



*Newton's Financial Law of Gravity: 'When your net worth goes up,
it must keep going up!'*

Tax-Free Smarts...

Graduation season is here, and grads of all ages are excited to move on! Kindergartners are celebrating mastery of letters, shapes, and not eating crayons. Awkward eighth-graders just want to finish getting through puberty. High-schoolers are looking forward to careers, college, and moving out of their parents' nests. College grads are looking forward to crushing student debt and moving back *in* to those nests. And some panicky grad students (you know who you are), are searching desperately for one last degree to avoid joining the rest of us in the real world.

Most graduations are pretty pedestrian affairs. The same *Pomp and Circumstance*, the same gowns, caps, and tassels, and the same trite, inspirational speeches filled with dad jokes and lame puns. But every so often, a graduation makes real headlines. This year, it came on May 18, at Atlanta's Morehouse College, a private, historically-black men's college.

Robert F. Smith founded Vista Equity Partners, a private equity firm investing in software companies. Smith is one of the best in that particularly challenging business — he's built a \$5 billion fortune and made himself the richest African-American in the country. (Take that, Oprah!) This year, Morehouse granted Smith an honorary degree and invited him to deliver the commencement address. Smith, who has been a generous supporter of educational causes, pledged \$1.5 million to the school. So far pretty typical, right?

Recipients never owe tax on gifts.

But Smith saved his real news for the ceremony itself, without even announcing it to administrators ahead of time. He told the audience of 396 graduates: "We're going to put a little fuel in your bus . . . This is my class, 2019, and my family is making a grant to eliminate their student loans." While the exact figure is still unknown, recent classes have graduated with roughly \$10 million in debt.

The best part, as far as students are concerned, is that Smith's extraordinary gift is tax-free. Recipients never owe tax on gifts. As for Smith, givers can give up to \$15,000 per year to as many recipients as they like, or \$30,000 for joint gifts with their spouse. And givers can pay any amount for medical or educational purposes so long as they stroke the check directly to the institution providing those services. Givers don't owe actual tax until their total lifetime gifts *above* those "annual exclusion amounts" top \$11.4 million per person.

But Smith shouldn't even face those gift tax consequences. That's because, as he announced at the ceremony, he's making a "grant" to nuke the loans. Doing it through the school should qualify it as a deductible charitable contribution, meaning Uncle Sam will cover up to 37% of that cost.

Smith is no stranger to deductible gifts. He's given \$50 million to his own alma mater, Cornell, which named their school of chemical and biomolecular engineering for him. (Who knew you could slice and dice engineering schools like that?) He's supported the Smithsonian's new National Museum of African-American History and Culture. And last year, he bought two houses — where the Rev. Martin Luther King was born, and where he lived with his family — and donated them to the National Park Service.

Smith is obviously smart as well as generous. And one thing he seems to know is you don't build a \$5 billion fortune without minimizing interference from the IRS. Would you love to be able to make some sort of grand, generous gesture at the next graduation you attend? Call us for a plan to pay less tax, and let's see how generous we can help you be!

Bill