Alum’s adventurous, frugal life leads to generosity

story by Jan Wiese-Fales, head of communications, MU College of Engineering

Marvin Elston, BS EE ’59, lived a quiet, frugal life of high adventure. As a computer engineer for Scripps Institution of Oceanography, he lived aboard a research ship for months at a time exploring the ocean and the world. Between voyages at his home port of San Diego, the lifelong bachelor spent little of his income on what most would consider essentials, preferring to live simply and modestly, amassing a small fortune over the course of his life.

Born in 1933 in Cameron, Mo., Elston entered the world in the middle of the Great Depression. He and his brother attended a one-room school and when their parents weren’t able to make ends meet, the boys sometimes went hungry. After high school, he joined the U.S. Air Force and later took advantage of the G.I. Bill to attend college, graduating from the University of Missouri in 1959 with a bachelor’s degree in electrical engineering.

By all accounts, Elston greatly enjoyed the opportunity to see the world afforded by his career with Scripps.

“Among his more interesting projects was his work with Dr. [Jacques] Cousteau on his ship, the Calypso,” remembered former MU Engineering Dean Jim Thompson from conversations with Elston. “He also enjoyed taking long vacations on merchant ships that would travel all over the world. He would be one of only a few passengers on those freighters.”

These high seas vacation cruise adventures on container ships didn’t put much of a dent in his pocketbook.

Elston had no family after losing his parents, and his brother died at a relatively young age. He became close friends with his financial advisor, John Martindale, eventually adopting Martindale’s family as his own.

Martindale said Elston expanded his net worth through solid investments in technology and “stable homegrown” companies in Kansas City.

“Marvin also was an astute real estate investor, buying and selling over a half-dozen properties in San Diego,” Martindale added.

“Through the course of years, [our interactions] became less work and took on a more personal basis,” Martindale said. “We spent holidays and birthdays with him, and our kids called him Uncle Marvin.”

When he passed away in 2012, the life-changing impact his education and his time at Mizzou had on his life resulted in Elston leaving most of his fortune to the MU College of Engineering for scholarships.

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Flexibility key to best plans

Volatile markets now and in the future present steep challenges for financial planning. According to a recent article by financial advisors Jeff Lydenberg and Jeffrey Frye, “For the first time in seven years, the stock market didn’t end the year ahead of where it started.”

The ups and downs of the market may be manageable for many investors, but is unsettling for retired persons with such investments. Lydenberg and Frye agree that flexibility and risk reduction are the keys to good planning in today’s financial environment. They said protecting principal and relying on income from investments are priorities for retirees, but market instability can negatively affect both dividends and bond yields: “As such, planned gifts offering a combination of steady payments and generous income tax charitable deductions are going to best suit donors in times of volatility, especially planned gifts that offer the least risk and the most flexibility.”

Risk reducing planned gifts

Donors wanting to reduce risk may find respite through a charitable gift annuity. A Mizzou charitable gift annuity offers a fixed payment guaranteed to last for life. The older the annuitant, the higher the rate, topping out at 9% for the oldest annuitants.

These fixed payment are not tied to the investment performance of the donated assets, according to Lydenberg and Frye. They said, “The charity is contractually obligated to make the payments so the annuity payments are insulated from volatility. The older the annuitant, the higher the payment, but once payments begin there is no adjustment. In a high inflation economy, the value of a fixed payment would be eroded over time as the cost of goods and services increase. In an economy such as we are experiencing now, due to low inflation, the purchasing power of the fixed annuity payments is much less affected by increasing prices of goods and services.”

Shifting assets such as stock to a charitable gift annuity offers donors a low-risk alternative with better income. For the same reason, donors may want to fund charitable gift annuities with assets that produce little or no income. At the University of Missouri, a charitable gift annuity can be funded with cash or with securities such as publicly-held stock. The charitable remainder unitrust offers an alternative gift vehicle for the MU donor wanting to convert real estate into a stream of income.

Accomplishing more through flexible planning

Bequest and beneficiary designations offer the ultimate in flexibility, according to Lydenberg and Frye who said: “The combination of market volatility and the desire to access principal makes the gift
vehicle of choice a revocable gift that is only effective at the death of the donor. Such a gift can be expressed as a percentage of the assets remaining at the donor’s death. The size of the gift fluctuates with the size of the donor’s estate at death.”

Family and other priorities are not ignored or neglected through good bequest and beneficiary designation planning. Heirs may be provided for first, or with a portion of the estate without negating philanthropic goals.

**Conclusion**

Lydenberg and Frye agree that volatility of investments will continue to be a major concern for the time being. Planned gift solutions that offer maximum flexibility like bequests and beneficiary designations are attractive to donors concerned about outliving their resources. They also said, “Gift annuities offer reliable fixed payments at attractive rates that can reduce the impact of volatility on a donor’s income. Charitable remainder trusts can offer ways to diversify portfolios and minimize capital gain tax consequences at the same time.”

For more information on how to create a planned gift, contact the MU Office of Gift Planning, 1-800-970-9977, or email: giftplanning@missouri.edu. Information in this article is for educational purposes. Consult your tax and legal advisors about the best way to create a charitable gift to MU.

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*Jeff Lydenberg is vice president for consulting, and Jeffrey Frye is senior client services advisor for PG Calc. PG Calc is a leading provider of planned giving software, marketing and consulting solutions.*

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**The Permanent Charitable IRA Rollover**

In December 2015, the President signed into law the charitable Individual Retirement Account (IRA) rollover. After years not knowing from one year to the next if it would be approved, now donors can confidently incorporate the charitable rollover in their financial and philanthropic plans. Congress left the provisions of the charitable IRA rollover in place. This article reviews those provisions and suggests planning opportunities for those eligible to take advantage of the charitable IRA rollover.

- **Donor must be 70 ½ years of age or older to take advantage of the charitable IRA rollover.** In the first year an IRA holder must make Required Minimum Distributions (RMD), donors can make a rollover directly to their favorite charities like the University of Missouri.
- **Donors can give up to $100,000 annually.** Donors can do as many rollovers to as many qualified charities as there are ways to divide $100,000 in a given year.
- **Charitable IRA rollovers can only be done from an Individual Retirement Account (IRA).** Many people have other kinds of retirement accounts, typically a 401k or 403b account. For example, if a donor with a 401k wants to take advantage of this law, the donor must first roll the 401k into an IRA. Then, the donor can make a charitable rollover from his or her IRA as long as all other requirements are met.
- **No “quid-pro-quo” allowed.** Contributions do not qualify if the donor receives anything in return for the gift.
- **Nor can donors use the charitable IRA rollover to create gift annuities.**
- **Not all charities can receive charitable IRA rollovers.** The University of Missouri is a qualified charity.

**Incorporating the charitable IRA rollover into your financial and philanthropic plans**

At age 70 ½, IRA owners must begin making Required Minimum Distributions (RMD) from their retirement accounts. This creates problems for some donors who don’t need the income and who are concerned RMD may increase taxes.

If you are a donor with a pledge to the University of Missouri, consider using some or all your RMD to make annual pledge payments. Making charitable IRA rollover distributions can fulfill part or all of your RMD.

For the donor with RMD that will create significantly higher taxes, one planning method is to reduce the size of the retirement account. The RMD is calculated annually on the size of the account. Use the charitable IRA rollover to reduce assets in your IRA accounts. Your charitable rollover will help make future taxes on RMD more manageable, and even eliminate taxes on the RMD in the years you make rollovers in excess of the RMD amount. Remember, rules allow up to a total of $100,000 each year through a charitable IRA rollover to one or more qualifying nonprofit organizations.

Your charitable IRA rollover gifts to the University of Missouri count toward Jefferson Club membership as well as other University, School and College recognition societies.
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In November, Martindale, who serves as trustee for Elston’s estate, and his wife Tresa, attended the College’s scholarship dinner to make a presentation of the third payout from Elston’s estate. They also came to meet the five current student recipients of the Marvin Elston Scholarship and to share stories of the stoic man who worked hard and spent his income sparingly in order that other MU Engineering students might have the same shot at a fulfilling life and career that he so enjoyed.

In November 2010, Elston and the Martindales celebrated Thanksgiving at the Hotel del Coronado on the beachfront in San Diego. Standing on the boardwalk outside the hotel, Elston reminded his adopted family that he wanted to be buried at sea.

“Well Marvin, how do we come visit your grave and leave flowers if you are in the ocean?” Tresa asked.

“You come to this very spot and wave to me,” he replied.

In July 2013, the Martindales chartered a boat and honored Elston’s wish, putting him to rest “with ceremony and flowers” in the ocean just off the coast from the hotel. And as Elston suggested, each time they make a trip to the Hotel del Coronado, they stand on the boardwalk and wave to him.

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