Partners Through Giving

NEWS FROM YALE'S OFFICE OF PLANNED GIVING

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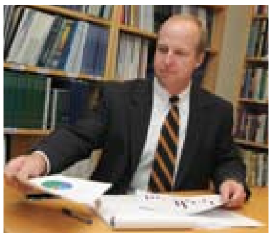
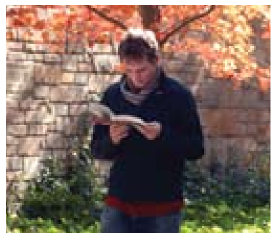


From the Director

The success of the University's planned giving program is dependent in large measure on a collaborative partnership with the Yale Investments Office—in particular with the Trusts and Estates group.

One of the responsibilities of the office of Trusts and Estates is the administration of Yale's Life Income Program, including oversight of the investment and management of approximately 1,000 charitable gift annuity contracts, 370 pooled income fund accounts, and over 140 charitable remainder trusts for which Yale serves as trustee.

In this issue of *Partners Through Giving,* we highlight Yale's highly successful charitable trust program, which is directed by our colleague George Atwood, manager of the Life Income Program. George joined Yale in 1988. He earned a B.A. in economics from Tufts University, an MBA from Yale School of Management, and is a Chartered Financial Analyst. Beginning on the next page, George answers some frequently asked questions about Yale's trust program.

We hope you will enjoy learning more about charitable remainder trusts at Yale and, as always, invite you to contact us with any questions or for additional information.

With best wishes,

Eileen B. Donahue

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University Director of Planned Giving

"We have great confidence in Yale's professional management: the investment performance has been consistently strong, with results that are also tax-efficient for us as income recipients."

—Bunny Winter and Michael A. Doyle '59, '62 LL.B.

From "Why We Give to Yale" on page 3

Celebrating Yale Legacy Partners

Yale Legacy Partners honors alumni, family, and friends who have included Yale in their estate plans or have made planned gifts to the University. On May 16, 2008, more than 100 members and guests gathered in Berkeley College dining hall for the annual luncheon.

Hosted by Inge T. Reichenbach, vice president for Development, the event featured a keynote address on New Haven's current renaissance by Bruce Alexander '65, vice president for New Haven and State Affairs and Campus Development. Following the luncheon, members enjoyed a private bus tour of Yale's West Campus.

Robert Johnson '54 receives his Yale Legacy Partners lapel pin from his wife, Susan.

This recently acquired property, former headquarters of Bayer Healthcare, includes over 500 thousand square feet of state-of-the-art scientific research space on 136 acres. The new campus will eventually encompass the whole spectrum of academic activities that take place at Yale, including providing additional space for museums and galleries.

The day was an opportunity for the University to express deep appreciation to Yale Legacy Partners for their vision and commitment. Through their bequest intentions and planned gifts, members not only plan for Yale's future... they influence it.

Q&A

George Atwood, manager of the Life Income Program, answers some frequently asked questions about Yale's charitable trust program

Tell us about Yale's Charitable Trust Program.

Yale serves as trustee of more than 140 charitable remainder trusts with a total market value of almost $100 million. In the University's office of Trusts and Estates, we carefully oversee the administration of the trusts, using BNY Mellon Wealth Management for custody, recordkeeping, and preparation of statements and tax returns. We personally direct the investment of each trust, and as part of the Yale Investments Office, apply the resources and expertise of that office in managing the trusts' assets.

My colleagues and I also work closely with the Office of Planned Giving, and as manager of the trust program, I have the pleasure of serving and working with many of Yale's alumni and friends. This daily interaction with the University's most generous and enthusiastic supporters is a wonderful part of my job.

How are Yale's charitable trusts invested?

While they are not invested directly in the Endowment, Yale manages trust investments using many of the same strategies employed by Chief Investment Officer David Swensen and his group in stewarding the University's Endowment. We commingle trust investments in pools which include the Yale Equity Pool, a diversified portfolio of domestic and foreign stocks, and the Yale Fixed Income Pool, consisting mostly of government bonds.

When you ask Yale to serve as trustee, we work with you to choose the strategy that best meets your particular investment objectives and risk tolerance. Depending on your goals, we may consider a growth strategy which averages 75% equity and 25% fixed income; a balanced strategy of 50% equity and 50% fixed income; or a more conservative approach comprised of 25% equity and 75% fixed income.

We utilize a number of firms to manage the trust pool assets, many of which are investment managers for the Yale Endowment. This gives individual trusts unique access to firms that typically accept only large institutional portfolios. For example, Grantham, Mayo, Van Otterloo & Company (GMO) of Boston, a well respected institutional investment firm not open to retail investors, is the primary manager for Yale's Equity Pool.

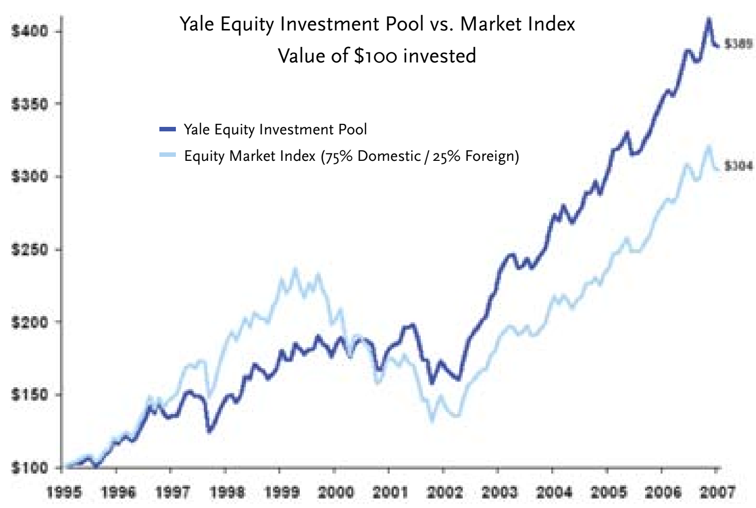
How have the trusts' investments performed?

Of course we're subject to the same market fluctuations and conditions as other investors, but through disciplined asset allocation and access to top-quality managers, the trust investments have historically performed very well.

I am particularly proud of our performance through the great technology "dot-com" bubble of 1997–2003. The graph below shows the behavior of our stock portfolio through the bubble, as we passed up some of the excessive rise in technology stocks from 1997–2000, and benefited greatly from a value orientation as the bubble burst in 2000–2002. While global markets suffered significant volatility and decline, the disciplined Yale portfolio experienced a smoother, nearly uninterrupted upward trend.

More recently, our Fixed Income Pool, with a portfolio of simple treasury bonds and treasury inflation protected (TIP) securities, has provided excellent diversification during the current credit

This graph shows the behavior of Yale's trust stock portfolio from 1995 through 2007 compared to the Equity Market Index comprised of 75% domestic and 25% foreign equities. While global markets experienced a boom and bust pattern, the Yale portfolio experienced a smoother upward trend.



Why We Give to Yale

Bunny Winter and Michael A. Doyle

"Each of us has his or her own reasons for giving to Yale. Mine are fairly straightforward," says Michael A. Doyle '59, '62 LL.B. "My Yale education, enabled by scholarships, has added dimensions to my life I never would have known otherwise. I give to Yale now, so future generations will have the same opportunities I had."

Mike goes on to explain why he's chosen Yale's charitable trust program as a vehicle for his generosity. "At the suggestion of our advisors, my wife Bunny and I set up charitable remainder trusts, naming Yale and Wellesley College as ultimate beneficiaries. The trusts provide us with lifetime income and significant tax benefits. Although we managed the trusts ourselves for a number of years, we became keenly aware of the time, attention to detail, and added layer of watchfulness that came with that responsibility.

"We were pleased to learn that Yale could take over as trustee and oversee the administration of our trusts at minimal cost. We have great confidence in Yale's professional management: the investment performance has been consistently strong, with results that are also tax-efficient for us as income recipients. We derive much satisfaction from the fact that Yale, as trustee, has an interest that parallels ours—to increase the principal of the trust for us now, and eventually for Wellesley and Yale."

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upheaval. Over the long run, we have been successful in delivering superior performance that has exceeded market benchmarks with lower volatility. Another important factor, of course, is that Yale's fees for trust administration are well below those of commercial financial institutions.

Other institutions invest trusts directly in their endowments, why not Yale?

I hear this question often, since Yale and several of our peer universities received private letter rulings from the IRS allowing trusts to be invested in units of Endowment. While this opportunity has generated a considerable amount of interest and may seem like an attractive option, after a thorough evaluation of the implications, Yale determined that this approach may not be in the best interests of our trust donors and income beneficiaries.

One reason is that the investment horizon of the Endowment is very long term—basically perpetual—while the term of a trust averages 10–25 years. These differing time horizons would dictate different investment strategies in most cases.

Another reason is that since Yale is tax-exempt, the Endowment is invested without regard to tax consequences. Our trust investment pools, on the other hand, are managed for maximum tax efficiency by limiting taxable short-term gains and favoring low-tax qualified dividends. Under the terms of the letter ruling, all distributions to income beneficiaries from trusts invested in endowment are taxed as ordinary income—at rates as high as 35%. As a result, it could take as many as ten or more years for trust income beneficiaries to achieve similar or better after-tax results from the Endowment returns, compared to the more conventional investment pools Yale currently offers.

Given the negative tax implications, the University's fiduciary responsibility to its donors, and the robust trust investment options already available, we believe that the best course is to continue to invest Endowment funds and trust assets separately. Rather than using Endowment investment directly, we utilize certain endowment investment strategies for the trusts when they are appropriate based on their risk, term, and tax characteristics.

Why should someone consider Yale as a Trustee?

While you may serve as your own trustee, or have a bank or brokerage firm manage your trust, you may want to consider having Yale serve as the trustee of your charitable remainder trust. We have a proven track record and offer excellent financial resources at minimal cost. Most important, Yale brings a unique alignment of interests, sharing with you both the risks and rewards of effective management. As a beneficiary of the trust, Yale shares a direct interest in seeing sound, cost effective administration and investment. When your trust does well, both you and Yale share in the results.

CRTs At-a-Glance

If you are considering a significant gift to Yale, a charitable remainder trust may be right for you. Here's how it works:

- You irrevocably transfer assets such as cash, marketable securities, or real estate to a trustee who separately manages and invests them.
- You, another person, a bank or brokerage firm, or Yale may serve as trustee.
- The trust makes payments to you, you and your spouse, or another person for a fixed dollar amount (annuity trust) or a variable amount (unitrust).
- Beneficiaries receive income for their lives or for a specified term. At the conclusion of that term, the trustee pays the trust principal to Yale.
- Charitable remainder trusts may provide income, capital gain, and estate tax savings and can be tailored to meet your personal and financial goals.

If you wish Yale to serve as trustee, we ask that you establish the trust with a minimum of $100,000 or more based on your age, that Yale be named the irrevocable beneficiary of at least 50% of the trust remainder, and that the present value of Yale's remainder interest (i.e., the charitable deduction) be equal to the greater of $50,000 or 25% of the trust's initial value.

Yale Office of Planned Giving

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Partners Through Giving **is published by the Yale Office of Planned Giving. Please direct any comments to Mary Beth Congdon, editor, at marybeth.congdon@yale.edu**

New Law Extends IRA Giving Incentives

The IRA Charitable Rollover, which originally expired on December 31, 2007, has been extended as part of the Emergency Economic Stabilization Act of 2008, recently passed by Congress. As before, the extension allows individuals age 70 1/2 or older to transfer up to $100,000 per year directly from an IRA to qualified charities such as Yale. The distribution is not included in adjusted gross income, but can satisfy minimum distribution requirements. **The extension applies to all distributions made during 2008 and through December 31, 2009.**

United States Capitol Building

In these challenging economic times, the extension of the IRA Charitable Rollover may provide tax-efficient means for your continued support of Yale as well as your other philanthropic priorities.

For more information, please contact us at development.plannedgiving@yale.edu, 800.445.6086, or visit our Web site at www.yale.planyourlegacy.org.

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