re happy you found a home at Cal.” With these words, former Chancellor Robert Berdahl aptly characterized the deep attachment Bill Ford has felt toward UC Berkeley for more than six decades. Indeed, Bill’s connection to Cal — originating through his late wife, Grace ’37 — has always been, first and foremost, a family one, as well as a cherished constant in a life of changing places and circumstances.

Bill was born in 1915 on a farm near Trenton, Missouri, one of five children. When he was three years old, his family moved into a house in the city given to them by his maternal grandfather. The first major disruption of Bill’s life occurred only a few years later. His father developed serious health problems and, when Bill was just eight, passed away. Though his great grandfather had been one of the founders of Trenton, the death left the family “in a big house with no money,” as Bill puts it. Soon, he was sent to live with his grandfather on his nearby farm and attend a rural school.

Bill graduated from high school in the summer of 1931, in the midst of the Great Depression. That August, when his mother asked him if he wanted to go to California, he didn’t hesitate. “How do I get to California?” he replied. In September, he was on a train with a ticket a relative had bought for him.

Once in California, an uncle helped him find work with the Matson Line — and so, within a month of his arrival, Bill had a steady job, but he knew he would need more education to get ahead. So while he worked, first at Western Auto and then at General Electric Supply in San Francisco, he took night business classes at Merritt College. It was at Merritt in 1939 that he met his future wife, Grace Haldeman. Grace, who was born and raised in Oakland, had graduated from Cal in 1937 with a degree in art. While she found her major personally fulfilling, it didn’t help her find employment. As a result, she began to attend night school to study economics — and came into contact with Bill. In the course of things, the two began dating and grew close. They were married on May 16, 1942, just after Bill was drafted by the Army Air Corps.

Bill’s time in the Air Corps brought another major change — one that would affect the rest of his life. Sent to a technical school in Sioux Falls, South Dakota, he began radio training that required him to listen all day to Morse code, at approximately 90 decibels, through head phones. He “flunked out,” as he says, because he quickly developed severe hearing loss — a condition that would grow worse over time. The immediate consequence was that Bill was sent to a different airbase and went from wearing head phones to fixing airplanes. After he received a Certified Disability Discharge in March 1944, the Veterans Administration determined that the Air Corps was responsible for his hearing loss and gave him the first of a series of hearing aids he would have over the following six decades.

As a Berkeley student, Grace had loved watching Cal sports, especially football. She had driven with friends to Pasadena to see the 1937 “Thunder Team” defeat Alabama (35–0) in the Rose Bowl. When Bill met her a year later, he had just been attending Cal games — but she soon changed that. Except for Bill’s time in the service, the two went to football games regularly and traveled to two of the three Rose Bowl appearances (48–49, 59) that the Bears made under legendary coach Pappy Waldorf. To this day, Grace’s influence has stuck: Bill, a veteran season ticket–holder, has now attended every home football game since 1946. He sums up his connection to Cal by calling it “one of the most important things I ever did.”

The couple always intended to leave a significant bequest to the University. “What better place?” they said to themselves. But it was only when Grace was diagnosed with Alzheimer’s in the late 2000s that the two felt a new urgency about supporting “their” alma mater. Chiefly, they created a living trust that says “everything” will eventually go to Cal. In the meantime, Bill has made generous gifts to the William F. and Grace H. Ford Chancellor’s Millennium Fund at the UC Berkeley Foundation and to the Memorial Stadium Renovation Project. “Working with the University on these gifts, he says, “has been enjoyable all the way.”

Bill has many reasons to support Cal. There is the close connection he feels to his “home” university. He feels proud of the contributions that Berkeley makes to the world through pioneering research and first-class education (“Everything I read says that Cal is unsurpassed.” And as one who knows firsthand the difference education makes in providing career opportunities, he is passionate about helping students afford a Cal degree (“This is essential — to direct some of my giving toward scholarships.”)

And yet, none of these is his chief reason for being so generous to Berkeley. What is? Bill’s answer is direct and simple: “Grace. She loved the place. She probably could have gone to school there the rest of her life. Throughout her life, she was always going back to her yearbook to look, people up.” It is the beloved companion with whom he shared nearly 60 years of marriage that Bill honors today in his True Blue support of Cal. And all of the Cal family is richer for it.

Answer to “Famous Alum”

Robert S. McNamara ’37, secretary of defense under Presidents John F. Kennedy and Lyndon B. Johnson (1961–68), president of the World Bank (1968–81), and former Cal classmate of Grace Haldeman (later Ford). Having played a principal role in the Cuban Missile Crisis and the Vietnam War, McNamara now cautions against modern warfare and nuclear weapons.
Bill Ford had a steady job, but he knew he would need more education to get ahead. So while he worked, first at Western Auto and then at General Electric Supply in San Francisco, he took night business classes at Merritt College. It was at Merritt in 1939 that he met his future wife, Grace Haldeman.

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Review Your Estate Plan

continued from page 1

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Smart estate planning can allow you to become a partner in Cal’s excellence — and contributions to the world — while still effectively pursuing your personal and financial goals.

For example, the increase in the Estate Tax Exemption (see Notes from the Director at right) is an opportunity for you to direct more of your assets to family or other individuals and to Cal.

Similarly, if you plan to establish a life income gift such as a charitable remainder trust with Cal, life insurance may provide a method to “replace” for your children or other benefactors the assets you give to Berkeley.

If you plan to make a bequest to Cal, you might consider the benefits of designating Cal as the beneficiary of some or all of a retirement plan or IRA. Because these plans are subject to income tax in the hands of non-charitable recipients, the effective “cost” of donating this type of asset to charity is less than that of donating other assets. If your estate is large enough to be subject to the estate tax, designating Cal as the beneficiary of a retirement plan or IRA assets is even more tax efficient.

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We would love to discuss your options, send you informational materials, and hear about why Cal has made such a big impact on your life. Until then.

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