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eRate Newsletter | August 18, 2017

IRS DISCOUNT RATE: September 2.4%

Surrendering an Income Interest in a Life Income Gift

By their nature, life income gifts (Charitable Gift Annuities, Charitable Remainder Trusts, and Pooled Income Funds) are arrangements where the donor transfers assets now, but delays the charity's use of the funds until a future date, normally the death of one or more income beneficiaries. A Charitable Remainder Trust can be established for a term of years, but until the expiration of what can be a term of up to twenty years, the assets of the trust are unavailable to the charity.

Why would anyone consider giving up his or her right to income in favor of charity? A life income donor will not see their gift in action, and the charity is unable to address pressing current needs, so naturally, one reason a donor may consider is to accelerate the gift to the charity now.

[READ THE FULL ARTICLE](#)

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UPCOMING WEBINAR

Planned Giving Essentials



Presented by

[Edie Matulka](#)

Thursday,

August 31

1:00 - 2:30 pm ET

[REGISTER](#)

UPCOMING TRAINING

Planned Giving Manager

September 13-14, Washington, DC

October 12-13, Baltimore, MD

GiftWrap

November 2-3, Cambridge, MA

[VIEW](#)

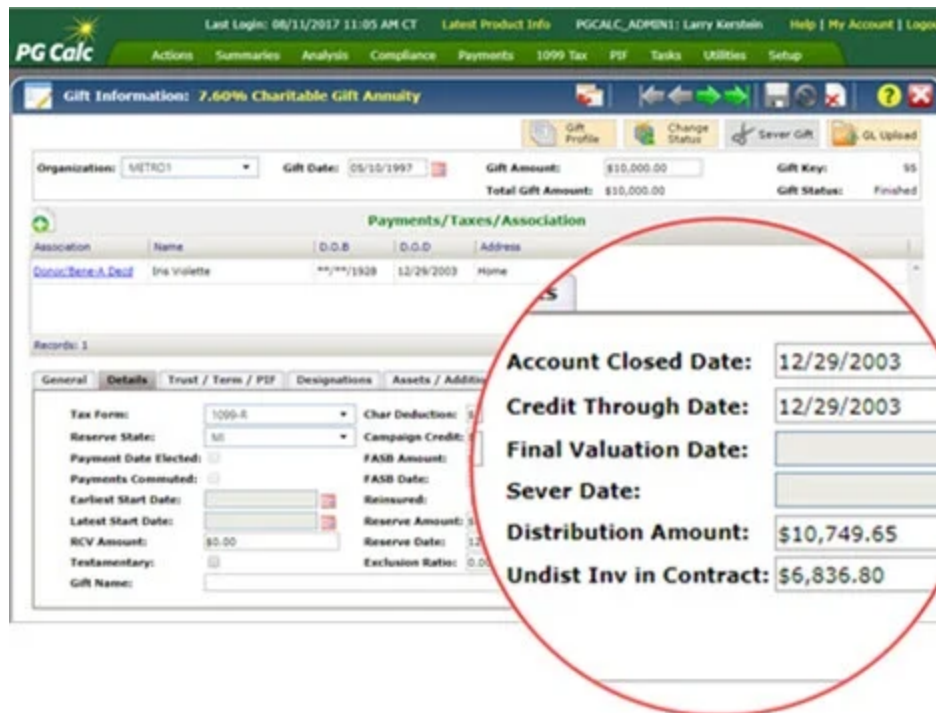
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Quick Tip: How to Record Final Distributions in *GiftWrap*

Perhaps one of the lesser-known features in *GiftWrap* is the ability to record the final distribution amounts for terminated gifts. When an annuitant or beneficiary dies, and if the charity has been tracking ongoing market values for each individual gift, the *GiftWrap* user can record the amount that is ultimately taken out of the investment account and allocated by the charity for general use (or for whatever specific purpose the donor intended).



The screenshot shows the PG Calc software interface. The top navigation bar includes 'PG Calc', 'Last Login: 08/11/2017 11:05 AM CT', 'Latest Product Info', 'PGCALC_ADMIN: Larry Kerbala', and 'Help | My Account | Logout'. The main header displays 'Gift Information: 7.60% Charitable Gift Annuity'. Below this, there are fields for 'Organization: METRO', 'Gift Date: 05/10/1997', 'Gift Amount: \$10,000.00', and 'Gift Key: \$5'. A 'Total Gift Amount: \$10,000.00' and 'Gift Status: Finished' are also shown. A table titled 'Payments/Taxes/Association' lists one record: 'Donor:Terre A Deal' with 'Iris Violette' as the name, '05/10/1928' as the D.O.B., '12/29/2003' as the D.O.D., and 'Home' as the address. A red circle highlights the 'Details' tab, which contains the following fields: 'Account Closed Date: 12/29/2003', 'Credit Through Date: 12/29/2003', 'Final Valuation Date:', 'Sever Date:', 'Distribution Amount: \$10,749.65', and 'Undist Inv in Contract: \$6,836.80'.

On the Details tab of the Gift Information screen, on the right side, there are six lines of information pertaining *only* to finished or severed gifts. The penultimate line is labeled "Distribution Amount" and it is available for manual input. When the final allocation has been made, the *GiftWrap* user should input the amount of the allocation as the Distribution Amount and save the record. At this point, the user may wish to go back to the General tab and zero out the amount in "Market Value."

This way, the organization has a record of the final allocation amount for each gift. This enables the organization to run reports showing how much has been realized ultimately from all of the finished and severed gifts, which can be enormously helpful in determining the level of success for the program as a whole. Note that the **Gift Summary** report provides choices under 'Report Format' dropdown menu that specifically include the Distribution Amount.

Please contact Client Services at 888-474-2252 or support@pgcalc.com if you have questions or would like assistance.

They say imitation is the greatest form of flattery. I believe it was Pablo Picasso who said, "Good artists copy, great artists steal." Many other writers and composers have been quoted saying something similar. Great ideas are never born, they are just reinvented. This is true of most things, and marketing, especially for planned giving, is no exception. As soon as someone discovers a "new idea," there is no reason not to imitate it to see if it will produce the desired results.

READ MORE

Greatly Enhanced *PGM Anywhere* Released

On August 11, we released the latest version of *PGM Anywhere*, our web-based planned gift illustration software for desktop, laptop, and tablet computers.

This release adds many highly-valued *PGM* features to *PGM Anywhere*, including:

- Illustrations for flexible gift annuities and grantor lead trusts
- Templates
- Export formats for transferring person and gift information to *GiftWrap* and for sharing cases with other *PGM Anywhere* users
- Improved export to MS Word

We've also added a Termination of Gift Annuity presentation that handles calculations for gifts of annuity interests and cash-outs of annuity interests in addition to deaths of the last annuitants. The *PGM* desktop application can handle only the last of these.

Read about the latest *PGM Anywhere* updates in the [PGM Anywhere Release Notes](#).

Don't forget, if you are a *PGM* client, you can have a *PGM Anywhere* account for no additional cost. Contact Client Services at 888-474-2252, or visit our [PGM Anywhere](#) web page to learn more.

Don't Forget the Actuarial Calculations Chart!

The **Actuarial Calculations Chart** in *Planned Giving Manager* and *PGM Anywhere* is a veritable treasure-trove of information for split-interest gift arrangements. This chart contains all of the relevant formulae, as well as the IRS tax code information, for all calculations done in the two applications. In fact, *this is the chart that explains how the charitable deduction has been computed*.

With gifts to Charitable Remainder Trusts and Pooled Income Funds, for example, the Actuarial Calculations Chart refer to a number known as the "remainder factor." This value essentially represents the portion of the principal funding amount that the remainder charity or charities will receive, according to specific IRS methodology. For Charitable Gift Annuities, the information is even more substantive – the Actuarial

Calculations Chart not only provides the amount of the estimated gift to charity (the Charitable Deduction), but it also provides the portion of the initial funding that is deemed to be the value of the annuity. This is called the *Investment in Contract*. For gifts of cash and long term gain property, the Charitable Deduction and the Investment in Contract add up to the total principal funding amount.

There is additional information in the Actuarial Calculations Chart for gift annuities that does not appear on the pages for other gift types: the all-important *Exclusion Ratio* and (if applicable) the also-important *Bargain Sale Ratio*. On a CGA funded with cash, the calculations provide what is known as the Exclusion Ratio, which in turn dictates the amount of tax-free and ordinary income to be reported for the periodic CGA payments. On a CGA funded with appreciated property, the calculations also provide the Bargain Sale Ratio, which together with the Exclusion Ratio determines the amount of tax-free, capital gain, and ordinary income to be reported as part of the CGA payments.

We understand that some gift planners may choose not to produce the Actuarial Calculations Chart, perhaps because it seems too technical to provide to a potential donor who is making first contact. This is fine – there is no requirement to provide this information to the donor, at any point in the process, and we have always designed our applications in a way that enables the gift planner to choose the appropriate output for the donor at hand. We recommend, however, that when the gift has been completed, the final calculations should include the Actuarial Calculations Chart. This information is critical in justifying the charitable deduction and other important numbers, and *it is the gift planner's best defense when questions arise as to the accuracy and validity of the gift calculations*.

2017 Update of *Planned Giving for Canadians* Now Available

We have published the 2017 update of *Planned Giving for Canadians*, the authoritative resource for planned giving in our neighbor to the north, including cross-border giving. Written and updated by Dr. Frank Minton, a leading expert on gift planning in the U.S. and in Canada, the 2017 edition adds new material about the humanistic aspects of planned gifts, makes substantial changes pertaining to gift annuities, calls attention to some clarifications regarding cross-border gifts, adds marketing material, and updates examples to reflect current provincial tax rates.

Contact Sales at 888-497-4970, or visit the [Planned Giving For Canadians](#) web page to learn more.

CGA Regulations - Which State Governs?

While most frequently the donor is also the annuitant, there are instances where they are different, and in such a situation the donor and annuitant may also live in different

states. So, which state's regulation governs the annuity?

Generally speaking, the applicable regulatory law is that of the state where the donor resides. However, California's law does make specific reference to the required reserve fund being established for "annuitants." This could result in an annuity potentially being subject to reserve requirements in two states; for example if the donor resides in Washington while the annuitant resides in California, the reserve for a single annuity could be required to be held in two separate reserve accounts. In discussion, no state has indicated a desire to have a charity "double reserve." Thus, in practice it has been acceptable even in California for the determination of whether it's a California annuity to be based on the donor's residence rather than the annuitant's.

Latest *GiftCalcs* Update Adds Several Useful Features

On August 11, we released the latest version of *GiftCalcs*, our online planned gift calculator for client websites. This latest update includes:

- An optional "Contact me" box that visitors can mark to indicate they wish to be contacted either by phone or email. They can add a message, if they wish.
- A configuration option that lets you determine the order of gifts displayed in the gift type selection menu visitors see.
- Calculations for up to five separate pooled income funds.
- An option to show gift and age minimums in gray in data entry fields so that visitors can see the minimums before they enter values.

Contact Sales at 888-497-4970, or visit the [GiftCalcs](#) page on our website to learn more.

Arizona Humane Society Planned Giving Program Has Impact

The Arizona Humane Society (AHS) is the state of Arizona's largest animal welfare and protection agency, and is the state's designated responder for animals in distress during natural disasters. The AHS has been rescuing, healing, adopting, and advocating for pets in Arizona since 1957. A long-time PG Calc customer, AHS staff are users of PG Calc's *Planned Giving Manager* and *GiftWrap* software, and subscribers to *Charitable Gift Annuities: The Complete Resource Manual*. Joyce Melter, AHS Planned Giving Officer, had this to say about PG Calc:

"The revenue generated from estate planning gifts makes a huge impact on our ability to provide programs and services that end animal suffering, homelessness and needless euthanasia in the Metropolitan Phoenix area. Arizona Humane Society donors find Charitable Gift Annuities especially

attractive because they are income generating for the donor and because they fund important programs that rescue, heal, and place companion animals in forever homes. The PG Calc Client Services staff are great partners. They have provided me with the knowledge, support and confidence I need to market and administer a robust, revenue-generating Charitable Gift Annuity program.”



ARIZONA HUMANE SOCIETY

Learn more about the [Arizona Humane Society](#).



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