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ALDEN SOCIETY

GIFT PLANNING NEWSLETTER

Supporting Scholarships and Women in STEM

For Janet O'Leary '84, who always loved math and science, engineering and WPI were a natural fit. One of six children in a family with limited financial resources, O'Leary needed significant financial aid to supplement her and her parents' contributions to her education.

"That's why scholarships are so important to me—they literally allowed me to attend WPI and put me on the track that I'm on now."

After graduation, O'Leary joined P&G in Cincinnati, Ohio, as an R&D engineer. "I loved the work, as it was technically challenging, but most importantly I was able to see it come to life on the store shelves."

When she and husband Ron Bartos, a civil engineer, moved back to Boston, O'Leary took an R&D position with Gillette—which later became P&G. She dedicated 33 years in R&D with P&G, retiring as an Associate Director, Gillette Shaving Products in 2017.

O'Leary also supports the WPI Women's Impact Network (WIN), which raises funds and distributes grants to WPI students, faculty, staff, and alumni who are pursuing initiatives that advance women in STEM. As a member of the Impact Committee, which reviews grant

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Important Considerations about the proposed American Families Plan

The Biden Administration's American Families Plan includes a long list of initiatives aimed at expanding government support of children and families. It would cover much of the cost of these initiatives through a series of tax changes that include a major overhaul in the tax treatment of capital gains.

Long-term capital gains, the appreciation of an asset that the owner has held for more than a year, is taxed at a top federal tax rate of 20% when the asset is sold by the owner. In 2021, the 20% rate applies to single filers with taxable income over $445,850 and married taxpayers filing jointly with taxable income over $501,600. The rate is 15% for most taxpayers below these thresholds.

When you give long-term gain property to charity, you are allowed to deduct the current value of the property from taxable income, and you do not have to pay tax on the capital gain. This double tax savings provides a strong incentive to give highly appreciated assets, such as stock, to charities rather than cash.

The American Families Plan proposes a near-doubling of the tax rate on long-term capital gains from 20% to 39.6% for taxpayers with taxable income greater than $1 million. Thus, the tax benefits of giving long-term appreciated assets to charity will be greatly increased. Between income tax savings and avoiding capital gains tax and the 3.8% Medicare surtax, you could save over $0.80 in taxes for every $1 of long-term appreciated assets donated to charity rather than selling.

The American Families Plan proposes another change in the federal taxation of capital gains that would affect a far larger swath of individuals than those with incomes greater than $1 million: elimination of the step-up in cost basis for inherited gains over $1 million ($2.5 million per couple when combined with existing real estate exemptions).

At death, appreciated assets passed to heirs through the deceased's estate receive a "step-up" in basis. This means that the cost basis of these assets in the hands of the heirs is reset to match their value on the date of the deceased's death. If the heirs were to sell the assets that day, they would owe no capital gains tax, no matter how little the deceased paid for the assets originally. In addition, the current federal estate tax exemption of $11.7 million per individual ($23.4 million per couple) eliminates the estate tax for 99.9% of estates. The combination of the step-up in basis and very high federal estate tax exemption means that for 99.9% of estates, the appreciation in assets passed through estates is never taxed. It also means that for all but 0.1% of estates, there is no federal tax incentive to give appreciated property to charity through the estate.

If the American Families Plan becomes law and the federal estate tax exemption is reduced instead of 0.1% of estates facing federal taxation, closer to 10% would. Estates would pay a 39.6% capital gains tax on gains passing to heirs that exceed the applicable exemption amount – 43.4% when you include the 3.8% Medicare surtax. If the estate were large enough to also owe federal estate tax, federal estate tax would also apply. Capital gains tax would be deductible from the taxable estate, but the total of taxes paid on the gains could be more than 60%. Compare that to 40% today.

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Estate gifts of appreciated assets to charity would be exempt from federal taxation, creating a strong tax incentive for individuals with more than $1 million of capital gain in their estate to transfer at least some of those appreciated assets to charity.

Now more than ever, it's important to work with your tax and estate advisors to ensure your estate plans are supporting those people and organizations you love and care about most in a way that won't leave them with unintended tax burdens.

This article is not intended as tax or estate planning advice. Please seek the counsel of your advisors to determine how these potential changes could affect your personal circumstances. If you have any questions about gift planning, please contact Lynne Feraco, Assistant Vice President for Gift Planning at 774-239-7326 or email at lferaco@wpi.edu.

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applications and awards funds, she has reviewed 40 proposals for funding during her tenure. Janet recently became a member of the WIN Executive Committee.

Her dedication to women in STEM comes from her own experience. There were very few women in technical fields and very few systems to help women navigate and develop their careers while simultaneously managing life and family changes. With other colleagues, she launched the Boston Women's Network, a group that started for women in R&D, and has expanded to 400 women across all functions and levels. This group has enabled significant progress across all organizational metrics of female recruiting, retention, promotion, and representation at P&G, and it is still active today.

"I believe there is no way I would be where I am today, both personally and professionally, without the education and the financial help I got from WPI," says O'Leary. "Someone, likely over 40 years ago, established a scholarship fund from which I benefited…That is why making a planned gift to WPI, as well as supporting and being an active part of the Women's Impact Network, is so important."

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100 Institute Road
Worcester, MA 01609

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BEYOND THESE TOWERS:
THE CAMPAIGN FOR WPI

Janet O'Leary is among the leadership supporters of Beyond These Towers: The Campaign for WPI, the university's $500 million fundraising initiative is launching with a special virtual event on Oct. 28. Learn more about the campaign and how you can make a difference at wpi.edu/+beyond. Register for the virtual launch at wpi.edu/+gobeyond.

INSIDE THIS ISSUE:

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Office of Planned Giving
Worcester Polytechnic Institute
100 Institute Road
Worcester, MA 01609

WPI

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I am pleased to inform you that:

- ☐ Yes, I/We have arranged to support WPI through
  - ☐ will/bequest
  - ☐ other

- ☐ I am interested in learning more about the Alden Society and gift planning at WPI. Please send me more information about:
  - ☐ bequests and will planning
  - ☐ gift annuities
  - ☐ charitable trusts
  - ☐ IRAs
  - ☐ real estate
  - ☐ other

Information provided is kept confidential.
If you have questions, contact:

Lynne Feraco
Executive Director of Gift Planning
Phone: 774-239-7326
Email: lferaco@wpi.edu
Website: plannedgiving.wpi.edu