

Gift Strategies

HARVARD UNIVERSITY PLANNED GIVING NEWS



FALL 2013



JANE MENDILLO

STRONG INVESTMENT STRATEGY SUPPORTS UNIVERSITY'S VISION

After the release of the Harvard Management Company (HMC) Endowment Report, Jane Mendillo, president and chief executive officer of HMC, shared with *Gift Strategies* her thoughts on the endowment's FY13 performance and its vital role in advancing the University's vision as Harvard launches a capital campaign.

Q: How did the economic landscape of FY13 compare with that of FY12?

During short-term periods, such as year-to-year, we expect to experience some volatility in the different regions and asset categories in our portfolio. Last year was a good example. The nominal returns on the broad markets in which we actively invest ranged from 20.6 percent for the S&P 500 to -8.0 percent for the Dow Jones Commodities Index. While any investor would welcome a circumstance in which all markets went up at the same time, we are diversified precisely because we know that is not likely to happen.

Q: What were the primary objectives for the endowment in FY13?

We manage the endowment with three primary objectives—growth, sufficient liquidity, and appropriate risk management. The aspirations of Harvard University, as well as the ongoing challenges presented by the

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GIFT ANNUITIES BENEFIT FINANCIAL AID RECIPIENTS, HOUSE RENEWAL

As a former financial aid recipient, John Costonis AB '59 understands the importance of access to a quality education. That is why he has established two charitable gift annuities with Harvard that will ultimately benefit undergraduate financial aid. Costonis also earmarked part of his gift for House Renewal after staying in Adams House, his former House, during his 50th reunion.

"I view my gift as an expression of gratitude for Harvard," says Costonis.

The Harvard annuities will provide Costonis with a guaranteed income for his retirement backed by the University's assets. At his death, the principal will support undergraduate financial aid and House Renewal.

The seventh of eight children, Costonis grew up not far from Harvard, in Winthrop, Massachusetts. His father, a sheepherder from Albania, had moved to Lowell to work in the mills. He subsequently moved to Winthrop, where he achieved some success in business.



JOHN COSTONIS AB '59 PLAYS THE CELLO.

However, difficult times hit Costonis's parents, leaving his mother to raise Costonis and his siblings on her own. To get by, the family worked odd jobs and relied on President Roosevelt's Aid to Families with Dependent Children program.

Costonis excelled in school from an early age, but despite his passion for learning, college seemed out of reach.

"We were pretty poor," says Costonis. "I couldn't believe that people even went to college. How do you take four years off from work?"

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ABOVE: TERCENTENARY THEATRE

PHOTOS: TOP LEFT, STEPHANIE MITCHELL/HARVARD UNIVERSITY (HU); TOP RIGHT, ROSE LINCOLN/HU; JOHN COSTONIS PHOTO, COURTESY OF JOHN COSTONIS

STRONG INVESTMENT STRATEGY SUPPORTS UNIVERSITY'S VISION

CONTINUED FROM COVER

markets, require that we be constantly attentive to all three. The entire team at HMC is attuned to these goals and is aligned with our mission: to achieve strong, sustainable long-term investment returns in support of the outstanding institution that is Harvard.

Q: With that context in mind, what were the FY13 endowment results?

I am pleased to report that we have made a strong recovery since the global economic downturn of 2008–2009. In FY13, the return on the Harvard endowment was 11.3 percent, and the endowment was valued at \$32.7 billion; our outperformance this year alone contributed about \$600 million of additional value to the portfolio over and above the markets, net of all fees. The return exceeded our benchmark by a healthy 223 basis points. FY13 also marks the fourth consecutive year in which HMC's return exceeded the Policy Portfolio benchmark—something that is not easily done and is not expected every year.

Q: Harvard recently launched The Harvard Campaign. How will the Campaign affect the endowment?

Currently, the endowment covers approximately one-third of Harvard's operating budget; we cannot withdraw more without jeopardizing future resources. The Campaign will strengthen the endowment at a time when traditional funding sources for all higher education institutions are under considerable pressure. New gifts for core University purposes, including academic programs, science and medical research, and student financial aid, will help ensure Harvard's ability to educate and train leaders who will make a positive impact in the world.

Q: What is the outlook for the endowment in the coming year?

We take a long view of the markets and the endowment's performance. The outlook for the world's economies and markets continues to be full of uncertainty, but looking beyond some of the shorter-term issues, we are confident that there is plentiful opportunity for long-term investors like Harvard.

Q: As you look ahead, what do you expect for the future of Harvard and HMC?

Harvard University has a long and successful history in making a positive contribution to the world through higher education and research, and in recent years our role in supporting the University has become more meaningful. Our support is likely to become even more important in the coming years given the myriad challenges facing higher education. We at HMC come to work every day with one mission front of mind—achieving strong long-term investment returns that will enable this remarkable institution to continue to achieve its goals and maintain its excellence far into the future. ✨

TO READ THE HMC ENDOWMENT REPORT, PLEASE VISIT ALUMNI.HARVARD.EDU/GIVE/PUBLICATIONS/HMC

Make a Difference. Make a Bequest.

Harvard receives critical support from bequests annually. You too can make a lasting impact by simply including the following language in your estate plan:

"I give (_____ dollars or _____ percent or all of the residue of my estate) to the President and Fellows of Harvard College, a Massachusetts educational, charitable corporation (for its general purposes or for the benefit of a School or Unit)."

Bequests can be tailored to your interests. Please contact Harvard University's Planned Giving team at 800-446-1277 or pgo@harvard.edu for assistance.

RIGHT: STUDENTS ENJOY THE HARVARD-YALE GAME.

PHOTO: JON CHASE/HU



GIFT ANNUITIES BENEFIT FINANCIAL AID RECIPIENTS, HOUSE RENEWAL

CONTINUED FROM COVER

“I view my gift as an expression of gratitude for Harvard.”

—JOHN COSTONIS AB '59

His outlook changed in 1955, when he was accepted to Harvard and awarded a scholarship to cover his tuition. He first chose a pre-med concentration and later switched to philosophy, graduating from Harvard magna cum laude in 1959. He received his LLB from Columbia Law School, where he graduated magna cum laude in 1965.

Costonis went on to an accomplished career, serving as a U.S. Army counterintelligence officer and attending graduate school in Italy to continue his earlier studies in philosophy. Later, he practiced law and went on to teach at University of Pennsylvania; University of Illinois; University of California, Berkeley; and New York University. He became dean of Vanderbilt University Law School and was eventually named chancellor at Louisiana State University's Law Center.

Fifty years after graduating from Harvard, Costonis returned for his class reunion. Coming back, he says, brought his early social and economic experiences full circle.

“I was never as deeply moved as I was during the procession from Massachusetts Hall to Memorial Hall and when President Faust introduced us,” he says. Current Harvard students lined the path. “I still choke up in recalling their applause and good wishes to us as we, their two-generation elders, moved toward Memorial Church.”

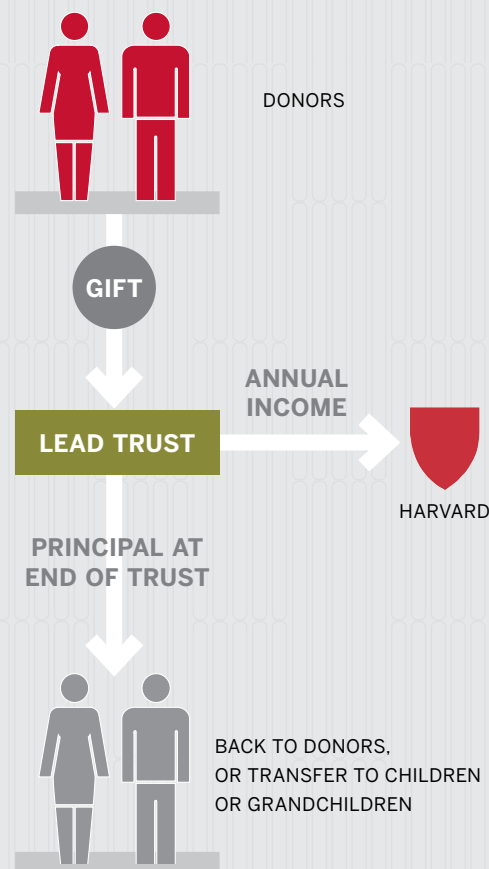
He felt connected to the students, he says. “I saw myself in them, and vice versa. I was in both the past and the present, and was fulfilled in the presence of both.”

Costonis is happy to have established his two gifts and hopes that his support will help future students achieve success. Reflecting on his own journey, he adds, “To have been able to travel that kind of economic and intellectual distance in a single lifetime could never have happened without help from a lot of angels, including Harvard, along the way.” 🌸

Opportune Time for Lead Trust

The financial benefit you and your family receive from a planned gift depends, in part, on interest rates. While the pertinent interest rate is determined monthly, the IRS lets you use either the current rate or the rate from either of the prior two months. So if rates change suddenly while you are making your plans, you can still lock in the most favorable rate for up to three months.

Current low interest rates make now an opportune time to establish a charitable lead trust as you can maximize your tax deduction. You can fund annual gifts to Harvard through a lead trust for a period of years, after which the trust value can revert to you or benefit your children or grandchildren.



A PRAGMATIC APPROACH TO HARVARD GIVING

When it comes to the deferred annuity she established with Harvard, Phyllis Rose AB '64, PhD '70 is matter-of-fact. "I am not a money person. I don't want to worry. I want to know in advance how much money I have to live on," Rose says. "In fact, I would give up a lot of income to know that I will not run out of money. So I have to view what I give as an investment, whose goal is to make my savings last my whole life. What I give cannot just be a gift, unfortunately."

By deferring her annuity, she will earn around 8 percent interest and enjoy great tax benefits. "Eight percent is fantastic," she says. "Even if inflation goes up, it has got to go up for a long time before eight percent doesn't look like a great rate of return." The fact that Harvard is managing the money gives her confidence, too. "The thing about an annuity is that you have to trust that the institution will be in business for the whole length of your life," Rose says. "I cannot think of another organization that has been 'in business' as long as Harvard—longer than the United

States itself! And I would rather Harvard have the money that is left over than an insurance company."

Rose has designated her annuity to benefit the Schlesinger Library at the Radcliffe Institute for Advanced Study, which houses one of the finest collections of resources for research on the history of women in America. "I do not know of another project like the Schlesinger," she says. "I totally support what they are doing, and however they use the money is fine with me. I would not presume to tell the Schlesinger how to use it."

The decision to support the Schlesinger Library comes from her concern that the library is not one of the usual suspects when it comes to earmarked donations to Harvard. More than that, though, is that libraries were an essential part of Rose's time in college.

"The town I grew up in on Long Island was not particularly intellectual. So I was especially happy to be in the intellectual world of Harvard," she recalls. "I studied; I talked to people; I ate ice cream at



PHYLLIS ROSE AB '64, PHD '70

Brigham's or hamburgers at Mr. Bartley's and had great conversations. It was unbelievably exciting to be with other kids who loved books and ideas. When I got to Cambridge, it was like the Pearly Gates had opened."

Indeed, one set of gates still resonates. Along Massachusetts Avenue stands Dexter Gate, which cuts through Wigglesworth Hall. The inscription on the outside of the gate is a quote from former Harvard president Charles William Eliot: "Enter to grow in wisdom."

"I have always loved that inscription," Rose says. "It meant so much to me as a student." 🌸

Giving Appreciated Stock Is Now More Advantageous

A gift to Harvard of appreciated stock held for more than one year may provide you with significant benefits, including:

- An **income tax deduction** for the fair market value of the stock
- The **elimination of capital gains taxes** due if the stock were sold instead
- **Freedom to direct your gift** to the Harvard purpose of your choice

To make a gift of stock, visit alumni.harvard.edu/stock or call 866-845-6596.

KEY DONOR BENEFITS OF A \$10,000 GIFT OF STOCK WITH A COST BASIS OF \$2,000

	CASH GIFT	STOCK GIFT
Current fair market value of stock	\$10,000	\$10,000
Income taxes saved	\$3,960	\$3,960
Capital gains taxes saved*	\$0	\$1,904
Total tax savings	\$3,960	\$5,864

* ASSUMES 20 PERCENT CAPITAL GAINS TAX AND 3.8 PERCENT SURTAX ON NET INVESTMENT INCOME

Harvard University Gift Annuity Rates

ANNUITY RATES ARE BASED ON YOUR AGE AND/OR THE AGE(S) OF YOUR BENEFICIARY(IES) WHEN QUARTERLY PAYMENTS BEGIN.

DONOR MAKES A GIFT TODAY AT CURRENT AGE...	...AND ANNUITY BEGINS IMMEDIATELY AT THIS RATE*...	...OR WAITS 5 YEARS BEFORE ANNUITY BEGINS AT THIS RATE*
60	4.9%	6.8%
60/60	4.4	6.0
65	5.4	7.6
65/65	4.8	6.7
70	6.0	8.5
70/70	5.3	7.5
75	6.7	9.8
75/75	5.9	8.2
80	7.7	11.0
80/80	6.5	9.5

* RATES SHOWN ARE CURRENT AS OF NOVEMBER 2013.

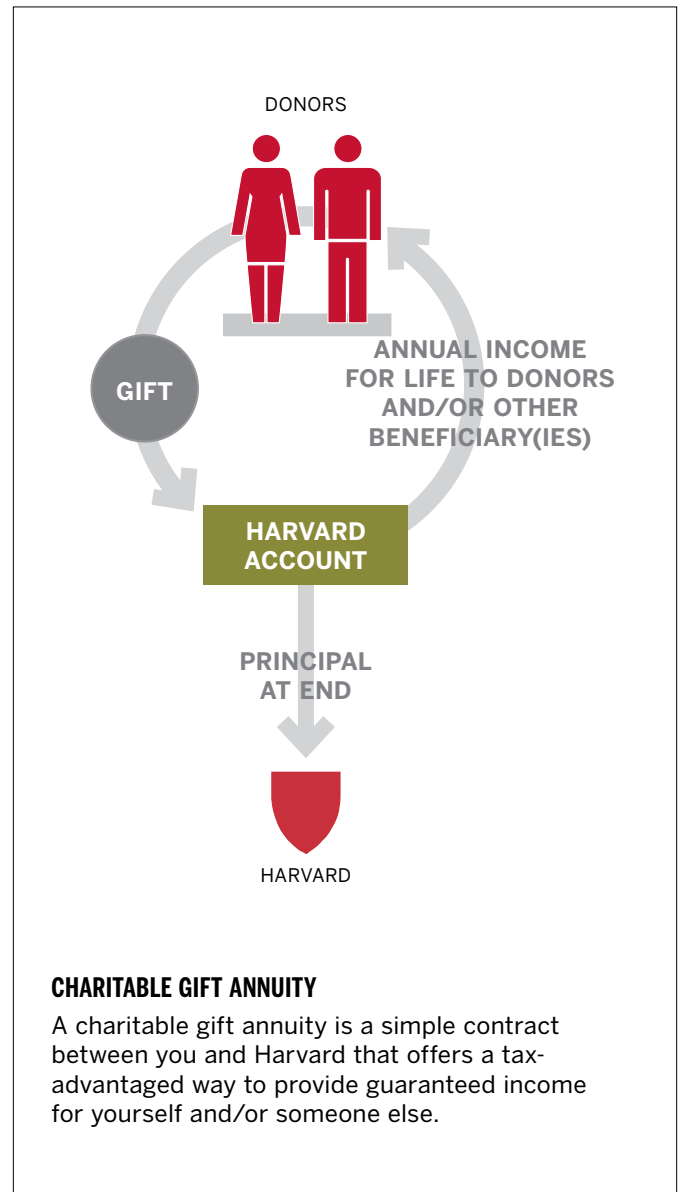


PHOTO: TONY RINALDO PHOTOGRAPHY

STAFF ANNOUNCEMENT

University Planned Giving (UPG) is happy to welcome new staff assistant Stephanie Strenta. Stephanie is a graduate of Smith College with a dual major in architecture and Italian studies. Prior to joining the UPG team, she worked in luxury sales and art consulting. A New Hampshire native, Stephanie enjoys running, hiking with her dog, and exploring all types of cuisine.

THE HARVARD CAMPAIGN



Visit campaign.harvard.edu to learn about the recently launched University campaign and about the School campaigns.

UPCOMING UPG EVENTS:

FAMILY, FINANCE, AND PHILANTHROPY DINNERS

PALO ALTO

WEDNESDAY, FEBRUARY 26, 2014

FOUR SEASONS HOTEL
SILICON VALLEY

BEVERLY HILLS

THURSDAY, FEBRUARY 27, 2014

THE PENINSULA BEVERLY HILLS

NEW YORK CITY

THURSDAY, MAY 8, 2014

THE HARVARD CLUB OF NEW YORK CITY

RECENT UNIVERSITY PLANNED GIVING EVENTS

DINNER AND DISCUSSION ON FAMILY, FINANCE, AND PHILANTHROPY

Earlier this year, guests enjoyed Family, Finance, and Philanthropy dinners in San Francisco, Beverly Hills, and New York City.

If you are interested in receiving materials or sponsoring a program in your area, please contact Mary Abbott at 800-446-1277 or pgo@harvard.edu.

SAN FRANCISCO, FEBRUARY 27, 2013

Held at the Four Seasons Hotel, the evening was hosted by Mark F. Bregman AB '78, Deb A. Erba, Wesley J. Fastiff LLB '59, Bonnie B. Fastiff, Gilbert M. Fleitas AB '79, and Kelli Donovan Fleitas.

1. DAVID L. GILMOUR AB '80, SM '82, MBA '84, MARK F. BREGMAN AB '78, AND DEB A. ERBA
2. ALEX PEDERSON, JULIE M. LAU AB '00, AND THOMAS E. SPARKS, JR. LL.M. '70
3. LINDA BOONE AND NORMAN M. BOONE MBA '77
4. JAMES LAW, LINDA LAW, STEVEN T. MAYER, AND NIKO K. MAYER EDD '80





BEVERLY HILLS, FEBRUARY 28, 2013

Jed R. Sherwindt MBA '90, Daniel G. Yankelovich AB '46, and Laura Nathanson AB '63 hosted the evening at The Peninsula Beverly Hills.

1. DANIEL G. YANKELOVICH AB '46 AND LAURA NATHANSON AB '63
2. JESSIE L. SHERROD MD '75 AND EUGENIA CLEMENT
3. TERRENCE C. YANG JD '91 AND VIVY CHAO

NEW YORK CITY, MAY 8, 2013

Held at the Harvard Club of New York City, the program was hosted by Martin H. Brownstein AB '56, Shirley B. Brownstein, Edmund A. Grossman MBA '59, Michael J. Johnston MBA '62, William G. Spears MBA '62, Maria T. Spears, and Arnold J. Zurcher, Jr. AB '53, LLB '56.

1. MICHAEL J. JOHNSTON MBA '62, MARIA T. SPEARS, AND WILLIAM G. SPEARS MBA '62
2. ROBERTA SCHNEIDERMAN, ISABELLE HYMAN, AND JEROME E. HYMAN LLB '47
3. ELIZABETH O. LENAHAN AB '77, MBA '82 AND WILLIAM LYONS
4. NISHA KUMAR AB '91, MBA '95 AND ROBERT G. JAMES MBA '48, PHD '53





HARVARD

University Planned Giving

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Harvard College, GSAS	617-495-4352	Peter Kimball
Law School	617-496-9265	Charles Gordy
Medical School	617-384-8449 800-922-1782	Mary Moran Perry

University Planned Giving professionals
can help you develop gift plans for any part
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Business School
School of Dental Medicine
Graduate School of Design
Divinity School
Graduate School of Education
School of Engineering and Applied Sciences
Extension School
Kennedy School
Law School
Medical School
School of Public Health
Radcliffe Institute for Advanced Study
Harvard Art Museums
Memorial Church
American Repertory Theater
Arnold Arboretum

