

# ALLEY THEATRE NINA VANCE LEGACY SOCIETY



## Applause



Alley Theatre's Financial, Estate and Gift Planning Newsletter

Summer 2014

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### Veteran Actor Charles Krohn Celebrates with Members of the Nina Vance Legacy Society

A beautiful spring afternoon in the Alley Theatre's Terrace Room was the setting for the second annual Nina Vance Legacy Society appreciation event on Saturday, March 29. Offered as an exclusive benefit to those who have made gifts to the Alley Theatre in their estate plans, the event spotlighted veteran actor Charles Krohn, who began his career on the Alley stage more than 50 years ago when he performed in Ugo Betti's *The Queen and the Rebels* in 1963.

Following the buffet lunch, Legacy Society members were treated to a presentation by Mr. Krohn, who shared his personal reflections on Nina Vance's passion and vision for the Alley. Welcoming the members were Planned



Photo by Wilson Parish

**Chesley and Charles Krohn**

Giving Co-chairs Richard and Gina Fish and Alley Board President Jesse Marion.

*(continued on next page)*

**"Life is no brief candle to me. It is a sort of splendid torch which I have got a hold of for the moment, and I want to make it burn as brightly as possible before handing it on to future generations."**

– George Bernard Shaw (1856-1950): Irish literary critic, playwright, essayist and winner of the Nobel Prize for Literature in 1925

## Veteran Actor Charles Krohn Celebrates . . . *(continued from page 1)*

One of the greatest honors a donor can give the Alley is to include our theatre as a beneficiary in an estate plan. Unless specifically designated, gifts from bequests are invested in the Alley Theatre endowment. The corpus of the endowment remains intact and only a percentage of the earnings is used to support annual operations. A planned gift serves as a lasting commitment to the future of the Alley and a permanent reminder of your passion for live theatre in Houston.



Photo by Wilson Parish

**Richard and Gina Fish,  
Planned Giving Co-chairs**

## Knowing When to Say “No”

As nice as it is to dream about inheriting a fortune, the reality is that most inheritances are more modest. There may also be times when it makes sense to disclaim (refuse) a bequest. For example:

■ A husband died without a will, so his estate passed under state law, to be divided between his wife and children. The children could disclaim their interests, allowing the mother to receive the funds (assuming the children do not have children of their own).

■ A surgeon with a substantial estate of her own receives an inheritance that will boost her already taxable estate. If she disclaims, the inheritance could instead pass to her children under state law.

■ A wife left her entire estate to her husband, but provided that if he predeceased her or disclaimed the

bequest, it would instead pass to the Alley Theatre. The husband, who had no need for the money, chose to disclaim in favor of charity.

There are specific rules relating to disclaiming an inheritance or gift. Disclaimers generally must be in writing, received by the estate within nine months of death, the person disclaiming cannot have received any benefits from the disclaimed property and cannot direct how the property will pass. Always check with an attorney before making a disclaimer.

It's also a good idea to add the Alley Theatre as a contingent beneficiary in your will, in the event the primary beneficiary is deceased or disclaims. This provides greater control over assets and allows for post-death planning to take advantage of marital or charitable deductions.

## Hedging on a Renewal

At the end of 2013, the opportunity expired for IRA owners age 70½ and older to make distributions from IRAs directly to charity, up to \$100,000. This provision, which has expired and been reinstated several times, may again be renewed. If you're eligible, you might want to consider making your 2014 gifts from your IRA anyway, at least up to the amount of your required minimum distribution.

If the provision is reenacted later in 2014, the amount already given will qualify as a charitable distribution and avoid income tax. If the provision is not renewed, you'll owe income tax on the gift amount (which would have been due anyway as a required minimum distribution), but you will be entitled to an income tax charitable deduction. Please check with your advisers and contact us if you're planning to make any gift from an IRA to the Alley Theatre.

## Keeping It in the Family

A big drawback to a reverse mortgage for many homeowners is that the home may not be available to pass down to children at death. One option might be for a child to buy the home from mom and dad today and then enter into a lifetime lease. Consider a couple – Pam and Dave – ages 74 and 76, who have lived in their home for 41 years. They purchased the house for \$110,000 and built an addition many years ago for an additional \$78,000. Today, the home is worth about \$650,000, but they can't spend that built-up equity.

Ann, the couple's only daughter, proposes to buy the home for the fair market value and rent it back to them at current market rates. There are several advantages for the two generations:

- Pam and Dave owe no tax on the sale, thanks to the \$500,000 exclusion.
- The couple are no longer responsible for the real estate taxes. Although they receive no tax deduction, they were unable to use it anyway because they took the standard deduction rather than itemizing.
- Pam and Dave will owe rent each month, but they can invest the sale proceeds for added growth.
- Ann will have rental income, but will also have offsetting deductions for insurance, real estate taxes, mortgage interest, depreciation and maintenance.

When mom and dad no longer need the home, Ann can sell to harvest the appreciation, move into the house herself or continue renting the house for future income.

Anyone considering a sale of a home to a family member should be careful to document the transaction, keep records of rents paid and seek the advice of an attorney.



Photo by Jann Whaley

**The Company in the Alley Theatre's production of *You Can't Take It With You*.**

## Four Revocable Gift Ideas

- Name the Alley Theatre as a beneficiary of your will. You retain the right to change beneficiaries during your life.
- You can add the Alley Theatre to your revocable living trust. Any distributions we receive during your lifetime qualify for an income tax deduction.
- The Alley Theatre can be named to receive amounts remaining in your savings, checking, brokerage or other financial accounts at death. If you name us as a beneficiary of your IRA or 401(k) account, the income tax that would be owed by family members is completely avoided.
- If family members no longer need the security of a life insurance policy bought many years ago, the Alley Theatre can be named the beneficiary.

Call us if you'd like more information about any of these ideas.

## Giving the Gift of Thrift

*“If I could instill in my grandchildren only one good habit, it would be that of saving for the future on a regular basis.”*

Suppose you could start a young person on the road to thrift by encouraging him or her to establish an IRA? That account could be a lifetime stimulus to savings . . . and a wonderful example of the magic of tax-free compounding of interest.

Tax laws allow anyone with earned income to invest in an IRA, but it might be difficult to convince an 18-year-old to put up to \$5,500 in hard-earned wages in an IRA. That’s where grandparents can help. A grandparent can offer to replace money a young person invests in an IRA, enabling the grandchild to use job earnings for college tuition and expenses while saving for retirement at the same time.

### Another Important Lesson

While encouraging retirement savings is important, grandparents may also want to foster

## DID YOU KNOW?

For the inaugural production of *A Sound of Hunting* in the small dance studio, the Alley received a donation of lumber to help build flats for the stage and platforms for the seats. Halfway through the build, they ran out of lumber and had no funds to spare. Nina Vance immediately sent volunteers to her home to disassemble her sun deck. They completed the set with the “borrowed” wood.

philanthropy in the younger generation. A grandparent could explain why gifts are made to Alley Theatre and other worthwhile organizations. The grandchild could be given the opportunity to select a charity that he or she feels is worthy, with the grandparents making the gift or matching the grandchild’s gift and increasing their deductions.

## Free Booklet

Wills and revocable living trusts are vital planning tools, but it’s likely a large part of your estate will pass through beneficiary designations contained in life insurance policies, financial accounts, IRAs and other arrangements. What you don’t know might hurt you. The Alley is offering a **FREE** publication on *Tips and Traps When Naming Your Beneficiaries*. The publication can be mailed or e-mailed to you. There is, of course, no obligation. Simply return the enclosed card in the envelope provided.

**If you would like to make a bequest for the future of the Alley Theatre, our legal name is Alley Theatre and our Tax ID number is 74-1143076.**

Masthead photos: Jeffrey Bean in *Cyrano de Bergerac* (photo by Michal Daniel). Jennifer Laporte and John Felch in *To Kill a Mockingbird* (photo by T. Charles Erickson).



# ALLEY THEATRE

615 Texas Avenue  
Houston, Texas 77002  
713.315.3378  
marykayw@alleytheatre.org  
www.alleytheatre.org



Mary Kay Wittrock  
Director of Planned Giving