

PLANNING MATTERS

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Couple's Experience Paying for College Leads to Student Scholarships

When Tom and Joannie Parr decided what charitable interests they wished to support in their estate plan, they chose an area of great personal meaning for them and one that would impact the lives of young people in an important way—student scholarships.

Tom and Joannie became aware of how important scholarships were to medical students when Tom applied to UT Southwestern after having graduated from the United States Military Academy at West Point in 1967 and serving one year in Vietnam. A young couple out on their own, the Parrs found scholarship assistance scarce. The only viable way of paying for medical school was for Tom to stay on active duty with the U.S. Army and have the Army pay for medical school in exchange for many years of obligated military service. In the end, Tom stayed in the Army and retired with 20 years of service. This experience created a desire in Tom and Joannie to help future generations of medical students meet the financial challenges of medical school. So when they drafted their wills, they named The University of Texas Southwestern Medical School to receive a portion of their estate for student scholarships. “The military and medicine have been essentially my whole life. We recognize that many medical students have needs, but we have a special bond with those who voluntarily serve our country, and we want to help repay that selflessness in any manner we can,” Dr. Parr explained.



Tom and
Joannie Parr

But helping students did not end there. In addition to UT Southwestern, their wills provide funds to the United States Military Academy to pay for individual cadet and cadet club trips in which these cadets are representing the Academy, something not currently provided for by the Academy. Joannie Parr explained that “there is only a portion of a cadet’s complete education and training that the federal government can finance, but the purpose of the United States Military Academy is to develop future leaders for our nation. Cadets come from every walk of life and every economic background. By definition, half will not have an extra source of money to help pay for special trips which are important to this development.”

The third institution which will receive support is The University of Texas School of Law, the alma mater of Joannie’s parents, where a gift in the names of John F. Sutton, Jr., and Nancy Ewing Sutton (both graduates in the class of 1941) will provide student scholarships. John Sutton is a former professor and dean of The University of Texas Law School, and Nancy Ewing Sutton, who worked as an attorney for both the Texas legislature and the Texas attorney general’s office, is among the first women to graduate from The University of Texas Law School.

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A Look at Your Estate Plan

Someone said: “Give me an hour with a person’s checkbook, and I’ll tell you what that person believes in.” Likewise, an estate plan reflects one’s enduring values.

You may find that your financial affairs are a fairly accurate barometer of your hopes and dreams and that just as your hopes and dreams are modified by your daily experiences, your estate planning is also a dynamic process. Any number of life’s major experiences—marriage, the birth of a child, a career change, an inheritance, or even stock market fluctuations—should cause you to take another look at where you are headed with your estate planning. When you find yourself facing such events, you need to reassess your plans.

An estate plan reflects your values.

Each time you do so, it is important to review your overall objectives. A comprehensive look starts with returning to some basic questions:

- Where am I?
- Where do I want to go?
- How do I get there?
- Do all the pieces fit?

As you make decisions that change your strategies, be sure they help you to move in the path that you have chosen.

Getting Started

With your overall objectives in mind, you need to take a careful inventory of your assets before you can make wise decisions.

Surprisingly, few of us have a very accurate picture of our assets. Certain things come readily to mind—the family home, savings

accounts, and stocks and bonds. Other items, such as automobiles, furniture, and appliances, are easier to think of as necessities of daily life rather than as assets of an estate.

Still others are easily overlooked altogether. Intangible assets such as life insurance and retirement benefits are among those most likely to fall into this category. Yet these assets often make up a significant portion of an estate.

Regardless of how obvious or obscure an asset is, it is just as important to place a realistic value on it as it is to identify it. This is easier for some assets than for others.

Take real estate, for example. A personal residence is often considered to be one of the best investments an individual can make. As your mortgage balance declines and your property appreciates in value, your equity steadily increases year after year. And in some parts of the country, the increases have been truly dramatic.

Whether you are taking stock of your house or some other asset, the important point is this: Make sure you have a current, objective assessment of its value and a realistic projection of future increases in value on which to base your planning.

Preparing a Plan

With a clear picture of your assets, you can begin to put together your estate plan. You need to think about three major stages:

Careful planning can help reduce your taxes.

accumulation, preservation, and distribution.

Everyone who wants to enjoy financial security needs to have

a plan for accumulating assets. Granted, most people do give significant time to their

careers and to their investment activities. A good estate plan, however, goes far beyond this single goal and does not fail to give appropriate attention to other aspects of planning.

It is just as important to develop a **strategy for preserving assets**. Careful planning for income-, gift-, and estate-tax effects is crucial for retaining assets to meet personal, family, and charitable objectives.

The third major objective is **planning the distribution of the estate** in accordance with the estate owner's wishes. Those who make the effort to plan will find this stage extremely rewarding. Knowing your assets will be distributed to achieve your goals is the real payoff for all the hard work that has gone into building and preserving your estate.

Nevertheless, the majority of individuals choose to forfeit this opportunity and, in effect, abdicate the responsibility to their state legislatures, which have developed "estate plans" of their own. If an estate owner has failed to formulate a plan, the state can only guess what he or she might have wanted. Rather than attempt this impossible task on a case-by-case basis, each state provides for the distribution of assets according to an inflexible formula that rarely reflects the wishes of any given individual.

The Tools of Estate Planning

Undoubtedly, the cornerstone of any good estate plan is a carefully planned will. A will is a powerful document that gives you control over many important matters.

For instance, with a will you can make provisions for beneficiaries such as friends and charitable organizations, which would receive nothing from your estate through your state's assignments. A will also gives you the opportunity to name the person

*The
cornerstone
of an
estate plan
is the will.*

who will serve as personal representative of your estate. Further, a will gives the opportunity for parents of minor children to choose a guardian should the need arise.

It is just as important to realize what a will cannot do. The distribution of some assets is determined by law. For example, property owned jointly with a right of survivorship passes automatically to the surviving joint owner. Any provisions regarding the distribution of such property in a will are ineffectual.

Similarly, property acquired during marriage in certain states is deemed to be "community property," which means that each spouse owns

*Some assets pass
by contract
rather than
by will.*

an undivided one-half interest. A spouse can dispose of only his or her half interest as he or she pleases.

In addition, the passing of some assets is a matter of contract. A prime example is a life insurance policy. The policy is a contract between the policy owner and the insurance company. The beneficiary designation in the policy takes precedence over conflicting provisions in a will.

The same is true of retirement-plan benefits and assets placed in trust. Provisions in the contracts control distribution of the assets, so you should exercise your right to change beneficiaries to fit in with your changing estate plans.

Each of these tools should work together to achieve your estate-planning objectives. For instance, assume your intention is to divide your estate equally between your spouse and your child. A provision in your will giving half your assets to each will not meet your objectives if your spouse is also the beneficiary of a large insurance policy.

Take time to determine what passes to each of your beneficiaries by law, by contract, and by will. Then review the totals to be sure your estate plan reflects your intent.

Fine-Tuning Your Planning

A well-conceived estate plan lets you do far more than just determine the distribution of your assets. With careful planning, you may be able to achieve multiple objectives.

Most likely, a primary objective is to provide for the financial security of your spouse. Perhaps you feel your spouse should have access to the full value of your estate. At the same time, you may have a strong desire to make a meaningful gift to Southwestern Medical Foundation for the benefit of UT Southwestern. At first blush it may seem difficult to reconcile these two objectives. Good planning and coordinated use of estate-planning tools could make it possible to do both.

Here's how: With a provision in your will, you can create a charitable remainder trust that would provide a stream of payments to your spouse for life. At the death of your spouse, the remaining principal in the trust would pass to us. **Result:** Both objectives are accomplished. Your spouse has the security of receiving payments for life, and you have made a generous gift to support Southwestern Medical Foundation for the benefit of UT Southwestern.

Sample language for a bequest to Southwestern Medical Foundation for the benefit of The University of Texas Southwestern Medical Center at Dallas:

I do hereby bequeath (state specific dollar amount or percentage of estate) to Southwestern Medical Foundation for the use and benefit of The University of Texas Southwestern Medical Center at Dallas, located at 5323 Harry Hines Boulevard, Dallas, Texas 75390. It is my wish that the proceeds from this bequest be used to create an endowed fund to be named the (name of fund) Endowed Fund. None of these funds shall ever become part of the Permanent University Fund, the Available University Fund, or the General Fund of the State of Texas, nor shall they be subject to appropriation by the Legislature.

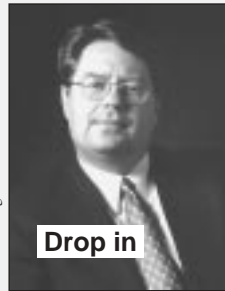
Experience Leads to Scholarships

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While most of their estate will go to their family, a significant portion will be a testament to Tom and Joannie's care and concern that tomorrow's young people realize their educational goals without the financial burden that so often comes with pursuing higher education.

Tom, a 1975 graduate of UT Southwestern and former president of the UT Southwestern Alumni Association, is now an orthopedic surgeon in Sugar Land, Tex., a suburb of Houston. Joannie is a certified public accountant and works with Tom in his medical practice. They have two married sons, Robert and Stephen, and one grandson, Bailey. Both Tom and Joannie are members of The Heritage Society, which honors those who have made planned gifts to UT Southwestern.

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We Are Here to Help

We would welcome the opportunity to discuss with you how charitable planning could fit in with your estate planning. Our latest booklet, ***New Tax Perspectives in Estate Planning***, explains the estate-planning process in detail.

To receive your complimentary copy, just return the enclosed card or call Randy Daugherty, Planned Giving Director, Southwestern Medical Foundation.

(214) 351-6143 • Fax: (214) 352-9874

The information in *Planning Matters* should not be construed as legal advice, tax advice, or as a substitute for advice based on particular factual situations. You should consult your attorney prior to finalizing any of the planning techniques discussed.

SOUTHWESTERN MEDICAL FOUNDATION
2305 Cedar Springs Road, Suite 150
Dallas, Texas 75201
(214) 351-6143



Gift Website serves as tool box for Planned Giving

Building

The “Planned Giving” section of www.swmedical.org provides blueprints and tools that can be used by contributors as well as their financial advisors to construct charitable gifts that uniquely address specific family and financial situations.

“A lot of donors want to do their own research before talking to anyone about making a gift,” said Randal L. Daugherty, Planned Giving Director for Southwestern Medical Foundation. “Whether you want to conduct your own research in advance or ask for recommendations, we are here to answer questions and help design a plan that accomplishes personal goals.”

The website provides examples of planned gifts that are appropriate in a variety of circumstances. Whether one is considering a charitable remainder trust to receive income from the gift, a gift of life insurance to benefit the Foundation, or a straightforward bequest, the website offers the descriptions and terminology necessary to carry out donors’ wishes.

Electronic versions of *Planning Matters* and *Ideas*, the Foundation’s newsletters on planned giving, are found in the Publications section of the website, along with annual reports which document the organization’s record of accountability.

“We recently introduced the GiftLegacy section, which offers informative articles and easy-to-use tools for potential donors and technical resources for their financial advisors,” Mr. Daugherty said.

After reviewing case studies on planned giving, donors can create a personal plan that calculates payouts based on tax rates, income, age, and other factors. Additional resources include *Finance News*, *Washington Hotline*, and *Savvy Senior* news reports. Visitors can also sign up to receive a weekly e-newsletter with updates on financial matters and planned giving issues.

Attorneys, accountants, financial planners, and other professionals will appreciate the GiftLaw section of GiftLegacy. The service features a comprehensive charitable tax service, a charitable deductions calculator, a weekly e-newsletter, and timely updates on charitable giving topics.

Members of the Foundation’s Estate Planning Council, comprised of leading experts in the areas of law, accounting, insurance, and banking who provide assistance and feedback to the Foundation’s planned giving program, are listed on the site as well.

Whether there is a need for help to design a customized plan for charitable giving or for resources to hammer out ideas, potential donors can explore the many ways to *Endow the Future of Medicine* at www.swmedical.org, or they may contact Randal L. Daugherty at (214) 351-6143 or via e-mail at rdaugherty@swmedical.org. ■

