Continuing the Legacy of the family farm

COLLEGE OF ACES
SENTIMENTS RUN DEEP WHEN IT COMES TO YOUR ROOTS. YOU WANT YOUR LIFE'S WORK TO MAKE AN IMPACT.

Your family farm is a source of pride. It's your identity. And just as your farm has supported your family over the years, it can continue to guide and influence the future of agriculture for generations of the University of Illinois family. Many like you have made such a difference by donating a family farm to the University of Illinois Foundation to benefit the College of Agricultural, Consumer and Environmental Sciences (ACES).

Gifting farmland can play a critical role in planning your family’s financial future and open doors to new opportunities. Whether your goal is to have the Foundation maintain the farm in perpetuity or to reinvest the proceeds from its sale, your generosity will help advance agriculture and education for generations to come. *Such benevolence creates unbounded opportunities for the countless students, faculty, and citizens associated with the University of Illinois and agriculture.*

The family farm is a special place in your heart for the memories it holds and the values it represents. Yet, a decision must be made about the future of the farm – your family’s valuable legacy. You may find yourself in a position like one or more of these:

- You have an interest in providing a lifetime income for yourself and another family member.
- You need consistent income your farm may not provide.
- Managing the farm is more responsibility than you care to accept now or in the future.
- No one in the family is interested in operating the farm.
- You want peace of mind about how the farm will be managed in the future.

The scholarship I received not only empowered me as a student, knowing that someone was invested in my success, but also allowed me to go above and beyond. I have studied abroad, conducted innovating research, and joined valuable organizations as a student in ACES. Receiving this scholarship has inspired me to give back when I graduate.

*TALIA AVC*  
Agricultural and Consumer Economics
The wealth of Illinois is in her soil, and her strength lies in its intelligent development.

ANDREW SLOAN DRAPER
University of Illinois President, 1894–1904

CHARITABLE GIFTS

A well-planned charitable gift of your family farm to the University of Illinois Foundation to benefit the College of ACES may serve your desires in determining the farm’s future.

A charitable gift of farmland can provide significant income tax benefits, in addition to solving income and management challenges. At the same time, a charitable gift can support the important work of ACES through its teaching, research, and outreach efforts.

Income from your gift directly supports the college program you designate. You may prefer that the farm be held for a term of years, held in perpetuity, or that it be sold and the proceeds reinvested. The University of Illinois Foundation is committed to providing wise stewardship of your gift while respecting your designated wishes.

You can transfer your family farm in a number of ways to the University of Illinois Foundation for the benefit of the College of ACES. The six methods outlined here offer great flexibility in planning, especially when a trust is involved.

**Option 1**

OUTRIGHT GIFT

An outright gift of farmland is often the best method for donors with substantial assets in addition to the gift property. If you have held the land more than one year, an outright gift receives favorable tax treatment. You receive these benefits:

→ An income tax charitable deduction for 100 percent of the fair market value of your farm at the time of transfer.

→ No capital gains taxation on past appreciation in value.

→ Reduction of your taxable estate by the value of your gift, less any tax savings retained for reinvestment.
Option 2
OUTRIGHT GIFT BY WILL OR TRUST

In many cases, leaving your family farm to the University of Illinois Foundation to benefit ACES through your will or trust can be the most appropriate method of making such a gift. A fund established through a gift by will is normally named for the donor (or a person you choose to honor), and the use of the income is designated in a fund agreement executed by you with the University of Illinois Foundation College of ACES. The benefit includes a 100 percent charitable deduction for federal estate tax purposes. This method can significantly reduce the erosion of your estate by taxes, in some cases reducing the tax to zero.

Option 3
GIFT OUTRIGHT INTO A CHARITABLE REMAINDER TRUST

You may wish to make a gift of farmland but would like to retain the farm income during your lifetime. As you know, farm incomes vary with the markets and the weather. The return may represent a low percentage of the land’s value, yet selling your farm may not be an attractive option because capital gains tax can significantly reduce the proceeds of the sale.

This problem may be overcome by using your farm to establish a charitable remainder trust that pays an income to you, your spouse, or another beneficiary you name. This approach has the following advantages:

→ You could stabilize your annual income, with your trust having a minimum payout of at least 5 percent of the value of the land.

→ You could avoid capital gains tax if you have held the property for more than one year.

→ You could receive an estate tax charitable deduction, which can significantly reduce or even eliminate federal taxation of your estate.

→ The University of Illinois Foundation could serve as your trustee when it is the sole remainderman, providing the security of professional management after death.

Option 4
“BARGAIN SALE” GIFT

If the current value of your farm exceeds the amount you wish to give, a “bargain sale” gift could be an appropriate choice, especially if it is not practical for you to subdivide the farm. This method provides income tax savings from the charitable deduction and reduces your taxable estate.

Option 5
GIFT WITH A RETAINED LIFE ESTATE

Federal tax laws permit donating your home or farm while retaining full use and responsibility for the farm during your lifetime and that of your spouse or another beneficiary. You receive an income tax deduction at the time of your irrevocable gift as well as charitable estate tax deductions. Removing property from your estate can reduce the final settlement costs.

Option 6
GIFT DEFERRED INTO A CHARITABLE REMAINDER TRUST

You can create a charitable remainder trust through your will allowing you the following benefits:

→ Maintain management control of your farm during your lifetime.

→ Relieve your surviving spouse, children, or other beneficiaries of the management responsibilities of owning land.

→ Provide a more diversified and stable source of income for your surviving beneficiary.

→ Minimize your estate taxes.

→ Establish a memorial fund in the name of a loved one.
A FAMILY FARM is a gift for generations.

To discuss becoming a family farm donor, please call or write us:

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The University of Illinois Foundation and the College of Agricultural, Consumer and Environmental Sciences should be consulted if you are considering making a gift. The information in this booklet is not intended to take the place of counsel from your own tax and estate planning advisers, with whom any significant gift should be discussed. All services provided to potential donors are confidential and without charge.