May 2013

THE POLARIS SOCIETY

Legacy

A Financial and Charitable Planning Guide From the United States Air Force Academy Endowment

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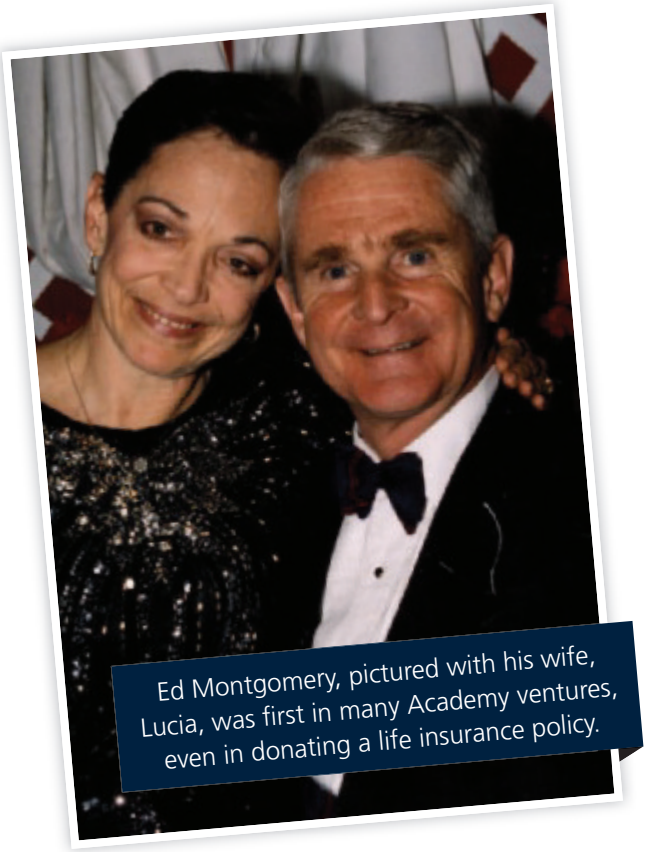


Ed Montgomery, pictured with his wife, Lucia, was first in many Academy ventures, even in donating a life insurance policy.

For more information on how you can arrange a future gift to benefit the Academy, and thus qualify for Polaris Society recognition, contact Dale Zschoche at 719.238.7510 or dale.zschoche@usafaendowment.org.

One of the First …

'Pioneering' Graduate Gives Back

When Ed Montgomery arrived at Lowry Air Force Base in the summer of 1955, the Arizona native helped to usher in the first class at the fledgling Air Force Academy.

"Everything we did was pioneering, and it gives me great pride to see that much of it remains the foundation of today's Academy," Ed says. "The paint in Vandenberg Hall CS-12 was barely dry when we had the privilege to march onto the terrazzo of the permanent site for our first class year."

After his 1959 graduation, pilot training and first-assignment instructor pilot, Ed became the original Academy graduate to be named an Olmsted Scholar and spent two years studying in Denmark. In 1968, he was one of the first graduates to return to the Academy to serve as an AOC. He also had two combat tours in Vietnam flying F-4s, and was director of operations for the Red Flag series of exercises during its early days.

Ed retired from active duty in 1990 and came back to Colorado as assistant to the director of international operations for United Airlines, retiring in 2001. During that time, he served two terms on the Association of Graduates Board. When the AOG began to encourage future gifts from bequests in wills or from life insurance policies, Ed was one of the first to step forward by donating a life insurance policy.

"I felt it was important, as a board member, to lead by example," Ed says.

Ed and Lucia, married for 35 years, remain active in Academy life – speaking at leadership sessions, attending sporting events and mentoring cadets.

"It's another way for me to continue to give back," Ed says.

The Dangers of an Outdated Estate Plan

5 Reasons for a Second Look at Your Will

If you're interested in including a gift to the USAFA Endowment in your estate plan, please contact us to discuss your options.

You have worked hard to acquire your assets. Don't allow an out-of-date plan (or the absence of one) to undermine the way you would like your most valuable possessions distributed.

While it is important to review your estate plan every few years to ensure it still reflects your wishes, several circumstances should trigger prompt action.

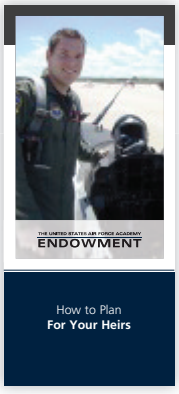
1. **A birth in the family.** If you don't designate a guardian for your young children or create a trust for your children or grandchildren, they may not receive the proper care and necessary financial resources should something happen to you.

2. **A loved one's death.** If you don't update your beneficiaries after a loved one you've designated has passed away, your estate could be subject to costly litigation after your lifetime.

3. **Remarriage.** If you fail to remove your former spouse as beneficiary of your assets and you die first, he or she could end up receiving assets such as your retirement plan.

4. **An out-of-state move.** Your will may not be valid in another state because of different state requirements for a legal will. Be sure to meet with an attorney to understand the laws in your new state and ensure your will is legally sound.

5. **Recent tax law changes.** Significant updates have been made to tax laws in 2013. See the article on the next page to learn more. Contact your tax advisor to discuss how these changes affect you.



FREE! Our Gift to You

Estate planning allows you to address the important needs of your loved ones while reflecting your personal wishes. Return the enclosed survey to receive your free copy of ***How to Plan for Your Heirs*** to find helpful tips on preparing the most effective estate plan possible.

How the New Tax Laws Will Affect You

The tax landscape looks very different than it did in 2012. How will the tax law changes affect your situation? Here is a summary covering some of what you can expect.

Income taxes: The tax rate for individual taxpayers earning more than $400,000 a year and married couples earning more than $450,000 has been raised to 39.6 percent. The 2013 ordinary income tax rates are now 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, 35 percent and 39.6 percent.

Estate, gift and generation-skipping taxes: The 2013 tax law permanently preserves the current individual gift, estate and generation-skipping tax to a unified $5 million exemption. This amount is indexed for inflation each year, with the exemption for 2013 being $5.25 million. The top estate and gift tax rates rose from 35 percent to 40 percent. That means, for every dollar you own above the exemption, up to 40 percent will be subject to federal estate tax upon your death. And for every lifetime gift that you make in excess of the exemption amount, up to 40 percent is subject to gift tax. The *annual* gift tax exclusion – the amount you can give to anyone gift tax–free each year – is now $14,000 ($28,000 for married couples).

Itemized deductions: In 2013, the Pease limitation was revived, meaning that itemized deductions, including charitable deductions, are reduced for individuals with adjusted gross incomes of $250,000 or more and $300,000 or more for married couples. These amounts will be indexed annually for inflation. The Pease limitation does not apply to deductions for medical expenses, investment interest, casualty and theft losses, and gambling losses.

Personal exemptions: In 2013, personal exemptions are limited for individuals earning $250,000 or more and for married couples earning $300,000 or more.

Dividend income: Qualified dividend income will be taxed at a maximum rate of 20 percent.

Long-term capital gains: The capital gains tax rate – the tax you pay on the amount an asset has increased in value over time – will depend on your ordinary income tax rate. The capital gains tax will be waived for taxpayers below the 25 percent ordinary income tax rate. For taxpayers who fall at or above the 25 percent income tax rate but below the 39.6 percent tax rate, the capital gains tax will be 15 percent. For those at the 39.6 percent ordinary income tax rate, the capital gains tax will be 20 percent.

Special Donation Opportunity Extended!
Are you 70½ or older? Congress reinstated a law that allows you to move up to $100,000 from your IRA directly to a qualified charity such as the USAFA Endowment without having to pay income taxes on the money. Known as the IRA charitable rollover, this law has been extended to the end of 2013. Contact us today for details.

3 Actions
You Can Take Today

1. **RETURN** the enclosed 30-second survey to request the FREE guide ***How to Plan for Your Heirs.***

2. **VISIT** www.usafa.org/estate to find the donation option that fits your goals.

3. **CONTACT US** to discuss the different ways you can support the Air Force Academy through your estate plan.

No Strings Attached Gifts That Can Be Easily Changed

At the Air Force Academy, we realize circumstances change and the gift you've planned in your estate may no longer be possible at some future date. Guess what: You can change your mind.

Here are a few simple ways to make a lasting difference that can be updated or revoked at any time throughout your lifetime:

A gift in your will or living trust can be given as a percentage of your estate or made contingent upon certain circumstances. This type of gift allows you to retain full control of your assets for your lifetime. For sample language you can share with your attorney to complete a gift in your will or trust, please contact us or return the enclosed survey.

You can name the USAFA Endowment to receive all or a percentage of your life insurance proceeds or retirement plan assets through their respective beneficiary designation forms, which can be requested from the administrator. Naming us as beneficiary of a life insurance policy gives you lifetime access to the policy's cash values. Leaving us highly taxed retirement plan assets after your lifetime is tax-smart inheritance planning.

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THE UNITED STATES AIR FORCE ACADEMY
ENDOWMENT