

Oklahoma City

Community  
Foundation

# the adviser

a newsletter for financial planning professionals  
May 1996



## JUST THE FAQs!

*"FAQs," as many Internet users already know, are "Frequently Asked Questions." Novice and veteran surfers alike go straight to the FAQs when answers are needed. In this, the first issue of our quarterly series of newsletters for financial planners, we want to answer your questions even before you might ask them. Look to this publication when you need fresh ideas and tax-saving strategies for your clients' financial planning needs.*

### WHAT IS THE OKLAHOMA CITY COMMUNITY FOUNDATION?

The Oklahoma City Community Foundation was founded in 1969 to provide simple, flexible and effective ways for permanent endowment funds to be established and managed. The Community Foundation works with donors to help achieve their personal financial and philanthropic goals and to establish endowments for a variety of charitable purposes.

### IS A COMMUNITY FOUNDATION JUST ANOTHER CHARITY?

Community foundations are vehicles for charitable giving as well as for estate planning. They are classified not as private foundations but as 501(c)(3) public charities. Most funds at community foundations are permanent endowments. Community foundations exist in over 300 cities in the United States. The Oklahoma City Community Foundation is the 18th largest in the United States.

### WHERE DOES THE FOUNDATION GET ITS FUNDS?

Since the establishment of the Oklahoma City Community Foundation, thousands of Oklahomans have recognized the need for a perpetual income stream for non-profit agencies.

Endowments can be built from multiple donors and from various sources—cash, marketable securities, life insurance, oil and gas royalties, real estate and bequests through wills and trusts.

### HOW ARE THE FUNDS INVESTED AND ADMINISTERED?

A diversified investment portfolio is managed by the trust departments of Boatmen's Bank, Liberty Bank and Bank of Oklahoma. The investment policy's objectives are the preservation of capital, the protection of the earnings against inflation, and the generation of income. The Investment Committee looks toward the long term in its investment management practices. Trustees review investment performance quarterly and the Community Foundation's professional staff oversees the distribution of the income to more than 200 non-profit entities in central Oklahoma.

### WHO DECIDES HOW THE FUNDS ARE DISTRIBUTED?

The Trustees and staff of the

Foundation take special care to ensure that earnings are distributed according to a donor's field of interest or designation to a specific organization. In the case of unrestricted funds, the Trustees make grants according to needs identified within the community. Extensive files and information about

non-profit organizations are maintained. The staff is able to manage the details of a donor's contributions and help the donor investigate specific organizations or needs. The staff also administers special funds such as scholarships that require annual attention and special restricted funds that meet a donor's specific charitable interest. All earnings are used to benefit charitable organizations and purposes.

### WHY SHOULD I RECOMMEND THE OKLAHOMA CITY COMMUNITY FOUNDATION TO MY CLIENTS?

The Community Foundation is an efficient and flexible alternative to a private foundation or a separate endowment fund. Many financial and estate planners have recommended to clients that they establish funds at the Community Foundation because it offers considerable tax advantages as well as administrative and investment services not available to donors contributing to a private foundation. ☒

#### INSIDE

FINANCIAL &  
INVESTMENT  
PERFORMANCE  
DATA

NEW FUNDS  
OF INTEREST

ESTATE  
PLANNING WITH  
RETIREMENT  
PLAN ASSETS

**OKLAHOMA CITY COMMUNITY FOUNDATION, INC.**  
*Statement of Activity and Changes in Fund Balance Arising from Cash Transactions*

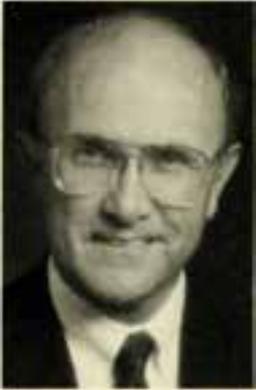
	Nine Months Ended March 31, 1996 (Unaudited)	Year Ended June 30, 1995
<b>REVENUES AND SUPPORT</b>		
Contributions	\$ 8,007,938	\$ 36,384,931
Net investment income	3,834,817	4,043,800
Net investment realized gains	7,210,058	186,441
Net investment unrealized gains	<u>4,713,400</u>	<u>13,785,425</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<b>23,766,213</b>	<b>54,400,597</b>
<b>EXPENSES AND DISTRIBUTIONS</b>		
Grants	5,218,479	3,918,903
General and administrative	<u>414,714</u>	<u>610,715</u>
<b>TOTAL EXPENSES AND DISTRIBUTIONS</b>	<u><b>5,633,193</b></u>	<u><b>4,529,618</b></u>
<b>INCREASE IN FUND BALANCE</b>	<b>18,133,020</b>	<b>49,870,979</b>
<b>FUND BALANCE AT BEGINNING OF PERIOD</b>	<u><b>130,407,274</b></u>	<u><b>80,536,295</b></u>
<b>FUND BALANCE AT END OF PERIOD</b>	<u><u><b>\$148,540,294</b></u></u>	<u><u><b>\$130,407,274</b></u></u>

**OKLAHOMA CITY COMMUNITY FOUNDATION, INC.**  
*Investment Performance*  
*Pooled Investments*

	Percentage Returns			
	Nine Months Ended March 31, 1996	Year Ended June 30, 1995	Three Years Ended June 30, 1995	Five Years Ended June 30, 1995
<b>EQUITIES</b>				
Community Foundation	20.84	29.56	11.23	10.04
Standard & Poor's 500	20.63	26.20	13.21	12.09
Indata Median	19.86	23.60	12.88	11.63
<b>FIXED INCOME</b>				
Community Foundation	3.97	9.97	6.79	8.92
Lehman Int Gov Corp	4.37	10.37	6.79	8.82
Indata Median	4.60	11.34	7.37	9.36
<b>TOTAL FUND</b>				
Community Foundation	13.27	18.52	8.67	9.28
50% S&P/50% Lehman	12.50	18.28	10.04	10.50
Indata Median	12.58	19.41	11.22	10.95

*Results given are for all Community Foundation Funds excluding those in separately invested supporting organizations. Special assets are also excluded. Equity performance is compared to the Standard and Poor's 500 Stock Index; fixed income performance is compared to the Lehman Intermediate Government Corporate Index; total return is compared to an equal weighting of these two. Indata is a universe of investment managers used widely to judge performance.*

# consider this...



*Jon H. Trudgeon*

MR. TRUDGEON, AN ATTORNEY WITH SPECK, PHILBIN, FLEIG, TRUDGEON & LUTZ, HAS WRITTEN NUMEROUS ARTICLES ON TAX-EXEMPT ORGANIZATIONS, QUALIFIED RETIREMENT PLANS, AND HAS SPOKEN TO THE OKLAHOMA PLANNED GIVING COUNCIL AND AT CONTINUING LEGAL EDUCATION PROGRAMS ON ESTATE PLANNING FOR RETIREMENT BENEFITS.

## Estate Planning with Retirement Plan Assets

*By Jon H. Trudgeon*

A growing portion of the wealth held by individuals who are at the age for serious consideration of estate planning is now in the form of “defined contribution” qualified retirement plans and IRAs. Many of these individuals have done better financially than they ever expected, and continue to do so. As a result, some have not taken the retirement income available to them. These assets are quite different from other assets in that they represent pre-tax accumulations. Therefore, the estate planner must consider both income tax and transfer tax consequences. Not only is the value of the benefits included in the decedent’s estate, for estate tax purposes, but the beneficiary is also subject to income tax upon receipt. Add in the possible effects of various excise and additions to estate taxes and you have an area where the estate planner can often arrange for substantial tax savings and or tax deferral for his or her client and the beneficiaries.

The task of minimizing taxes on the distribution of retirement benefits to participants and beneficiaries can be daunting. Expertise in both pensions and estates

will be required: Pension lawyers are often not expert with estate and gift tax rules or familiar with all the available estate planning tools, and estate planning lawyers are not always versed in the income tax rules unique to the distribution of retirement benefits. Planning for the receipt of retirement benefits from Qualified Retirement Plans is one of the most complex problems facing someone doing estate planning.

To begin with, planning for distributions of retirement benefits must be faced at least three different times: (1) before the participant retires with regard to the designation of beneficiary and the form of payment (although this later decision usually will be subject to change before the participant actually retires); (2) at retirement; and, finally, (3) after death of the participant. Each time the individual’s objectives are likely to be different, bringing into play different tax rules. In addition, it is important for the retirement plan participant to review his or her planning with respect to these distributions at other times, certainly when the participant approaches

minimum distribution age or 70½ and when accrued benefits under the plan approach the threshold for taxes on excess lump sum distributions, etc.

For persons who are considering making charitable gifts as a part of their planning, one simple concept can be the key to avoiding substantial taxes and increasing the share or benefits passing to the estate owner’s beneficiaries. That simple concept is this: **Since charities do not pay income tax on income they receive, using tax qualified retirement benefits to make charitable gifts avoids both income tax and transfer tax on those accumulations allowing greater amounts of other assets to pass to other beneficiaries after death.** Substantial taxes can be saved by simply allocating retirement benefits to charitable beneficiaries and using other assets to provide for heirs. Put another way, you can make a larger gift to charity using qualified retirement benefits without adversely affecting the amount passing to your heirs than if the charity were given other assets. And that is just for starters!

---

*“You can make a larger gift to charity using qualified retirement benefits without adversely affecting the amount passing to your heirs than if the charity were given other assets.”*

---

You don't have to give all of the benefit from the retirement accumulations to charity to make this work. You can also arrange for the post death benefit to be paid to a Charitable Remainder Trust (CRT), with a partial charitable deduction for estate tax purposes and avoidance of the income tax upon distributions from the Plan or IRA. This allows beneficiaries to receive distributions for life or a term of years from the CRT. True, distributions from the CRT may be taxable to the beneficiaries, but remember, the entire amount passing to the CRT, undiminished by income taxes at death, are available to provide the income stream for your beneficiaries. Compare this result with an outright gift of the retirement accumulations to your beneficiary and investment of the proceeds after income and estate taxes (that can be as high as in excess of 80 percent when combined).

**Who should take advantage of these planning tools?**

Married persons can pass retirement benefits to the surviving spouse, under the marital deduction, free of estate tax. Then, with proper planning, the surviving

spouse can often spread distributions (and the taxes thereon) over prolonged periods measured by the life expectancy of the surviving spouse and usually younger beneficiaries. Deferring the distribution through election of an installment method allows the continued investment of retirement funds in the tax sheltered environment provided by the Plan or IRA. Deferring the distributions is almost always better from the standpoint of continued growth of the benefits and minimizing taxes.

Neither a surviving spouse nor an unmarried person can take advantage of the marital deduction. Only the surviving spouse (but not other beneficiaries) has the right to roll distributions into their own IRA and this device will not be available at the surviving spouse's death. Thus a surviving spouse or an unmarried person is ideally suited to use these planning tools.

Others may find that one or both of these concepts meet their planning goals as well. For instance, a retiree may want to reduce the amount that would be distributed under the Required Mini-

mum Distribution rules after his or her death. This can be accomplished by naming an individual as the beneficiary and a CRT as the successor beneficiary. If the individual beneficiary disclaims his or her interest, the funds can flow to the CRT (of which the individual may be a lifetime beneficiary or one of the beneficiaries) so that distributions are extended over a potentially longer period.

For retirees with substantial qualified retirement benefits in their potential estates, use of those assets to make contributions to charity, such as the **Community Foundation**, is very attractive and can provide significant tax savings for the retiree and his or her beneficiaries. The rules are complicated, however, and planning should be done with care. ☒

*For more information on information contained in this newsletter, contact Nancy Anthony, Executive Director of the Oklahoma City Community Foundation, at 405/235-5603.*

## Notable Benefactors *Leaders Who Give Back to Their City*

*Many prominent Oklahoma City business people have recognized the benefits, both personally and to those they wish to help, of establishing an endowment at the Oklahoma City Community Foundation. They are community leaders who believe in giving time and money back to their beloved city.*

ROBERT Y. AND  
KATHRYN D. EMPIE

Both Mr. and Mrs. Empie, native Oklahomans, have been active volunteers and well-known business people in Oklahoma City for many years.

Mr. Empie, a banker for over 50 years, served eight years as State Bank Commissioner. Mrs. Empie worked as a speech therapist for the Oklahoma City Public Schools as well as in her own private practice.

They have both been involved in civic leadership as well. He was Chairman of the Executive Committee of Phillips University and Chairman of the Board of South Community Hospital's Foundation and Retirement Trust. She was a Regent for The University of Science and Arts of Oklahoma for fourteen years, in addition to serving on the boards of the YWCA and the Red Cross.

The Empies' Donor-Advised fund has benefited Oklahoma City Beautiful and The Donna Nigh Foundation.



The Empies

EDGAR R. OPPENHEIM  
FAMILY FUND

The family of Edgar R. Oppenheim, an Oklahoma City businessman and civic leader, established a Donor-Advised endowment fund at the Community Foundation to honor his 70 years of devotion and service to this city and to perpetuate his interests in the community.



Oppenheim

"Our father was very interested in the development and promotion of Oklahoma City, not only to those who lived and worked here, but also to those who lived in other parts of the country. He recognized that this city and state were great places to do business and live in and he conveyed that feeling always with enthusiasm, even when others were critical," said Chip Oppenheim.

Ed Oppenheim was president and chairman of his father's company, Leo Oppenheim & Co., Inc., from 1946-1980, and guided the bond underwriting firm to national recognition.

He was known for his civic leadership through the Oklahoma City Chamber of Commerce, Oklahoma Heritage Foundation, the Oklahoma City Philharmonic and the National Conference of Christians and Jews. He also served on the boards of several banking and business organizations including First Oklahoma

Bancorporation and Scrivner, Inc.

MORRISON GRAHAM TUCKER  
BEAUTIFICATION FUND

Morrison Tucker was a pioneer and an innovator in the banking industry and a leader in civic circles. He was very involved in the beautification of the city and even helped write a book about trees that will grow well in Oklahoma.

Tucker's long career in the banking industry was extremely successful, including such highlights as the founding of American Bank Systems, Inc., which designed bank forms and software systems, helping set up the banking system in the Philippines after World War II; eighteen years of service with Liberty Bank; and major ownership in five banks in the Oklahoma City area.

In addition, Tucker had served as president of the Oklahoma Bankers Association,

as chairman of the trustees' executive committee of Oklahoma City University, as a trustee of Mercy Health Center, as well as serving as a Trustee for the Community Foundation. Rightfully earning his place in Oklahoma history, Tucker was inducted into the Oklahoma Hall of Fame and the Oklahoma Commerce and Industry Hall of Honor.

Tucker served three terms as president of OKC Beautiful, and advised and supported the organization for over 20 years.



Tucker

The Tucker family, with matching funds from the Kirkpatrick Family Fund and OKC

Beautiful, established the Morrison Graham Tucker Beautification Fund to benefit OKC Beautiful. ☐

## Oklahoma County Bar Association establishes new Designated Fund

In order to establish a permanent source of support for their charitable activities, members of the board of directors of the Oklahoma County Bar Foundation recently approved the transfer of the bulk of the OCBF's assets for the establishment of a Designated Fund at the Oklahoma City Community Foundation.

"We are very enthusiastic about this opportunity to work with and share the benefits of

being associated with the Oklahoma City Community Foundation," said OCBF's president Steven L. Barghols. "Speaking personally from my experience . . . the OCBF Board has made an excellent decision."

Members of the Board of Trustees are Barghols, Leslie V. Batchelor, Judge Gloria C. Bates, John L. Belt, Jimmy K. Goodman, John E. Green, Karla McAlister, Robert D. Nelson and Jon H. Trudgeon. ☐

## MISSION STATEMENT

The mission of the Oklahoma City Community Foundation, a non-profit public charity, is to serve the charitable needs of the Oklahoma City area through the development and administration of endowment funds with the goal of preserving capital and enhancing its value for the benefit of the Oklahoma City area.

*The mission will be fulfilled by pursuit of these goals:*

- Provide convenient, efficient, and effective ways through which donors can contribute assets to charitable purposes.
- Encourage donors to create funds which will benefit the community both now and in the future.
- Advocate for the development of endowment funds and provide appropriate means by which permanent endowment funds can be built and wisely managed to provide long-term support.
- Develop the Funds for Oklahoma City, restricted and unrestricted community endowments, which can be used by the Trustees and the community to develop, coordinate, and enhance services and programs which meet the changing needs of the community.

For more information, contact Nancy Anthony at 405/235-5603.

### Board of Trustees

J. Edward Barth, *President*  
Nancy P. Ellis  
Jeanette L. Gamba  
Raymond Hefner, Jr.  
James H. Holloman, Jr.  
William O. Johnstone  
Linda P. Lambert  
Frank McPherson  
Anne Hodges Morgan  
George Records  
Richard Sias  
James Young

### Founding Trustee

John E. Kirkpatrick

### Officers

John L. Belt, *Secretary*  
Eleanor J. Maurer, *Treasurer*  
Marilyn B. Myers, *Assistant Secretary*  
Nancy B. Anthony, *Executive Director*  
*and Assistant Secretary*  
Carla S. Pickrell, *Comptroller*  
*and Assistant Treasurer*

# New Trustees Appointed

## RICHARD SIAS

Dick Sias was elected as a new Trustee of the Community Foundation last June. He was appointed by the President of the Allied Arts Foundation. In addition, he serves as a Trustee for the Oklahoma Philharmonic Affiliated Fund of the Oklahoma City Community Foundation.

A native Kansan, Sias attended the University of Kansas and the University of Mexico, and received his juris doctorate from KU.

Sias currently owns a drilling partnership, Dint, with his daughter, Alice Pippin. Sias' career includes tenures at Continental Oil and AnSon, as well as at Mustang Fuel Corp., from which he retired in 1990 after 20 years of service.

He has been heavily involved as a patron of the arts since first coming to Oklahoma City in 1955. He and his family have been major supporters of the Oklahoma City Philharmonic and many other cultural organizations.

## JAMES H. HOLLOMAN, JR.

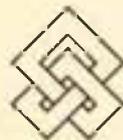
James Holloman was appointed to the Board of Trustees of the Community Foundation in January of this year by the Chief Judge of the U.S. District Court of Western Oklahoma. Holloman is also on the Board of Trustees for the Deer Creek Affiliated Fund of the Oklahoma City Community Foundation.

Holloman received a BBA from the University of Oklahoma and a juris doctorate from the OU College of Law, as well as a master of laws in taxation from New York University.

Holloman is an attorney with Crowe & Dunlevy and has served as Chairman, Section of Taxation, of the Oklahoma Bar Association. He has written numerous articles and given lectures on tax, estate planning and corporate law.

Also active in community service, Holloman has been a member of the Deer Creek Board of Education and has served as a trustee of the Deer Creek Community Enrichment Foundation.

*Trustees of the Community Foundation are appointed by a number of groups to ensure that all interests in the community are represented and none dominates.*



Oklahoma City

Community  
Foundation

P.O. Box 1146 / 73101-1146  
1300 N. Broadway Drive  
Oklahoma City, OK 73103  
405/235-5603

NON-PROFIT  
U.S. POSTAGE  
PAID  
OKLA. CITY, OK  
PERMIT NO. 255