

Gift Strategies

HARVARD UNIVERSITY PLANNED GIVING NEWS



SPRING 2021

IN THIS ISSUE Opening the Doors to Education; Spanning Decades, Connecting the World; Maximizing the Power to Give; UPG Virtual Events

“The College was great when I was there, and it’s even better today.”

—WARREN MCFARLAN AB '59, MBA '61, DBA '65



OPENING THE DOORS TO EDUCATION

Inspired to give back in memory of his mother, an anonymous donor's gift supports future generations of Harvard Law School students while providing financial peace of mind.

Many years ago, a young woman tenaciously pursued an education and a career while raising her son—pushing him to dream big and raise his sights. Inspired to follow her example and achieve excellence, her son went on to attend Harvard Law School (HLS), where he learned from eminent legal scholars—including Archibald Cox AB '34, LLB '37, LLD '75, special prosecutor during the Watergate scandal—while working weekends as a truck driver, even delivering chairs to his own graduation ceremony. After earning his degree, he embarked upon a successful career in corporate law. Now he is honoring his mother's memory and the ideals of humility and charity that she lived by with an anonymous gift to provide opportunities for future HLS students.

“By the sheer force of her will and the values she instilled in me, she compelled me to aim very high,” he says. “You work hard and do what you have to do. You push yourself to achieve.”

Grateful for his extraordinary legal education, he began to work on a planned giving strategy with HLS at the forefront of his mind. He wanted a financial instrument that would reaffirm the commitment to giving back he learned from his mother and his faith.

Ultimately, he decided on a deferred charitable gift annuity for HLS—which he may later decide to designate in memory of his mother—as the right choice to help further the success of those seeking a top-notch legal education.

“It's important for those who have fared well to understand that there are people coming along behind us who deserve an opportunity,” he says. “You can't forget what got you to the dance.”

Charting Your Own Course

Thanks to his Harvard Law School training, he was able to create a life for himself that his mother had dreamed of—and now he looks forward to helping others find their own path.

“I owe Harvard Law School something in return,” he says. “Without this education, I would have never had the opportunities I've enjoyed. The doors that were open to me would not have opened so readily,” he continues. “And once those doors open, you've got to walk through them and get the job done.”

He credits the generosity of those who came before him—whose gifts supported the scholarships that allowed him to succeed—as a compelling reason to pay it forward now. He is also inspired by Harvard's commitment to a fair admissions policy that gave him an opportunity to matriculate to HLS as a minority student. It wasn't about the standards being adjusted or compromised, he says, but a process that was applied consistently to everyone. His decision to give was motivated in large part by wanting to ensure this policy is continued.

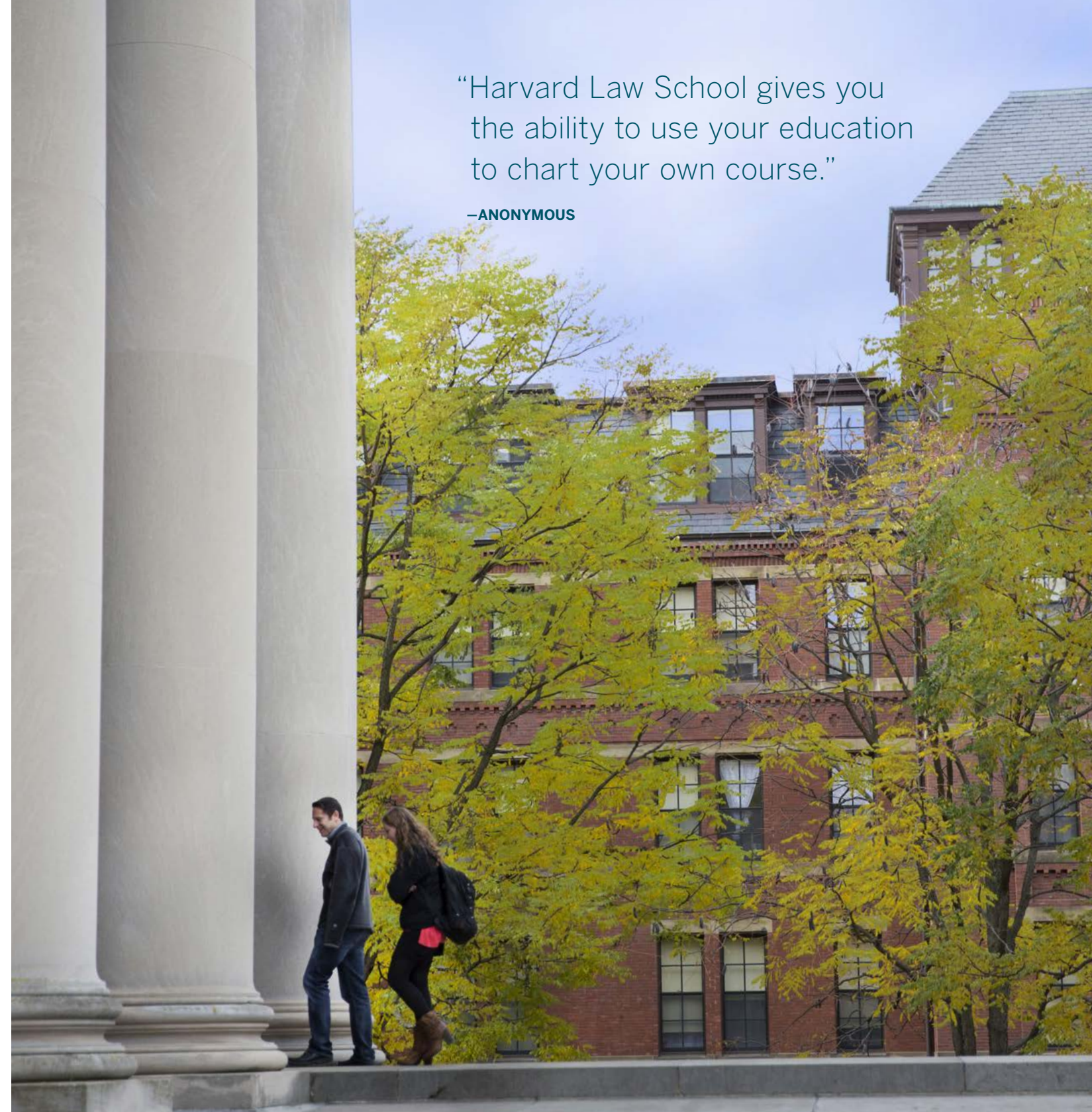
“Whether you want to work in the corporate sector or a legal clinic, teach or go into public service, Harvard Law School gives you the ability to use your education to chart your own course.”

Now that his career has been well established, he says, it's time to take stock of his priorities and how he can give thanks to the institution that has given him so much.

“People don't have to wait until they leave a legacy in their will to make an impact,” he says. “This is something you can do now to make a difference. If each alum gives back a little bit, it helps pave the way for younger generations. And if you want a world where merit and perseverance are rewarded, you've got to fund it.”

“Harvard Law School gives you the ability to use your education to chart your own course.”

—ANONYMOUS



CHARITABLE GIFT ANNUITY

With a charitable gift annuity, you can partner with Harvard on a plan to provide income during retirement. You can decide when you make your gift—now or in the future—and when to receive your income payments. Your gift provides support for Harvard's mission while providing you with a secure lifetime income that is taxed at a favorable rate.

For more information, please contact Harvard University Planned Giving at pgo@harvard.edu or **800-446-1277**.



PHOTO: Karen and Warren McFarlan with their grandchildren

SPANNING DECADES, CONNECTING THE WORLD

Leading innovations at Harvard Business School and building relationships across the globe, F. Warren McFarlan AB '59, MBA '61, DBA '65 plans to continue his legacy by investing in Harvard.

F. Warren McFarlan AB '59, MBA '61, DBA '65 has been part of the Harvard community for more than 60 years. From his first steps in the Yard to an illustrious career at Harvard Business School (HBS), McFarlan pioneered advances in information technology and established management and executive education programs around the world. Now, with the help of University Planned Giving, he and his wife, Karen (BA '62, University of North Carolina at Chapel Hill; MS '66, Simmons University), have found yet another way to contribute to his alma mater.

McFarlan, T.J. Dermot Dunphy Baker Foundation Professor of Business Administration Emeritus and Albert H. Gordon Professor of Business Administration Emeritus at HBS, began his journey at Harvard in 1955, when he enrolled as an undergraduate at the College to study physics. Serving as student manager for the football team and a member of the business board for the *Harvard Crimson* opened his mind to pursuing a degree in business at HBS, but it was an undergraduate course on computer programming his senior year that ultimately changed his life, putting him near the forefront of an emerging field.

“As a 17-year-old,” McFarlan says, “never could I have predicted that I would remain at Harvard for the span of my career.”

In 1961, upon completing his MBA, his programming experience led to a job as a research assistant, helping to design the first-ever information technology course at HBS. He went on to build a computer

simulation model, one of the largest models built at that time, while pursuing his doctorate and later joined the faculty as an assistant professor—the first faculty member with an information technology background and one of the first to receive a doctorate in this field.

Shortly after an appointment to full professor in 1973, he became a faculty member of Harvard's new International Senior Management Program in Switzerland, moving there with his young family and spending two years in Europe writing case studies and teaching. Five years later, while serving as chair of the Advanced Management and Executive Education programs, he was once again called to travel on behalf of HBS—this time leading Harvard's first delegation to China, giving lectures in Harbin, Beijing, and Shanghai.

From that point on, China played a central role in McFarlan's career. In addition to serving in several leadership roles at HBS, including senior associate dean of external affairs and senior associate dean of research, he helped establish the Harvard Center Shanghai and the Asia-Pacific Research Center in Hong Kong. He also worked with Tsinghua University in Beijing, establishing joint executive education programs at its School of Economics and Management with HBS and forging a relationship between the two institutions that continues today.

In the last 20 years, McFarlan has made over 90 trips to China. He has also authored 14 books and more than 300 cases and teaching notes on China, information technology, and social enterprise.

Through it all, McFarlan has dedicated much of his time to nonprofit work. He recently published *Effective Fundraising: The Trustee's Role and Beyond*, a guide that helps nonprofit leaders and trustees navigate the world of fundraising.

Championing the Future

When it came time to plan for their financial futures, the McFarlans felt compelled to give back to Harvard, choosing a blend of giving vehicles—including a charitable gift annuity and a charitable remainder unitrust—that support future undergraduates while providing the couple with a secure lifetime income.

“The College was great when I was there, and it's even better today,” McFarlan says. “It's just a remarkable group of students and faculty.”

Their gifts to the Faculty of Arts and Sciences include support for the Harvard College Fund, Harvard Art Museums, and Harvard College Library, where Karen began her career. Her first job out of college was at Houghton Library, and she went on to work for the University Library system for 15 years. In her last position there, she served as University personnel librarian, overseeing the staff of approximately 100 different library units. She also sat on the board and eventually chaired Harvard Neighbors, a volunteer group offering programs and activities for spouses to connect across faculties and departments. For 10 years, she volunteered as a docent at the Harvard Art Museums, and both she and her husband have enjoyed trips and events as Fogg Fellows.

“I am grateful for the opportunities Harvard gave me in my library career as well as my other volunteer activities,” Karen explains. “I feel very much a part of the Harvard community!”

The McFarlans are also committed to supporting Harvard Business School through a unitrust and a bequest intention, with funds going toward the F. Warren McFarlan Associate Professor of Business Administration—established by brothers William K. Fung MBA '72 and Victor K. Fung PhD '71 in honor of McFarlan's retirement from HBS—as well as the Asia Pacific Global Initiative.

“As far into the future as we can see, the economies and destinies of China and the United States are going to be linked together,” explains McFarlan. “We need to have faculty who work on that relationship and students who are educated on this topic, and we need to support Harvard in the evolving process of global engagement.”

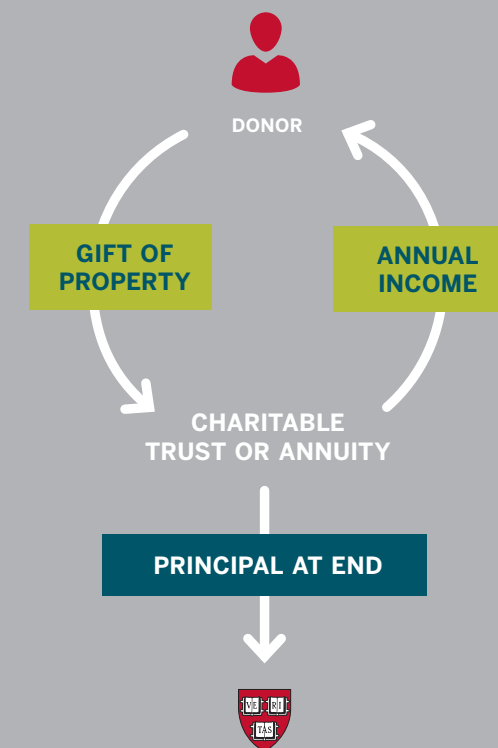
“As a 17-year-old, never could I have predicted that I would remain at Harvard for the span of my career.”

—WARREN MCFARLAN

PHOTO: COURTESY OF WARREN MCFARLAN

CHARITABLE REMAINDER TRUSTS

Planned giving strategies give you the opportunity to extend the impact of your gift and receive financial benefits. Harvard's planned giving experts can help you make your gift to the University in the most fulfilling and prudent way—whether it's a gift that can be used right away or a gift that produces lifetime income for you and/or others. One gift strategy is a charitable remainder trust (CRT). A CRT provides lifetime income for you and/or other beneficiaries in a tax-wise way—while also ensuring future support for Harvard. The trust can be funded with stock, cash, real estate, art, or other assets and invested with the Harvard endowment or in a tax-efficient diversified portfolio of mutual funds.



MAXIMIZING THE POWER TO GIVE



Karen Johnson has spent her entire career working to facilitate private, philanthropic support for Harvard—first for 30 years as an attorney at Ropes & Gray LLP and now as an attorney and director at Harvard Management Company (HMC). Today at HMC, she helps donors find the most effective way to support Harvard and plan for their financial futures. We recently spent some time talking with Karen about her work at Harvard and in particular her work with donors who are interested in making gifts of complex assets.

What do you enjoy most about your work at Harvard?

Working with our exceptional donors is very rewarding. I've had an opportunity to witness the pure, mission-focused philanthropy that's embedded in the culture at Harvard. Alumni and friends keenly understand the power and impact of their charitable contributions to the University, and they are committed to ensuring that future generations of students have access to all that Harvard has to offer. In my role at HMC, I'm able to interact with donors in a holistic way—from the beginning to the end of the gift process—helping them to define their goals and to develop a gift strategy to get them there. I also enjoy working with the incredible team of gift officers at the University. These talented and seasoned professionals find creative ways to structure gifts and provide donors with the opportunity to witness the difference their gifts make in the lives of students and faculty.

How did your previous experience prepare you for your current work at Harvard?

Having an established relationship with Harvard made the transition to HMC seamless for me. At Ropes & Gray, I worked externally with HMC on gifts of complex assets as well as with the University Planned Giving staff on charitable gift opportunities and strategies. I did this in addition to my wider portfolio of legal work, which included private equity analysis in connection with endowment investments. Harvard has long been committed to helping donors understand the most tax-efficient way to make a charitable gift to the institution. If an individual's wealth is in the private funds space, we can help the donor consider whether the gift of a private fund interest helps maximize their ability to give.

How do you assist donors in making gifts of complex assets?

The starting point for any conversation with a donor is determining the donor's philanthropic goals. Harvard is uniquely positioned to help donors look across their entire portfolio to see what sorts of assets might make sense to contribute and what gift structures are responsive to their charitable and personal goals. I would note that gifts of complex assets require diligence, and Harvard is methodical in identifying potential challenges that may arise for both the University and the donor and working through those challenges with the donor and the donor's advisors toward creative solutions. The exciting part of this work is that in many cases, gifts involving these more novel assets can unlock a bigger charitable impact than the donors might have anticipated—one they would not have necessarily been able to achieve with just liquid assets.

What are examples of gifts of illiquid financial assets that Harvard has received? How were these gifts advantageous for Harvard and for the donors?

We've received gifts of hedge fund interests, private equity—both limited partner and general partner interests—and private company stock. With careful structuring and a little patience, we have realized significant upside from these sorts of assets, and that upside is put to work in the endowment to support charitable purposes selected by the donor. These include areas like financial aid, research, and programmatic developments that help define Harvard excellence.

Is Harvard able to accept gifts of partnership (or fund) interests?

Absolutely! Harvard is unique in that it has the infrastructure in place—including gift officers, the University Planned Giving team, and the legal office at HMC—to accept gifts of fund interests. Typically, if an individual wants to make a gift of a partnership interest, they might

make such a gift to a larger, commercial donor-advised fund, because many charities do not possess the expertise to accept fund interests directly. At Harvard, we have an internal team that is responsive only to Harvard donors, and that means we can act swiftly to evaluate potential gifts. This level of efficiency is important, especially for donors facing a tight timeline due to, for instance, the potential tax issues of the sale of a company. We are not juggling a number of clients and priorities. At Harvard, we have one mission—and we're committed to fulfilling it.

Can you please explain the process of making a gift of real estate to Harvard?

A highly appreciated asset such as real estate can be a tax-efficient way of giving to Harvard. The donor's charitable deduction is based on the fair market value of the real estate—determined as of the date of the gift—and the donor does not pay any capital gains tax on the unrealized appreciation. Harvard can sell the asset and put the full value to work for the University. There are two techniques that can work particularly well: retained life estates (RLEs) and specially structured charitable remainder trusts (CRTs).

With an RLE, the donor retains the right to live in their home for their lifetime. After the donor passes away (or otherwise terminates the life estate), the title passes to Harvard, and Harvard then sells the property. The sale proceeds are used to support a fund or purpose previously identified by the donor. As a donor, you get to stay in your home, you receive a charitable deduction, and you support the University.

With a CRT, the donor contributes real estate to a trust. The trust sells the property, and the proceeds are invested in the endowment or as part of the CRT tax-efficient strategy as selected by the donor. The donor (or a specified beneficiary) receives a lifetime income stream, and the remaining assets are transferred to Harvard at the conclusion of the

trust. The CRT is a charitable giving technique that provides advantageous tax benefits to donors who may be interested in selling their home or another piece of real estate. Funding a CRT allows donors to convert the value locked in the real estate into a diversified investment portfolio (without having to pay tax on the appreciation) and reserve an income stream based on the value of the trust. In addition, the donor is entitled to a charitable deduction for the remainder value of the CRT that will eventually pass to Harvard when the trust terminates.

Do you see any trends or opportunities in the types of assets that are being given?

Wealth, including individual wealth, is migrating to the private capital space—hedge funds, private equity funds, and stock in private companies. In order to help donors implement a charitable giving plan involving these sorts of complex assets, a charity requires the right infrastructure as well as patience to help donors realize the full potential of this sort of philanthropy. Harvard has the staff and expertise to facilitate these kinds of gifts, and we are excited to talk with donors about how to achieve their charitable goals.

In the current economic and tax environment, are there planning situations people should be aware of, and are there gift vehicles that are particularly advantageous?

It is always advantageous to consider a gift of an appreciated, low-basis asset. As noted above, Harvard will benefit from the full value of the asset, and the donor will be eligible for a charitable deduction equal to the fair market value of the asset (as of the date of the gift) without paying tax on the appreciation. In the current interest rate environment, many donors are exploring the use of a charitable lead trust to benefit Harvard during the term of the trust and to ultimately return assets to family members at reduced transfer tax costs.

FAMILY, FINANCE, AND PHILANTHROPY

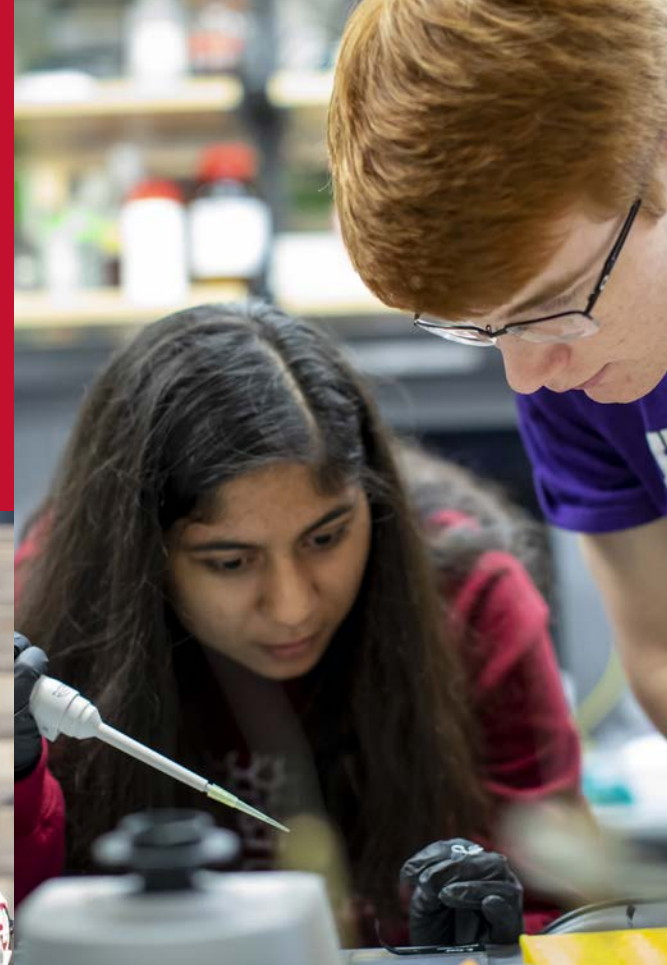
This winter, alumni and friends joined us for our Family, Finance, and Philanthropy virtual programs, which included presentations on charitable giving techniques, strategic financial planning, and meaningful family conversations. If you are interested in viewing a recording or learning about upcoming sessions, please contact Harvard University Planned Giving.

For a schedule and detailed information on how to register for an upcoming program, please email pgo@harvard.edu or visit alumni.harvard.edu/UPGEvents.



Now through December 31, 2021, cash gifts made to Harvard can have a greater impact for both you and the University:

1. Recent legislation extends through the end of 2021 a provision enacted in the wake of the pandemic that allows donors who itemize their deductions to deduct cash gifts to qualified charities up to 100 percent of adjusted gross income in 2021—up from 60 percent. As in 2020, gifts to donor-advised funds, supporting organizations, and most private foundations do not qualify under the law.
2. The law extends and modifies the charitable deduction available to non-itemizers for cash gifts they make to qualified charities. For 2021 only, the law doubles to \$600 the maximum amount joint filers may deduct. As in 2020, single filers or married filers who file separately are limited to \$300. Gifts to donor-advised funds, supporting organizations, and most private foundations do not qualify under the law.



Charitable Lead Trusts

A charitable lead trust can reduce your income taxes during a high-income year and eliminate gift and estate taxes when transferring assets to heirs.

The trust, which can be managed by Harvard or another firm (including, potentially, a donor's own fund), provides annual support to the University for a term of years that you choose. The principal (plus any appreciation) then reverts to you or transfers to your heirs.

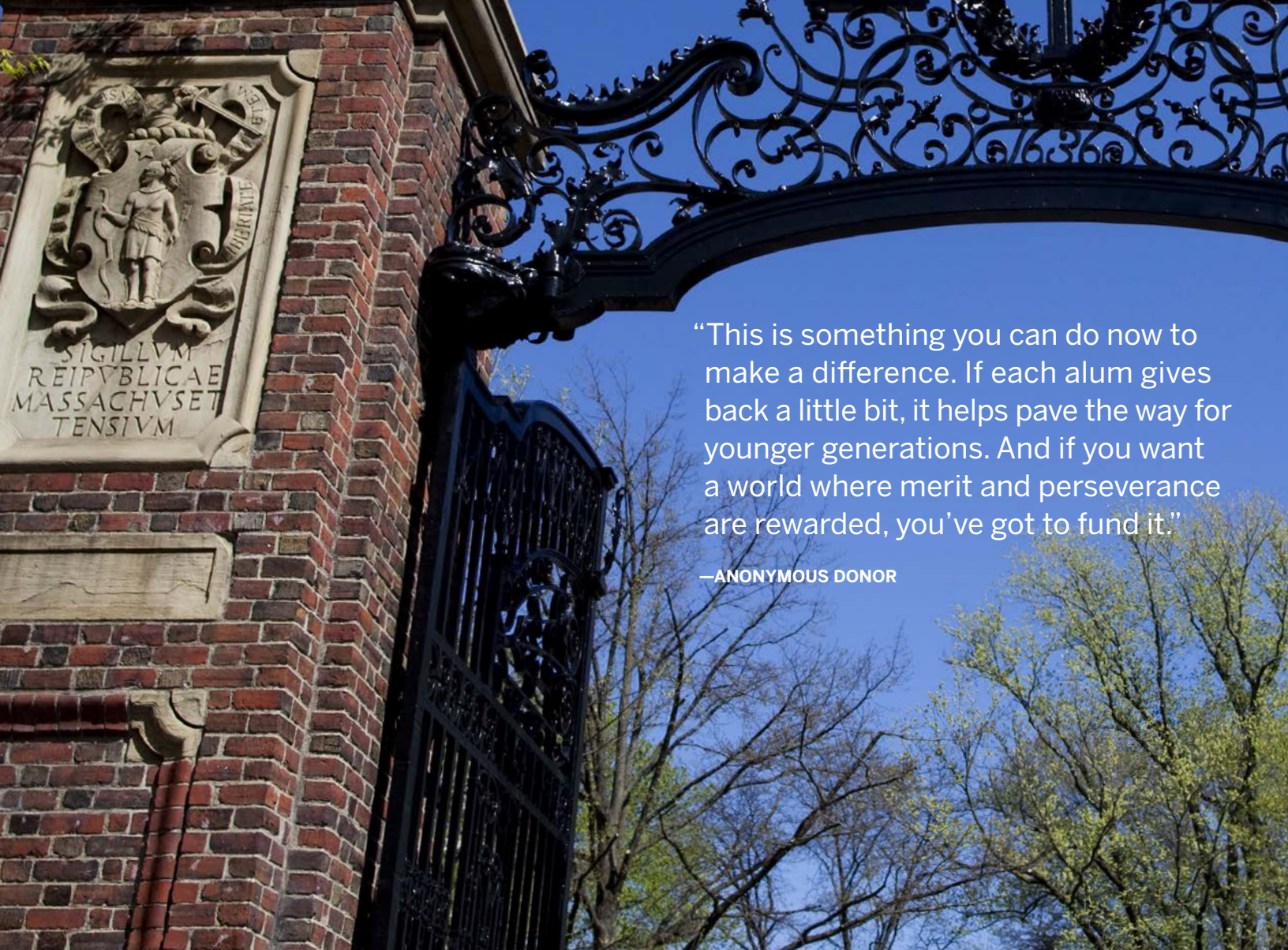
We are happy to discuss your philanthropic and financial goals with you and your advisor.

Contact us at **800-446-1277** or pgo@harvard.edu to schedule your private consultation.



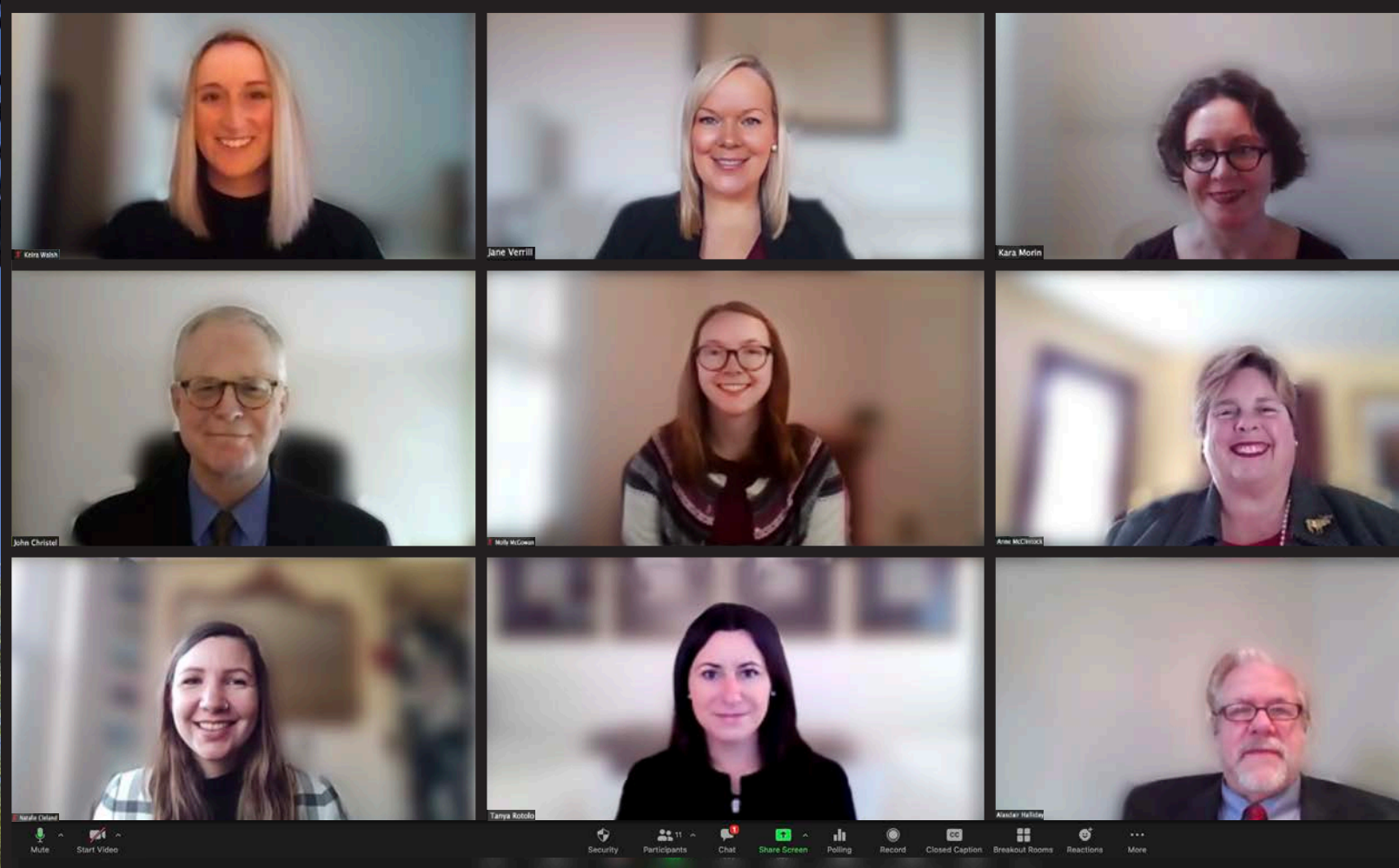
LEFT: Socially distanced students take advantage of a beautiful autumn day under a declaration of solidarity with the Movement for Black Lives in the windows of the Northwest Lab.
Fall lacrosse practice at Harvard Stadium.

ABOVE: During Wintersession 2020 (pre-pandemic), Fouzia Raza '23 and Patrick Dickinson '23 do lab work in the iGEM Bootcamp, a weeklong intensive on synthetic biology that introduces undergraduates to key concepts in biology, engineering, and computer science.
Saad Rajan MDE '19 (from left) and Marina Wang AB '19 scribe their ideas during Kelvey Bird's (not pictured) Wintersession course "Discover the Art of Scribing" inside 29 Garden Street.



“This is something you can do now to make a difference. If each alum gives back a little bit, it helps pave the way for younger generations. And if you want a world where merit and perseverance are rewarded, you’ve got to fund it.”

—ANONYMOUS DONOR



TOP ROW: Keira Walsh, Jane Verrill, Kara Morin MIDDLE ROW: John Christel, Molly McGowan, Anne McClintock BOTTOM ROW: Natalie Cleland, Tanya Rotolo, Alasdair Halliday AB '82

Johnston Gate

Harvard Annuity Rates

CONTACT UNIVERSITY PLANNED GIVING
800-446-1277 OR PGO@HARVARD.EDU

alumni.harvard.edu/annuities

SAMPLE HARVARD UNIVERSITY GIFT ANNUITY RATES

DONOR MAKES A GIFT TODAY AT CURRENT AGE(S) AND ANNUITY BEGINS IMMEDIATELY AT THIS RATE* OR WAITS 5 YEARS BEFORE ANNUITY BEGINS AT THIS RATE*
60	4.7%	6.3%
60/60	3.8%	4.8%
65	5.4%	7.3%
65/65	4.4%	5.8%
70	6.0%	8.1%
70/70	5.3%	7.2%
75	6.7%	9.4%
75/75	5.9%	7.9%
80	7.7%	10.6%
80/80	6.5%	9.1%

*RATES AS OF APRIL 2021

Have questions? We are here to help.

How to reach Harvard's planned giving professionals

University Planned Giving	617-495-4647	Anne McClintock
Harvard University pgo@harvard.edu alumni.harvard.edu/give/planned-giving	800-446-1277	
Business School	617-495-6883	Ellen Harkavy
Faculty of Arts and Sciences	617-496-5060	Tara Goodman
Law School	617-496-9265	Charles Gordy
Medical School	617-384-8507	Kathleen Murphy

Let us help you plan a gift to one or more of these Schools and affiliates

Harvard University President's Fund	Kennedy School
Harvard College	Law School
Graduate School of Arts and Sciences	Medical School
Business School	Harvard T.H. Chan School of Public Health
School of Dental Medicine	Radcliffe Institute for Advanced Study
Graduate School of Design	Harvard Art Museums
Divinity School	Harvard Museums of Science & Culture
Graduate School of Education	Memorial Church
Harvard John A. Paulson School of Engineering and Applied Sciences	American Repertory Theater
Extension School	Arnold Arboretum

EXTEND YOUR IMPACT THROUGH A BEQUEST

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)."

To tailor your bequest, please contact University Planned Giving at 800-446-1277 or pgo@harvard.edu.

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Gift Strategies

HARVARD UNIVERSITY PLANNED GIVING NEWS

Did You Know?

Giving appreciated stock held for more than one year is an effective way to support Harvard while receiving tax benefits.

In addition to receiving an income tax deduction for the full value of the stock, you can eliminate capital gains taxes that would be due if you were to sell the stock instead of donating it to the University.

Look inside for more information on ways to give.

**Have Questions?
We are here to help.**

800-446-1277 or
pgo@harvard.edu

[alumni.harvard.edu/give/
planned-giving](https://alumni.harvard.edu/give/planned-giving)

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KRIS SNIBBE/HARVARD STAFF

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