A Daughter’s Love: Creating a Tribute Legacy

In 2009, Nancy Shelby, a former private banker and trust officer, was asked by her brother, Dr. Michael Macko, to help him with his estate plan, which included 14 charitable beneficiaries. Nancy agreed to serve as executrix of his will. After his death in 2010, Nancy inherited a portion of his IRA. Last year, she made the decision to name the Alley Theatre as a partial beneficiary of her inherited IRA along with three other charities in tribute to her family members.

Given her experience as a trust officer, we’ve asked Nancy to share some of her insights on estate planning and legacy gifts.

“First of all, I think it’s important that people realize that planned giving isn’t just for the wealthy,” says Nancy. “Though I had my estate plan in place, this inherited IRA was not anticipated. My brother and I had had some long conversations about this gift, but the truth is that you don’t want to inherit anything from a sibling. You don’t plan for that.”

“He told me his gift would allow me to do what I needed to do and if it came to a point where I didn’t need it for my family, I could donate it to charity. Now that time has come, and I realized that I should do what I had always advised my clients to do when I was a private client trust officer.”

Nancy explained that it was an easy choice for her, in part because IRAs are so tax affected. “It’s the best asset to leave for charity because estate and income taxes can total as much as 80% of the account as withdrawals are taxed as ordinary income, so it really makes sense to choose that asset first and foremost. Oftentimes, if you’re married, you’ll need your spouse’s permission, but if you have a straight IRA asset like I inherited, it’s a good choice. My husband Alan is well aware, fully endorses my decision and thinks it’s a great idea.”

Alan is a native Houstonian, but Nancy

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is not, and one of her first introductions to the Alley was through her husband’s aunt, Dotty Shelby, who received one of the 214 original penny postcards from Nina Vance in 1947. “When she showed me the postcard, I thought it was very special and that’s what started me on the Alley,” Nancy says. “When Alan and I moved to Houston in 1981, we bought season tickets, and the Alley was one of the first two boards I joined. Although my husband wasn’t raised in the arts as I was and has his own interests, we both enjoy going to the Alley as a couple.”

In thinking about the beneficiaries of her inherited IRA, Nancy says the Alley was a natural choice. “I also think personal tributes are a wonderful way to give, and I’ve made three of my legacy gifts in memory of family members. Given my philanthropic upbringing, I think it’s much better to honor people who helped make you and ignited the spark that made you who you are,” she says.

Nancy’s gift to the Alley is in tribute to her father, Charles M. Macko. As a founding trustee of the library in the family’s small hometown of Ardsley, New York, Charles had a passion for literature. Early in his career, he was a feature writer on the automotive industry. He went on to interview notable individuals such as Huey Long and served as a movie and theatre critic for the Wall Street Journal. He was the one who introduced Nancy to theatre. “My first production was My Fair Lady when I was 4,” Nancy recalls. “I was young but I was mesmerized and loved every minute of it. It was an experience that I shared with my dad. We always went to the theatre and movies together, so my legacy gift to the Alley is in tribute to him.”

Another important thing many people may not realize, Nancy says, is that they can select an endowed fund for their planned gift. In her case, for example, each season her dad would receive the new play volumes and she would read them. “So I designated this gift for the Alley’s Endowment Fund for New Works. I’m pleased that my gift will indirectly enhance the Alley’s library, which will house these new plays. This gift honors my dad, who introduced me to theatre, and keeps the theatre and his memory alive. So, that was perfect.”

DID YOU KNOW?

W.S. Bellows Construction Corporation built our original Alley Theatre building, remodeled/restored the basements after TS Allison, and is now renovating the entire building. Here are a few highlights of the renovation:

- More than 6 million pounds of concrete were removed and recycled.
- More than 300,000 pounds of metals (e.g. structural steel, doors, ductwork, etc.) were salvaged and recycled.
- More than 54,000 cubic feet of new concrete (equivalent to the area of a football field one foot deep) has been poured in the building.
- More than 410 tons of new structural and miscellaneous steel were fabricated and erected.
- As many as 1,400 W.S. Bellows workers and subcontractors have devoted more than 300,000 man hours to this complex project, which is on schedule and within budget.

The long-awaited grand reopening celebration is planned for September 19, 2015.
Gifts to the Alley and Family: A Winning Combination

Making a lifetime gift to the Alley Theatre or including a gift in your estate plans for our benefit does not have to mean shortchanging your children. Several gift options allow you to share the benefits between the Alley and family members.

Wealth replacement plans – Friends of the Alley Theatre who wish to “replace” assets given during their lifetimes can purchase life insurance payable to family members, funded partly by tax savings from their charitable deductions. The life insurance replaces the assets that we receive, and if you use a special trust (an irrevocable life insurance trust), your family can receive the insurance proceeds free of gift or estate tax. One example is a plan in which a couple transfers assets to a charitable remainder trust, reserving income for their joint lives. The income tax savings they realize, plus the annual income from the remainder trust, can be used to fund the premiums on the life insurance. At death, both the Alley and family members benefit.

A legacy from your IRA – Funds remaining in IRAs at death are generally subject to income tax, severely depleting the retirement savings of many people and leaving only a fraction for family members. You can, instead, leave your retirement accounts to a charitable remainder trust that will pay income for life (or a fixed term of up to 20 years) to family members. When the trust ends, assets would come to the Alley Theatre. Nothing is lost to income taxes when IRA assets pass to the charitable remainder trust, so family members receive income based on the full value of the account.

We would be happy to discuss these ideas with you as you plan your estate and consider ways to continue the support you have provided for the Alley Theatre.

Free Booklet

The Alley Theatre is offering a FREE publication on 20 Timely Tips for Retirees. The booklet is written for people who are retired or who are about to retire and illustrates ideas for making the most of your retirement years and maintaining, even improving, your financial security. 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.
Speaking the Estate Planning Language

Here’s a list of common terms, along with a short description of each, which may be helpful as you make or update your estate plan:

- **Will** – A legal document directing how assets are to be distributed at death. Each state has its own laws regarding the formalities necessary to execute a valid will.

- **Living Trust** – An arrangement in which assets are transferred to a trustee during life. At death, these assets pass to named beneficiaries outside the probate system.

- **Testator** – The person executing (signing) the will.

- **Probate** – The court-supervised process of distributing assets. A judge will appoint an executor (usually the person named in the will or a close relative if no valid will exists) who will oversee the payment of debts, collection of amounts due, filing of tax returns and, finally, transfer of assets according to the will or under the state’s intestacy laws.

- **Intestacy** – Where no valid will is found, the distribution of an estate will be done according to the state’s laws, with varying amounts passing to spouses, children, parents, siblings and other more remote relatives.

- **Codicil** – A document used to make a minor change to an existing will, without the need to execute a new will. The codicil must satisfy the same legal requirements regarding witnesses and signatures as a will.

- **Specific Bequest** – A bequest of a particular amount of money or item of property to an heir (e.g., “my diamond earrings to my granddaughter, Sally”). If the item is no longer in the estate at death, the heir may receive nothing.

- **Residuary Bequest** – After all specific bequests have been satisfied, the amount remaining is the residue of the estate. The residue can pass to one or more beneficiaries, including the Alley Theatre (e.g., “25% of the rest, residue and remainder of my estate to each of my three children and to the Alley Theatre”).

- **Contingent Bequest** – In the event a primary beneficiary dies before the testator, a contingent bequest provides for the bequest to pass to another beneficiary (e.g., “$100,000 to my brother, Samuel, but if he dies before me, the $100,000 shall be paid instead to my nephew, John”). You can name the Alley Theatre as a contingent beneficiary.

It may be helpful to keep these terms in mind when consulting your attorney about drafting or updating your will. If you’d like more information about adding a bequest for our benefit, please call our office.

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.