

Planned Giving Manager
Mini Manager
Gift Annuity Manager

An Introductory Guide



Planned Giving Manager 6.6
Mini Manager 6.6
Gift Annuity Manager 6.6

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Planned Giving Manager, Mini Manager & Gift Annuity Manager

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Introducing Planned Giving Manager, Mini Manager & Gift Annuity Manager

PG Calc's Planned Giving Manager puts immediate answers at your fingertips. Fast, accurate and versatile, Planned Giving Manager lets you concentrate on your donor.

This introduction highlights many of the features that make Planned Giving Manager and its smaller counterparts, Mini Manager and Gift Annuity Manager, stand out as the best planned giving software available.

Donor oriented. Eye-catching color graphics make powerful presentations that close gifts. Concise, clear proposals allow quick comparisons of all gift options, as well as non-charitable alternatives.

Easy to use. Move with your mouse or with simple keystrokes. All presentations are produced with easy-to-use windows and pull-down menus. Online Help is available for all input questions.

Versatile. Presentations range from simple gift proposals and color diagrams that are ideal for the uninitiated donor to detailed charts that fill the needs of even the most sophisticated advisor.

Personalized. Opportunities to personalize presentations and letters abound. Each document is individually customized, yet can be produced in seconds. Change names, fonts, and graphics colors to best suit your donor. Even export to Word to make a quick edit, if you wish.

Fast. Defaults and smart retrieval features reduce entry time and minimize errors.

Error proofed. Our attention to detail is unmatched in the industry and affirms our software's accuracy. Complete error proofing prevents you from making illegal or grossly unreasonable calculations.

What's the difference between versions?

The software is divided into the four Programs shown in the menu on the next page.

Planned Giving Manager includes all four Programs:

Mini Manager includes Programs 1 and 2 (**no longer sold to new clients**);

Gift Annuity Manager includes most Program 1 capabilities and performs calculations for gift annuities only.



Gift Annuity Manager (GAM) offers deduction and taxation calculations for gift annuities, gift annuity agreements for all fifty states, and letters and narratives for gift annuities.

Mini Manager (Mini), which is no longer sold to new clients, can compare the after-tax benefits of your choice of standard planned gift vehicles versus selling and reinvesting the same asset. Mini also includes letters, gift descriptions, gift annuity agreements, and all other narrative presentations, plus gift diagrams and simple graphs in black and white or color.

Planned Giving Manager (PGM) includes all of Mini's capabilities and goes beyond Mini to illustrate how a gift may perform over its entire term. PGM allows you to create sophisticated projections, using different investment strategies, wealth replacement, management fees, and estate planning models. PGM also can produce a wide array of gift plan diagrams in color or black and white.

Can I upgrade? You can upgrade from GAM or Mini to PGM at any time for the difference in their prices at the time of the upgrade.

How evaluation software differs from real software

The evaluation version of PGM, Mini, and GAM is identical to the real software until its expiration date. After its expiration date, evaluation software becomes limited as follows: all life income gifts use ages 72 and 70 and all lead trusts use a 15 year term. The hardware requirements of evaluation software and real software are the same.

This manual is written to be used with real software or fully functional evaluation software. You can run Case 1 in limited function evaluation software as well.

Contact us if your evaluation software expires

If your evaluation software expires and becomes limited to allowing ages 72 and 70 only, please let us know. We'd be pleased to issue you a new authorization code to extend your evaluation period. Just contact our Sales Department at 888-497-4970 or e-mail info@pgcalc.com.

How to run PGM


- 1) **If PGM is already installed, simply double-click the PGM icon on your desktop and skip to “How to navigate through the software” below.**
- 2) **If PGM is not already installed on your computer, install it now and go to Step (3).**

Refer to the installation instructions that came with your software for help or call toll free 888-497-4970.

- 3) **Double-click your PGM icon (PG Calc logo).**

NOTE: Your authorization code is in the cover letter that came with your software materials or in the e-mail that contained the link to your PGM download. If you picked up PGM at a conference, your authorization code is on the CD envelope.

The first time you run the software you will need to enter your authorization code and fill in an initial setup screen. Please call PG Calc at 888-497-4970 or e-mail info@pgcalc.com for your authorization code if you cannot locate your authorization code.

- 4) **Enter the authorization code provided by PG Calc.**
- 5) **Fill in the initial setup screen as directed.  Click the Help on Current Topic button in the Toolbar (or press the [F1] function key) to get help on how to fill in the screen.**
- 6) **Click [Continue] or press [Enter] to move beyond the Copyright Screen. (After 3 seconds, this screen will clear automatically.)**

Support

If you are unable to find the help you need in this Introductory Guide or in PGM’s Online Help, please contact PG Calc for unlimited toll free telephone support.

Sales department: 888-497-4970 or info@pgcalc.com

If you are considering a PGM purchase, please call us anytime with questions, to request a client reference list, or to schedule a telephone or web orientation session.

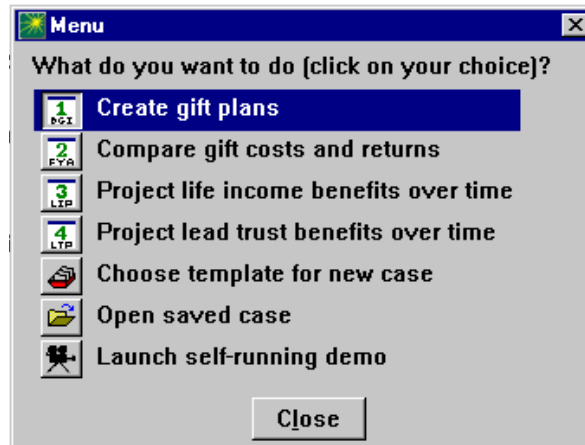
Client Support department: 888-474-2252 or support@pgcalc.com

If you are a current PGM client, contact our Client Support department anytime with your questions. If you are a new PGM client, we invite you to schedule a free one-hour telephone or web orientation to get acquainted with the software.

Part I: Creating Presentations

Running quick deduction calculations

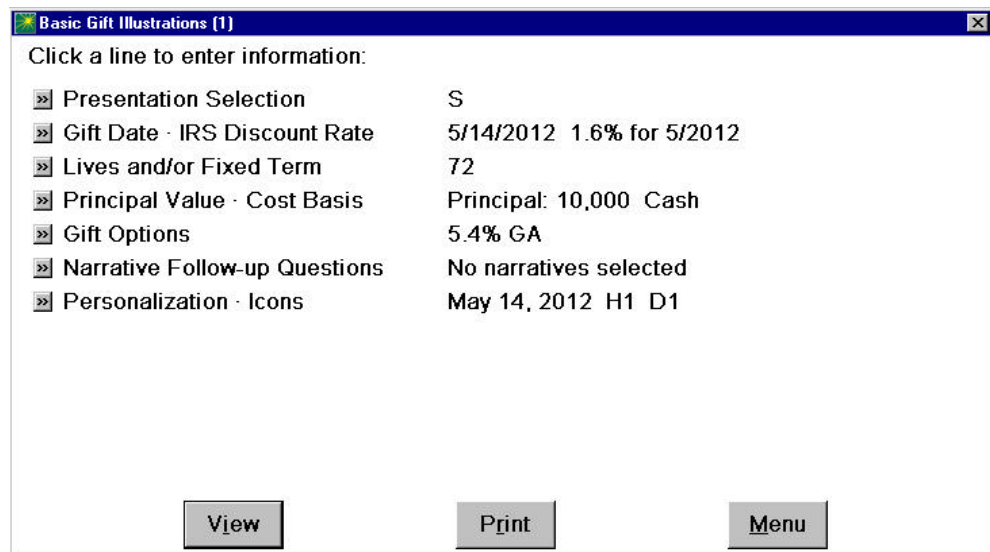
To begin with, you will see PGM's Initial Menu. This menu guides you to the right part of the software for the task you want to perform.



1) Click *Create gift plans* to move to Program 1, Basic Gift Illustrations.

Let's quickly calculate the charitable deduction and annual annuity amount for a gift annuity.

TIP: The Menu Bar across the top of your screen lets you save and retrieve files, change programs, customize your software, get help, or exit.



The *Main Screen* shown above will appear immediately. PGM comes with answers to every question already installed. These “start-up inputs” or “default values” save time because you do not need to answer any question whose default answer already matches your case.

2) Click [View] to view the chart based on PG Calc's start-up inputs.

Congratulations, you have just produced your first PGM chart -- a Summary of Benefits for a charitable gift annuity!

3) Click the close box in the Title Bar or press [Esc] to return to the Main Screen.

Now let's start modeling a specific case.

Our first case is a gift annuity illustration. All gift annuity examples in this Introductory Guide use annuity rates suggested by the American Council on Gift Annuities (ACGA), effective January 1, 2012. Follow these steps to confirm that your evaluation copy of PGM is using these ACGA rates.

1) Click Customize in the Menu Bar.

2) Choose Gift Annuity Rate Tables.

3) If not already marked with a checkmark, click *ACGA Rates Effective 1/1/2012*.

4) Click [Done].

5) If you had to click *ACGA Rates Effective 1/1/2012* in Step 3 because it was not already marked with a checkmark, click File in the Menu Bar.

6) Choose Save Configuration.

7) Click [Save].


Your copy of PGM is now configured to use the ACGA rates that went into effect on January 1, 2012. As a result, you can be confident that the gift annuity illustrations you are about to create should match the examples in this guide.

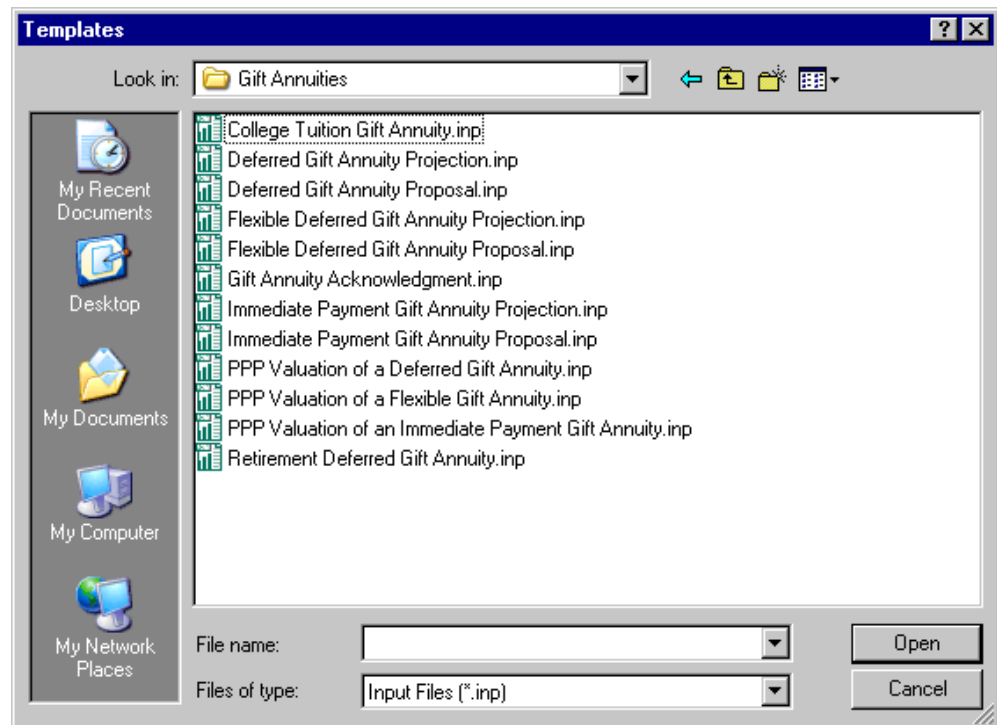
Preparing a gift annuity proposal

NOTE: You can run this case in PGM, Mini, or GAM and with expired evaluation software.

Even if your organization does not offer gift annuities, please work through this section, as it demonstrates a number of important features that are used throughout the software.

CASE 1: Part I. John Q. Franklin, a prospect, calls about a gift annuity ad he saw recently in your charity's magazine. He is 72 and his wife, Helen, is 70. He asks what the benefits would be to him and his wife if he funded a gift annuity with \$10,000 in cash. You use PGM to give him some quick answers while on the telephone and then follow-up by sending him some simple illustrations that tell him what he needs to know.

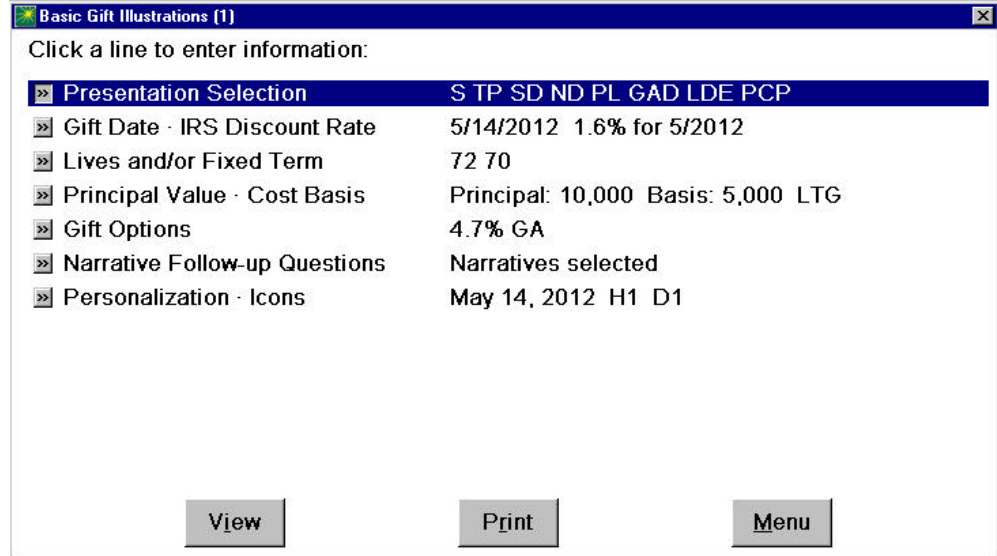
- 1)  Click the **Template** button in the **Toolbar**, then double-click the **Gift Annuities** folder.



- 2) Click *Immediate Payment Gift Annuity Proposal.inp*, then click [Open] to open the Template.

You may see a warning that the gift annuity rate saved in the template doesn't match the rate in PGM's current gift annuity rate table. If so, that's okay. Perform step (3) below in this case.

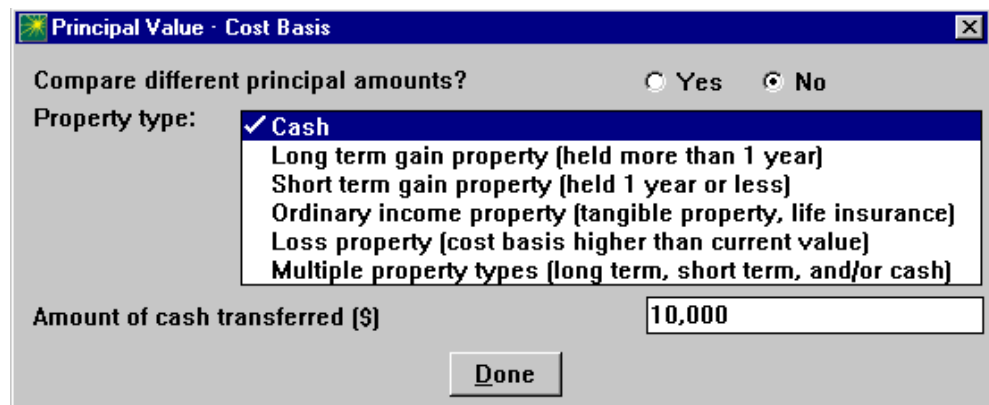
- 3) Click [Continue] to return to the Main Screen.



All of the information filled in by the Template is displayed on the right side of the screen. All you have to do is modify these values as needed so that they fit the case you're working on. Typically, this will mean modifying the ages of the annuitants and, perhaps, the gift amount and cost basis of the funding assets.

As it happens, the ages of the Franklins match the ages entered by the Template. All we need to do is change the cost basis of the funding asset from \$5,000 to \$10,000 (the cost basis of a cash gift always equals the value of the cash).

- 4) Click the **Principal Value - Cost Basis** line to open the **Principal Value - Cost Basis** window.
- 5) Click *Cash* in the **Property type** menu.



- 6) Click [Done] or press [Esc] to return to the Main Screen.

When you open a Template, PGM sets the gift date to today's date and picks the highest available IRS discount rate for this date. In order for your numbers to match the ones in this guide, your gift date needs to be 5/14/2012 and the IRS discount rate needs to be 1.6%. Ordinarily, you wouldn't need to take this step.

7) Open the Gift Date · IRS Discount Rate window and enter 5/14/2012 as the date of gift, then press [Enter].

The software highlights the highest available discount rate for a gift date in May 2012, which happens to be the rate for May 2012, 1.6%.

NOTE: The list of available IRS discount rates changes with each new gift date, showing only the three discount rates available for that gift date. PGM highlights the highest discount rate available, since this rate results in the highest deduction for life income gifts.

You will see a message that tells you that the values for Gift Annuity Partial Payments have changed.

8) Click [Continue].

9) Click [Done] or press [Esc] to close the window and return to the Main Screen.

Notice on the Gift Options line that PGM has set the annuity rate for the Franklins at 4.7%. PGM has looked this rate up in the annuity rate table published by the American Council on Gift Annuities (ACGA), effective January 1, 2012, based on the Franklins' ages of 72 and 70. If you prefer to use a different ACGA rate table, such as the one effective July 1, 2010, you can use PGM's *Customize* menu to choose any ACGA rate table going back to 1989 (see page 73). We can also create a custom PGM annuity rate table for you if your institution offers rates that vary from the ACGA recommendations.

Note: Written documents, such as the Proposal Letter, are called narratives in PGM. The Narrative Follow-Up Questions window(s) contains extra questions that are needed to complete the narratives you have selected.

10) Open Narrative Follow-Up Questions, then click Proposal Letter.

Enter the text shown in the window below.

11) When done entering text, click [Next].

Enter the text shown in the window below.

12) When done entering text, click [Close].

13) Click Gift Annuity Disclosure Statement.

14) Click *California* as the donor’s state of legal residence, then click [Close].

The default entries for the Long Description and/or Example and the Proposal Cover Page are already correct, so we don’t need to answer any more narrative follow-up questions.

15) Click [Done] to return to the Main Screen.

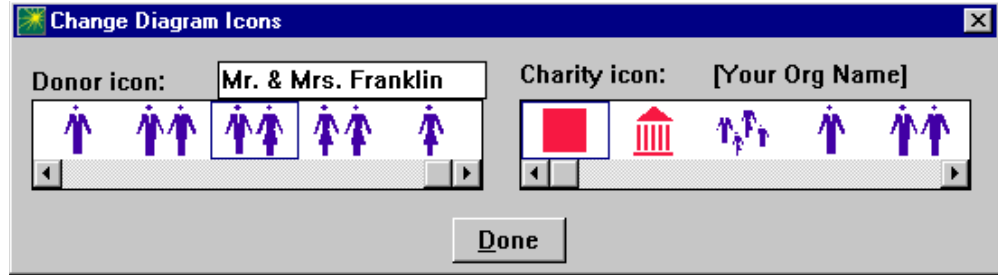
16) Open Personalization - Icons.

This window gives you an opportunity to personalize each presentation for the person you are creating it for. Enter the text shown in the window below.

17) When done entering text, click [Change Icons].

18) Choose the icons and labels for your diagram as shown below.

The icon chooser gives you complete control over the icons used in your PGM diagrams. You decide whether to show the donor as a man, a woman, a couple, or any other available icon. You can also enter the label that goes with each icon. In the case of the charity icon, this label is entered elsewhere and just displayed here.



Custom icons. We can help you add *your own* icons to the icon chooser, if you wish. For example, you could add your organization's logo so that it is available to use as the charity icon in all your diagrams! Ask us for details.

19) Click [Done], then click [Done] again to return to the Main Screen.

20) Click [View] to see all of the presentations the Template has selected for you under Presentation Selection. When done viewing, return to the Main Screen.

Your presentations are reproduced on the next seven pages.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Mr. & Mrs. John Q. Franklin
[Today's Date]

Basic Gift Illustrations
Summary of Benefits

Cash Gift

4.7% Charitable Gift Annuity

ASSUMPTIONS:

Annuitants	72
	70
Cash Donated	\$10,000.00
Annuity Rate	4.7%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	\$2,793.20
Annuity	\$470.00
Tax-free Portion	\$365.66
Ordinary Income	\$104.34

After 19.7 years, the entire annuity becomes ordinary income.

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Summary of Benefits Chart

This chart provides a simple summary of the information that is most important to a donor. Because you have produced the chart for a gift annuity, it shows how the annuity payments will be taxed, as well as the size of the payments and the amount of the deduction.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Mr. & Mrs. John Q. Franklin
[Today's Date]

Basic Gift Illustrations

Taxation of Gift Annuity Payments

Cash Gift

4.7% Charitable Gift Annuity

ASSUMPTIONS:

Annuitants	72
	70
Date of Gift	5/14/2012
Cash Donated	\$10,000.00
Annuity Rate	4.7%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	\$2,793.20
Number of Payments in First Year	3
Days in First Quarterly Period (4/1/2012 to 6/30/2012)	91
Days of Payment Credit in First Quarterly Period (5/14/2012 to 6/30/2012)	48
Annuity	\$470.00
Quarterly Payment	\$117.50
First Partial Payment on 6/30/2012 (48/91 x \$117.50)	\$61.98

BREAKDOWN OF ANNUITY:

	Tax-free Portion	Ordinary Income	Total Annuity
2012 to 2012	231.05	65.93	296.98
2013 to 2031	365.66	104.34	470.00
2032 to 2032	28.21	441.79	470.00
2033 onward	0.00	470.00	470.00

After 19.7 years, the entire annuity becomes ordinary income.

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Taxation of Gift Annuity Payments Chart

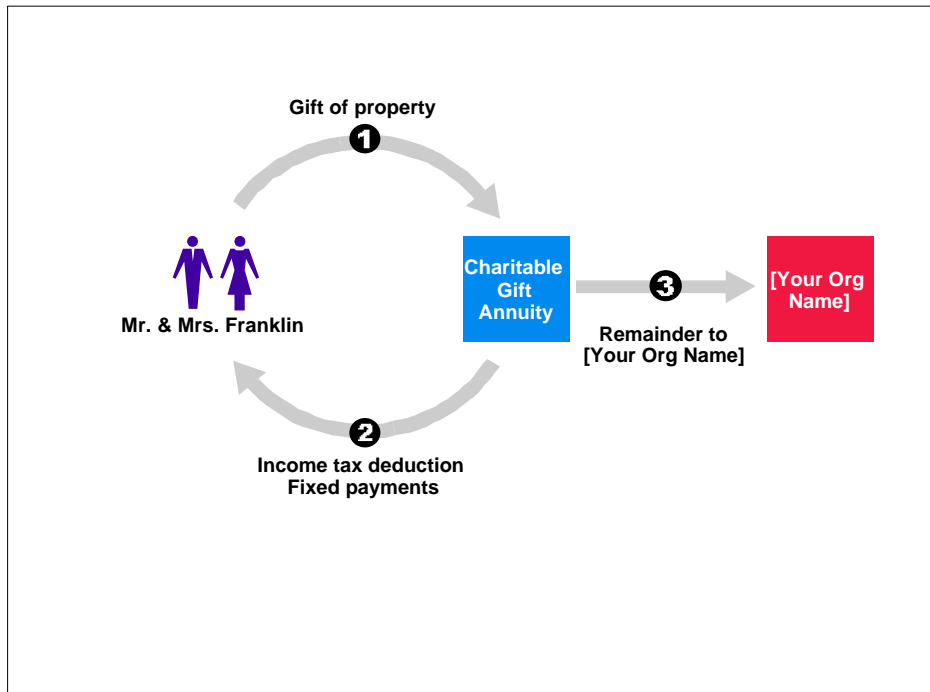
This chart shows how the annuity payments will be taxed every year over the lives of the annuitants and also provides all the tax information your institution needs to send accurate 1099-R tax forms to the annuitants at the end of each year. It is also helpful in showing prospects how annuity taxation changes over time.

Charitable Gift Annuity

Cash Gift

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Mr. & Mrs. John Q. Franklin



How it works

- 1** You transfer cash, securities, or other property to [Your Org Name].
- 2** You receive an income tax deduction and may save capital gains tax.
[Your Org Name] pays a fixed amount each year to you or to anyone you name for life. Typically, a portion of these payments is tax-free.
- 3** When the gift annuity ends, its remaining principal passes to [Your Org Name].

Explanation of Summary of Benefits - How It Works Diagram

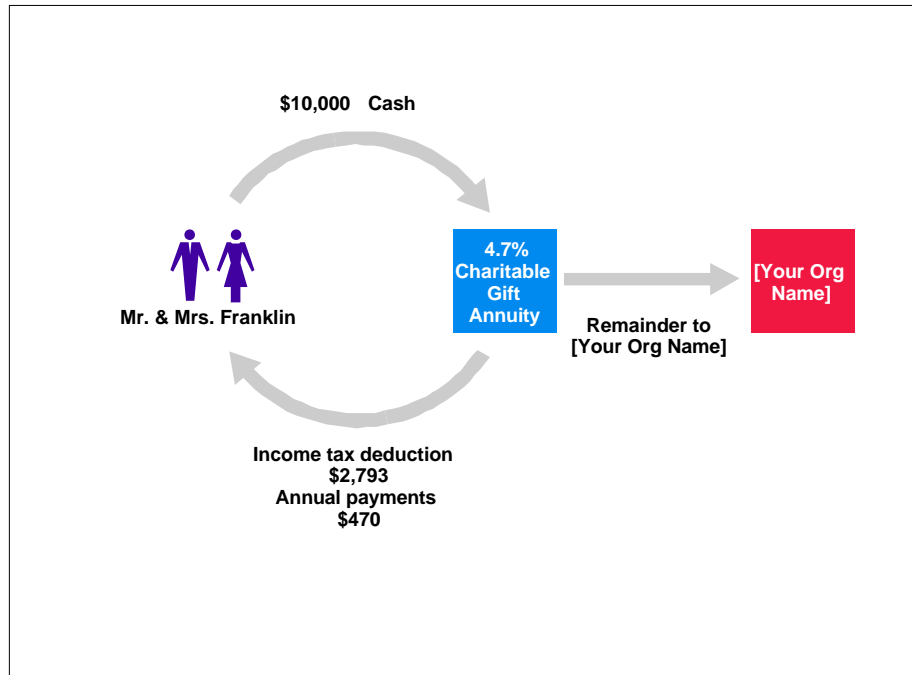
This diagram explains visually and verbally how the gift annuity will work. The combination of picture and text makes this diagram a powerful tool for explaining the gift annuity concept to the Franklins.

Charitable Gift Annuity

Cash Gift

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Mr. & Mrs. John Q. Franklin



Benefits

Immediate

Income tax deduction of \$2,793.

Annual

Annual payments of \$470 for lives of annuitants, ages 72 and 70, \$366 tax-free for the first 19.7 years.

Future

[Your Org Name] will receive remaining principal when annuity ends. May reduce estate taxes and costs.

Explanation of Summary of Benefits - Numbers Diagram

This diagram uses the same visual presentation as the How It Works version shown on the previous page. It includes, however, the essential numbers of the Franklin's case, based on our assumptions. Once we have used the How It Works diagram to help Mr and Mrs. Franklin understand how the gift annuity works, we will use the Numbers diagram to illustrate the specific benefits they can expect, based on our assumptions. These diagrams form an effective one-two combination for educating your prospective donors about gift annuities and the other planned giving vehicles.

[Today's Date]

Mr. & Mrs. John Franklin
 123 Main Street
 Anytown, CA 98765

Dear Mr. & Mrs. Franklin,

It is a pleasure to learn of your interest in supporting [Your Organization Name Here]. A charitable gift annuity may be an excellent way to achieve your goals, both for you and for our institution.

For example, if you irrevocably transfer \$10,000 in cash to [Your Organization Name Here] in exchange for a \$470 annuity for annuitants, age 72 and 70, your benefits will include:

- 1) You will qualify for a federal income tax deduction of approximately \$2,793. Your deduction may vary modestly depending on the timing of your gift.

Note that deductions for this and other gifts of cash and non-appreciated property will be limited to 50% of your adjusted gross income. You may, if necessary, take unused deductions of this kind over the next five years, subject to the same 50% limitation.

- 2) Your designated annuitants will receive fixed payments in quarterly installments totaling \$470 each year for life. In addition, \$365.66 of each year's payments will be tax-free for 19.7 years.
- 3) Your estate may enjoy reduced probate costs and estate taxes.
- 4) You will provide generous support to [Your Organization Name Here].

If you have any questions regarding a gift annuity, please do not hesitate to call me. I would be pleased to discuss this gift plan or other gift opportunities with you.

Once again, thank you for your interest in [Your Organization Name Here].

Sincerely,

[Your name]
 [Your title]

Explanation of Proposal Letter

The *Proposal Letter* narrative describes the benefits of a specific gift in simple prose that your prospect is sure to understand. You can adjust the margins of the letter under Customize - Narratives so that it fits perfectly on your letterhead. You may have noticed while answering Narrative Follow-Up Questions that you also can write your own first and last paragraph, if you wish, to give the letter a more personal touch. If you want still more personalization, you can export the letter to Microsoft Word and edit it like any other Word document. We'll demonstrate that later in our tour.

Gift Annuity Disclosure Statement

Description of a Gift Annuity

A gift annuity is a simple contract between the donor(s) and [Your Organization Name Here] (hereinafter "[Reference Name]"). In exchange for the donor's(s') contribution, [Reference Name] promises to make fixed payments for life to one or two annuitants (usually, but not necessarily, the donor(s)). The amount paid is based on the age(s) of the annuitant(s), in accordance with [Reference Name]'s rate schedule.

Not a Commercial Investment

The act of establishing a gift annuity with [Reference Name] is not, and should not be viewed as, an investment. Rather, it is a way to arrange for annuity payments while making a charitable donation. In this respect, a gift annuity issued by [Reference Name] is different from a commercial annuity. While both types of annuities make payments that are usually partially tax-free, the charitable donation aspect of establishing a gift annuity may result in additional tax benefits that are not available when purchasing a commercial annuity. These tax benefits include a current federal income tax charitable deduction (if you itemize your deductions) and possible future estate tax savings.

Gift Annuity Rates

Generally, the gift annuity rates paid by [Reference Name] are those suggested by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a significant portion of the contribution remaining for the charity. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

Assets Backing Annuity

The annuity payments are a general obligation of [Reference Name], and they are backed by all of our assets (subject to security interests). As of <Valuation Date> the market value of our total invested funds exceeded \$0, and they are invested in <Types of Investments>. Assets received by [Reference Name] for gift annuities are managed internally, in a conservative and disciplined manner. If [Reference Name] should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of [Reference Name].

Governance

Responsibility for governing [Reference Name], which was established in California in <Year Charity Established>, is vested in a <Board of Directors> composed of <Number on Board> persons, who are <Board Selection Method>. Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this statement is provided to you in accordance with the requirements of that Act.

Points to Remember

- A contribution for a gift annuity is irrevocable.
- The right to annuity payments may not be assigned to any person or organization, other

(Actual disclosure statement continues onto a second page)

Explanation of Gift Annuity Disclosure Statement

The *Gift Annuity Disclosure Statement* contains all of the information required under the provisions of the Philanthropy Protection Act of 1995. This information must be provided to the prospect prior to completing the gift annuity. Many charities choose to provide this information as soon as a discussion of gift annuities starts so that any questions can be answered early in the process. You enter the charity-specific information included in the statement under *Customize-Organization Information*. This way, you need to enter this information only once, not every time you produce this narrative. We did not take the time to enter this information here.

[YOUR ORGANIZATION NAME HERE]

WHAT IS A CHARITABLE GIFT ANNUITY?

A charitable gift annuity is a simple contract between you and [Your Organization Name Here].

In exchange for your irrevocable gift of cash, securities, or other assets, [Your Organization Name Here] agrees to pay one or two annuitants you name a fixed sum each year for life. The payments are backed by the general resources of [Your Organization Name Here].

The older your designated annuitants are at the time of the gift, the greater the fixed payments [Your Organization Name Here] can agree to pay.

In most cases, part of each payment is tax-free, increasing each payment's after-tax value. If you give appreciated property you will pay capital gains tax on only part of the appreciation. In addition, if you name yourself as an annuitant the capital gains tax will be spread out over many years rather than be all due in the year of your gift.

Payments are usually made in annual, semiannual, or quarterly installments.

EXAMPLE:

You irrevocably transfer \$10,000 in cash to [Your Organization Name Here] in exchange for a \$470 annuity for annuitants, age 72 and 70.

BENEFITS INCLUDE:

- 1) You will qualify for a federal income tax deduction of approximately \$2,793. Your deduction may vary modestly depending on the timing of your gift.

Note that deductions for this and other gifts of cash and non-appreciated property will be limited to 50% of your adjusted gross income. You may, if necessary, take unused deductions of this kind over the next five years, subject to the same 50% limitation.

- 2) Your designated annuitants will receive fixed payments in quarterly installments totaling \$470 each year for life. In addition, \$365.66 of each year's payments will be tax-free for the first 19.7 years.
- 3) Your estate may enjoy reduced probate costs and estate taxes.
- 4) You will provide generous support to [Your Organization Name Here].

Prepared for Mr. & Mrs. John Q. Franklin

[Today's Date]

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Long Description and/or Example Narrative

The *Long Description and/or Example* narrative describes in plain English how a gift annuity works. It also lists the major benefits of the gift based on your specific entries, written so that the reader is sure to understand the nature and size of each benefit. Taken together, this one page provides the reader with all the information he or she needs to make an informed decision about moving ahead with a gift annuity discussion. This narrative can provide similar text for all of the gift types available in PGM, Mini, or GAM.

[YOUR ORGANIZATION NAME HERE]

Charitable Gift Proposal
for
Mr. & Mrs. John Q. Franklin

[Today's Date]

Explanation of Proposal Cover Page

The *Proposal Cover Page* provides a simple and attractive title page for your proposal. It is formatted to provide ample room to print it on your organization's letterhead, if you wish. We are also happy to customize this cover page to include the text and formatting you desire.

Now, you're ready to send the Franklins some information. It's a breeze to print the presentation. First, make sure your printer is turned on and connected to your computer!

21) Click [Print] to open the print window.

22) Click [Print] or [OK]. Please call toll free 888-497-4970 if you have any printing problems. When done, return to the Main Screen.

The ability to view presentations on screen before printing them makes PGM very efficient. There's no need to run to the printer when you have a prospect on the line. This feature also leaves you free to experiment on the screen until you create a presentation that best fits your needs. Then it takes just a few keystrokes to print it. Result: *less wasted time and paper!*

CASE 1: Part II. Let's try one quick change to produce the same proposal for a gift of appreciated stock that cost the Franklin's \$5,000, rather than cash. "Would that be advantageous?" Mr. Franklin asks. Let's find out.

1) Open Principal Value · Cost Basis and click *Long term gain property* as the Property type. Enter *5,000* as the Cost basis.

2) Return to the Main Screen.

3) Open Personalization - Icons and enter *Stock Gift* in the Optional text field. Return to the Main Screen.

4) Click [View] to see your presentations. When done, return to the Main Screen.

While you will see all six of the presentations we produced for the cash gift, we reproduce only the Summary of Benefits and Taxation of Gift Annuity Payments charts on the pages that follow.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Mr. & Mrs. John Q. Franklin
[Today's Date]

Basic Gift Illustrations
Summary of Benefits

Stock Gift

4.7% Charitable Gift Annuity

ASSUMPTIONS:

Annuitants	72 70
Principal Donated	\$10,000.00
Cost Basis of Property	\$5,000.00
Annuity Rate	4.7%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	\$2,793.20
Annuity	\$470.00
Tax-free Portion	\$182.83
Capital Gain Income	\$182.83
Ordinary Income	\$104.34

Total reportable capital gain of \$3,603.40 must be reported over 19.7 years, the expected lifetimes of both donors.

After 19.7 years, the entire annuity becomes ordinary income.

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Summary of Benefits Chart

This chart now shows calculations for a gift annuity funded with property that has appreciated in value from \$5,000 to \$10,000. In particular, part of each year's annuity will now be taxed as capital gain income. Compare this chart to the one on page 15, which is based on a \$10,000 cash gift.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Mr. & Mrs. John Q. Franklin
[Today's Date]

Basic Gift Illustrations

Taxation of Gift Annuity Payments

Stock Gift

4.7% Charitable Gift Annuity

ASSUMPTIONS:

Annuitants	72
	70
Date of Gift	5/14/2012
Principal Donated	\$10,000.00
Cost Basis of Property	\$5,000.00
Annuity Rate	4.7%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	\$2,793.20
Number of Payments in First Year	3
Days in First Quarterly Period (4/1/2012 to 6/30/2012)	91
Days of Payment Credit in First Quarterly Period (5/14/2012 to 6/30/2012)	48
Annuity	\$470.00
Quarterly Payment	\$117.50
First Partial Payment on 6/30/2012 (48/91 x \$117.50)	\$61.98

BREAKDOWN OF ANNUITY:

	Capital Gain	Tax-free Portion	Ordinary Income	Total Annuity
2012 to 2012	115.53	115.52	65.93	296.98
2013 to 2031	182.83	182.83	104.34	470.00
2032 to 2032	14.10	14.11	441.79	470.00
2033 onward	0.00	0.00	470.00	470.00

Total reportable capital gain of \$3,603.40 must be reported over 19.7 years, the expected lifetimes of both donors.

After 19.7 years, the entire annuity becomes ordinary income.

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Taxation of Gift Annuity Payments Chart

Compare this chart to the one on page 16. Note how the taxation of annuity payments changes if the gift is made with appreciated property instead of cash; some income that was tax-free is now capital gain.

CASE 1: Part III. The Franklins and their advisor, Ms. Casey, would like to go ahead with funding a gift annuity with their appreciated stock. Ms. Casey wonders if she'll need to draw up a contract. She's not an expert in this area, but she does know that gift annuity contract requirements vary state by state. She's not sure what the requirements are for California, where the Franklins live. You offer to prepare a sample gift annuity agreement and send a copy to Ms. Casey and the Franklins for their review.

- 1) **Open Presentation Selection and click [Deselect All] to deselect all currently selected presentations. Select the *Gift Annuity Agreement* narrative, then return to the Main Screen.**
- 2) **Open the Lives and/or Fixed Term window.**
- 3) **In Life #1, type 5/1/40 over 72. In Life #2, type 8/28/41 over 70. Click [Done].**

Entering birthdates instead of ages assures that correct ages will be used in your calculations. To produce a gift annuity agreement, you must use birthdates.

Note that when you enter a birth date with a 2-digit year, PGM assumes the year was in the 1900s. In all other date fields, such as for the date of gift, PGM assumes a 2-digit year means a year in the 2000s.

- 4) **You will be warned that values have been changed to reflect your changes. Click [Continue].**
- 5) **Open Narrative Follow-up Questions and enter the information shown in the following windows. Click [Next] to move to each subsequent window.**

Gift Annuity Agreement

Donor/annuitant relationship - 2 donors, 2 annuitants

Joint annuitants - both are donors
 Joint annuitants - neither is a donor
 Successive annuitants - first is a donor
 Successive annuitants - both are donors
 Successive annuitants - neither is a donor

Gift Annuity Agreement

Donor state of legal residence:

AK - Alaska
 AL - Alabama
 AR - Arkansas
 AZ - Arizona
 CA - California

Gift Annuity Agreement

Donor #1 name: John Q. Franklin

Donor #1 legal address:

Line 1: 123 Main St.
 Line 2: Anytown, CA 98765
 Line 3:
 Line 4:
 Line 5:

Donor #1 gender: Male Female

Gift Annuity Agreement

Donor #2 name: Angela Franklin

Do the donors live at the same address? Yes No

Gift Annuity Agreement

Donor #2 gender: Male Female

6) Press [Close] to close the Narrative follow-up window.

You are welcome to view and answer the additional follow-up questions, if you like,

by pressing [Next] instead of [Close]. To save time, we will not reproduce them here and will use the default settings in the software for a donor's legal residence of California. The questions vary depending on which state's requirements are being covered.

- 7) **Click [View] to see the gift annuity agreement. When done, return to the Main Screen.**

The first page of the agreement is reproduced on the next page.

[Your Organization Name Here]
GIFT ANNUITY AGREEMENT

**Two Lives - Joint and Survivor
 Funded with Jointly-Owned or Community Property
 Immediate Payments**

This Agreement is made between John Q. Franklin and Angela Franklin of 123 Main St., Anytown, CA 98765 (hereinafter "the Donors"), and [Your Organization Name Here], of <Charity Address> (hereinafter "[Reference Name]").

1. **Transfer of Property by Donors**
 [Reference Name] certifies that the Donors, as an evidence of their desire to support the work of [Reference Name] and to make a charitable gift, on May 14, 2012 contributed to [Reference Name] the property described in Schedule A attached hereto, the fair market value of which is \$10,000.00.
2. **Payment of Annuity**
 In consideration of the property transferred by the Donors, [Reference Name] shall pay to the Donors during their joint lives, and then to the survivor during his or her life, an annual annuity of \$470.00 from the date of this Agreement.
3. **Payment Dates; First Installment**
 The annuity shall be paid in quarterly installments of \$117.50. The first installment shall be payable on June 30, 2012 in the amount of \$61.98, prorated on the basis of the number of days in the initial payment period. Subsequent installments beginning on September 30, 2012 and continuing every quarter thereafter shall be in the full amount of \$117.50.
4. **Birth Dates and Ages of Donors**
 The birth date of John Q. Franklin is May 1, 1940 and his nearest age as of the date of this instrument is 72. The birth date of Angela Franklin is August 28, 1941 and her nearest age as of the date of this instrument is 71.
5. **Irrevocability; Non-assignability; Termination**
 Except as provided in Paragraph 6, this annuity is irrevocable. This annuity is also non-assignable, except that it may be assigned to [Reference Name]. [Reference Name]'s obligation under this Agreement shall terminate with the regular payment preceding the death of the survivor of the Donors. With respect to the first of the Donors to die, the obligation to pay such Donor any share of the annuity shall terminate with the regular payment preceding the death of such Donor, and all following payments shall be payable to the survivor of the Donors, during such surviving Donor's lifetime.
6. **Power to Revoke Payments**
 - a. John Q. Franklin reserves the power to revoke the survivorship annuity payments for Angela Franklin attributable to his one-half interest in the joint property transferred under this Agreement. This power is exercisable by John Q. Franklin either (1) during life by giving a written notice to [Reference Name], or (2) at death, by a written notice to [Reference Name], from John Q. Franklin's executor, trustee or personal representative, that John Q. Franklin, in his will or trust, has exercised this power to revoke. If the power is exercised, [Reference Name]'s obligation to make the annuity payments attributable to the one-half interest of John Q. Franklin in the joint property shall terminate with the payment preceding

Explanation of Gift Annuity Agreement

PGM can produce gift annuity agreements that meet the requirements of all 50 states and the District of Columbia. For each state, the software can produce 1-life and 2-life agreements for immediate payment gift annuities, deferred gift annuities, flexible deferred gift annuities, and commuted payment gift annuities (a.k.a. College Tuition Annuity Plan).

The agreement above, for example, meets all of California's requirements for a 2-life immediate payment gift annuity funded by a husband and wife who have named themselves as the annuitants. The language empowering each spouse to revoke the payments of the other can be excluded from the agreement if you wish.

Exporting gift data to GiftWrap or The Raiser's Edge™

When the Franklins complete their gift annuity, they are entering into a lifelong relationship with your organization. Your organization needs to capture the details of their gift and make sure it is administered properly in the years to come. And that means storing this information in a database equal to the task.

PGM makes it easy for you to export the detailed gift information you have created in PGM to either of two leading databases: GiftWrap, PG Calc's planned gift administration software, and The Raiser's Edge™, Blackbaud's donor database software.

To create files for exporting information on the Franklin's gift to GiftWrap for example, follow these simple steps.

- 1) Click *File* in the Menu Bar and choose *Save GiftWrap Gift Information File*.
- 2) Enter the file name in which you want to save the gift information, choose the folder where you want to save the file, then click *Save*.

That's all there is to it! The file contains details such as type of gift, gift amount, payout rate, and where applicable, the full taxation schedule for annuity payments (see the Breakdown of Annuity section on page 25), which GiftWrap can import when you run its Add Gift wizard.

Saving PGM gift information for exporting to The Raiser's Edge™ is similarly easy. Note that you must own the RE: PlannedGiftTracker module to be able to import this information into The Raiser's Edge™.

Comparing gift plans side-by-side


TO RESTART TUTORIAL AT THIS POINT

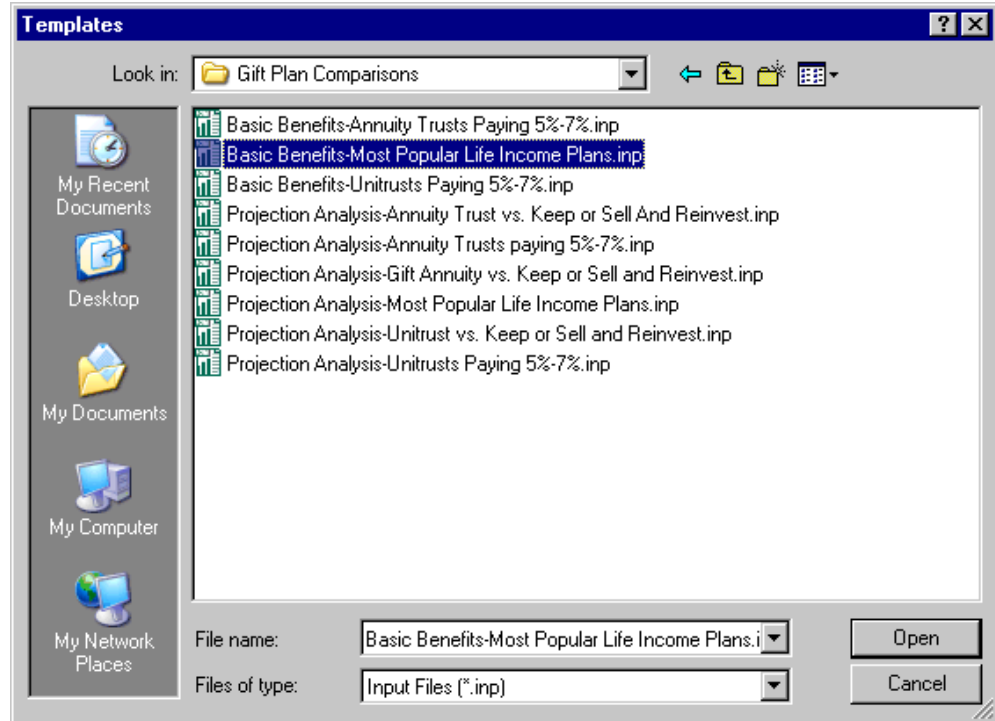
- 1) Open PGM software.
- 2) Click *File* on the *Menu Bar* and select *Open*.
- 3) Double-click *start1.inp*.
- 4) Continue with the tutorial below.

Retrieving the file restores all of PGM's inputs as of the end of the previous case, preparing you to start the new case below.

NOTE: The features illustrated in this case are not available in Gift Annuity Manager. The next feature available in GAM is "Choosing fonts for your presentations" on page 38.

CASE 2: Part I. Pat Burnham, a prospect, calls about the life income gift mailing she just received. She is 75 and a widow. She doesn't know what type of gift to make, but asks what the deduction would be for a \$250,000 planned gift of appreciated stock. You can give her the answer quickly while on the telephone by running a comparison of gift plans.

- 1)  Click the **Template** button in the **Toolbar**, then double-click the **Gift Plan Comparisons** folder.



2) **Click Basic Benefits - Most Popular Life Income Plans.inp, then click [Open].**

3) **Click [Continue]**

The software opens Program 1 (Basic Gift Illustrations) and chooses several presentations and gift options for you. You can now move through each window of the Main Screen confirming the choices and entering data specific to Ms. Burnham's case where necessary.

4) **Open Presentation Selection.**

Four presentations are chosen: *Comparison of Benefits*, *Summary of Benefits - How It Works Diagram*, *Summary of Benefits - Numbers Diagram*, and *Comparative Description*. Keep in mind that you can add or remove any presentations from the selected group to create your own proposal. For now, let's keep these choices.

5) **Return to the Main Screen.**


6) **Open Gift Date · IRS Discount Rate and enter 5/14/2012 as the date of gift, then click [Done].**

You will see a note that the values for Gift Annuity Partial Payments have changed.

7) **Click [Continue], then click [Done] to return to the Main Screen.**

8) **Open Lives and/or Fixed Term.**

9) **Enter 75 for Life #1. Click [Done].**

 To select or deselect a chart, highlight the chart using the arrow keys and press [Space Bar].

You will see a note that the values for Gift Annuity Rates have changed.

10) Click [Continue].

11) Open the Principal Value - Cost Basis window.

12) Enter 20% as the Cost basis. Click [Done] to return to the Main Screen.

13) Open the Gift Options window.


TIP: The list on the left displays your current selections. The list on the right shows all the gift options from which you can choose. Use the buttons in the middle to edit your selections.



The template has chosen three gift options for you: a remainder annuity trust, a remainder unitrust, and a gift annuity. The calculations will be run for all three gift types simultaneously. You can, of course, substitute other gift types here or add new ones. Or, you can work with just one or two gift types. We'll stick with these three for now, so that we can give Ms. Burnham the basic information on all of them.

14) Click 5% CRAT under Your selections, then press [Open] to open the follow-up window for the 5% annuity trust.

All the default values for the CRAT look correct, but before you close this window, let's look at PGM's context-sensitive help.

 Use your arrow keys to highlight the gift option and press [Enter] to open the follow-up window.

15)  Click the Help on Current Topic button in the Toolbar at the top of the screen (or press [F1]).

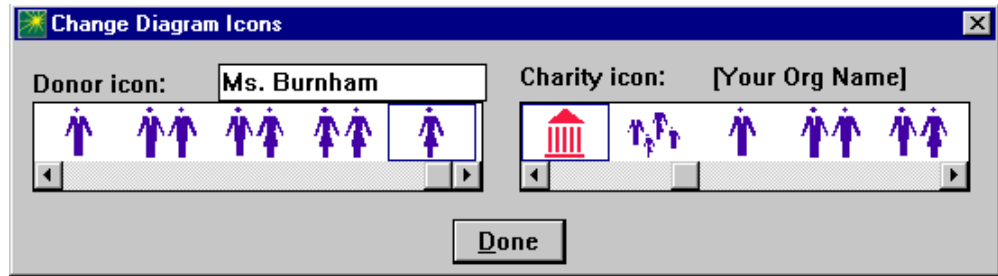
Help windows like this one are available for every input question. If you ever are unsure of what to enter for a specific question, just click the field for the question, then click the Help on Current Topic button to get the context-sensitive Help you need. We will review other features of PGM's vast Online Help system shortly.

16) When done, close the Help window, the CRAT follow-up window, and the Gift Options window to return to the Main Screen.

17) Open Personalization - Icons. Enter *Ms. Pat Burnham* in the Prepared for field.

18) Click [Change Icons].

- 19) Choose the diagram icons shown in the window below and enter *Ms. Burnham* as the Donor icon label, then click [Done].



- 20) Return to the Main Screen.

- 21) Click [View] to see the results.

First, you will see a simple comparison of the deductions and annual income produced by the three gift options. Diagrams that illustrate the operation and benefits of each plan follow. The last pages are a narrative description of how the three gift types work and an explanation of the benefits of each gift.

Only the *Comparison of Benefits* chart is reproduced on the next page, although all four presentations will appear on your View screen.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Basic Gift Illustrations

Comparison of Benefits**ASSUMPTIONS:**

Beneficiary Age	75
Principal Donated	\$250,000.00
Cost Basis of Property	\$50,000.00

BENEFITS:

	Charitable Annuity Trust 5%	Charitable Unitrust 5%	Charitable Gift Annuity 5.8%
Charitable Deduction	\$127,090	\$150,098	\$106,695
Annual Payout	\$12,500 (fixed)	\$12,500 (variable)	\$14,500 (fixed)
Tax-free Portion			\$2,311 (for 12.4 yrs)
Capital Gain Income			\$9,245 (for 12.4 yrs)
Ordinary Income			\$2,943 *
Total Reportable Gain			\$114,644 (over 12.4 yrs)

* Once all tax-free portions have been distributed and all capital gain reported, the entire annuity will become ordinary income.

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Comparison of Benefits Chart

This chart is a simple comparison of the charitable deductions and annual income produced by the three gift options. It shows at a glance the financial information that is of greatest interest to most prospects. Its simplicity makes it an ideal way to present the potential benefits of making a planned gift.

Comparing gift amounts side-by-side

After reviewing your comparison of the different gift plans and discussing them with you, Ms. Burnham decides that the charitable remainder annuity trust (CRAT) best meets her needs. With your encouragement, she also has met with her financial advisor to discuss her plans. While supportive of her desire to make a significant gift to your charity, her advisor is not comfortable with her giving at the \$250,000 level. She and her advisor would like to see the deduction for a CRAT funded with \$100,000 or \$150,000.

PGM makes it very easy to compare a planned gift funded with different gift amounts side-by-side.

- 1) **Open the Principal Value - Cost Basis window.**
- 2) **Click Yes to compare different principal amounts. Enter the values shown below.**

Principal Value - Cost Basis	
Compare different principal amounts?	<input checked="" type="radio"/> Yes <input type="radio"/> No
Option 1:	Principal: 100,000 Basis: 50,000
Option 2:	Principal: 150,000 Basis: 75,000
<input type="button" value="Done"/> <input type="button" value="Add Option"/> <input type="button" value="Remove Option"/>	

You are comparing just two gift amounts here. To add a third amount, you would simply click the [Add Option] button and enter a principal amount and cost basis for the third gift. Notice that the ability to enter a principal amount and cost basis separately for each gift also makes it easy to compare a gift of cash with a gift of appreciated stock.

- 3) **Click [Done].**
- 4) **Open Gift Options.**

Since you want to compare the same 5% CRAT funded with two different amounts, you need to select this CRAT twice, once for each gift amount.

- 5) **Click 5% CRU, line (2) under Your selections, then click [Replace].**
- 6) **Double-click *Charitable Remainder Annuity Trust* under List of gift options. Enter the values shown below.**

Charitable Remainder Annuity Trust for \$150,000 (Option 2)

Use maximum payout rate that passes 10% minimum remainder and 5% probability tests? Yes No

Annuity payout rate (% or \$): 5.0

Payment frequency: Annual
 Quarterly
 Semiannual
 Monthly
 Weekly

Payment timing: Beginning of period
 End of period

Done

7) Click **[Done]** to return to the Gift Options window.

8) With **5.8% GA** highlighted on line (3) under **Your selections**, click **[Delete]** to remove this gift from your list of selections.

You should now have two 5% CRATs selected, one for each gift amount you want to compare. Your Gift Options window should now look like this:

Gift Options

Your selections:

- 1) 5% CRAT
- 2) 5% CRAT
- 3) [Add Option]
- 4)
- 5)
- 6)
- 7)
- 8)
- 9)

List of gift options:

- Charitable Remainder Unitrust
- Charitable Remainder Annuity Trust
- Pooled Income Fund
- Charitable Gift Annuity (ACGA2012=5.8%)
- Deferred Gift Annuity
- Flexible Gift Annuity
- Commuted Payment Gift Annuity
- Retained Life Estate
- Charitable Lead Unitrust
- Charitable Lead Annuity Trust
- Bargain Sale
- Outright Gift
- Bequest to Charity

Done **Replace** **Open** **Insert** **Delete** **Delete All**

9) **Return to the Main Screen.**

10) Click **[View]** to see the results. **Do not close the View window until instructed to at the end of the next section, which covers choosing fonts.**

First, you will see a simple comparison of the deduction and annual income for a 5% CRAT funded with \$100,000 in stock versus one funded with \$150,000 in stock. The next page is a description of how the CRAT works and a comparison of its benefits when funded with each of the two amounts.

Only the *Comparison of Benefits* chart is reproduced on the next page, although all four presentations will appear on your View screen. *Remember*, don't close the View window until after reading through the section on choosing fonts.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Basic Gift Illustrations
Comparison of Benefits

ASSUMPTIONS:

Beneficiary Age 75

	Charitable Annuity Trust 5%	Charitable Annuity Trust 5%
Principal Donated	\$100,000	\$150,000
Cost Basis	\$50,000	\$75,000
BENEFITS:		
Charitable Deduction	\$50,836	\$76,254
Annual Payout	\$5,000 (fixed)	\$7,500 (fixed)

IRS Discount Rate is 1.6%


These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Comparison of Benefits Chart

This chart compares the charitable deduction and annual income produced by a gift funded with two different amounts. It shows at a glance the financial information that is of greatest interest to most prospects and how it changes as the gift amount changes. The chart's simplicity makes it an ideal way to present how gift amount influences deduction and annual payout amounts.

Choosing fonts for your presentations

Changing the font or font size is a breeze while viewing presentations.

- 1)  **Click the Font button.**
- 2) **Select a font and font size that you prefer, then click [OK].**

Your presentations instantly adopt the font and font size you just selected. If your choices don't look quite right, just repeat steps (1) and (2). The Font button makes it a snap to experiment with different font selections until you can determine the one you want to use.

You can also change font characteristics by opening the Customize menu and choosing Font. Your choices carry through to the presentations you view and to the presentations you print.

Most presentations are designed to format well using a font size of 11 for portrait orientation. In landscape orientation, graphs and diagrams are designed to format well using a font size of 14. These are the default sizes, although other font sizes also work well for many presentations.

The font size that you choose applies to portrait orientation. This font size is then multiplied by a factor to determine the corresponding font size for landscape orientation.

- 3) **When done experimenting with font selection, return to the Main Screen.**

Using PGM's comprehensive Online Help system


As mentioned earlier, PGM includes a comprehensive Online Help system in addition to context-sensitive help. This Help system is fully indexed and includes a table of contents to make it easy to find the information you are looking for. It also contains an extensive glossary of terms used by gift planners.

We will take you on a brief tour of the PGM Help system here. We encourage you to explore the Help system more later so that you can see for yourself how useful it is.

The glossary of terms provides valuable information. The glossary of terms in PGM's Help system includes topics on over two hundred gift planning terms and concepts. It is an invaluable resource for educating yourself, your colleagues, and your donors. Many topics are ideal for providing technical information to advisors.

- 1)  **Click the Help Contents and Index button in the Toolbar.**

By default, the Glossary is visible in the right hand pane. Let's find out more about the IRS discount rate, for example.

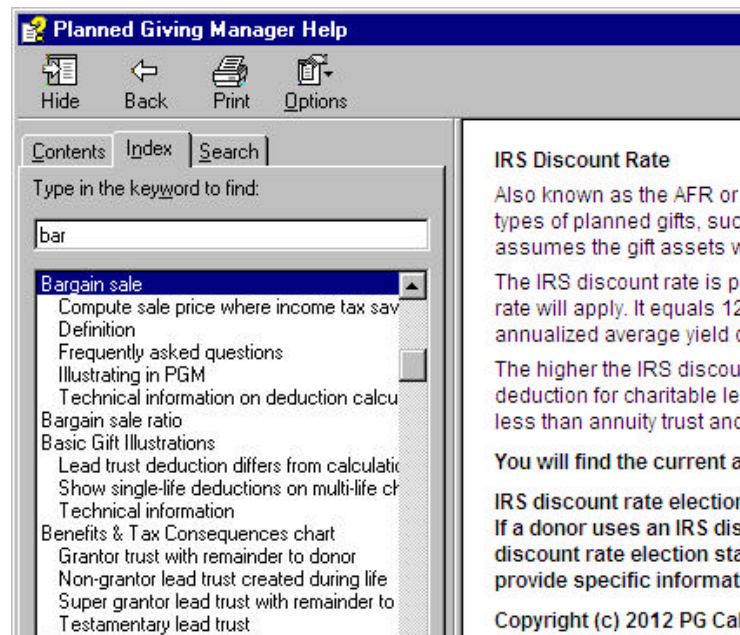
- 2)  Click the I button in the button bar at the top of the right hand pane to move to all the glossary topics that start with "I".
- 3) Click **IRS Discount Rate** to open a Help window on this topic.

If you wish to print this or any other help topic, just click the Print button in the Button Bar at the top of the Help window.

- 4) When done reading about the IRS discount rate, click the Index tab at the top of the left hand pane in the Help window.


The Index makes it easy to find information. The Index makes it easy to find information anywhere in the Help system based on a key word or phrase. Let's find and open a definition of bargain sale, for example.

- 1) Type *bar* in the field at the top of the Index tab.

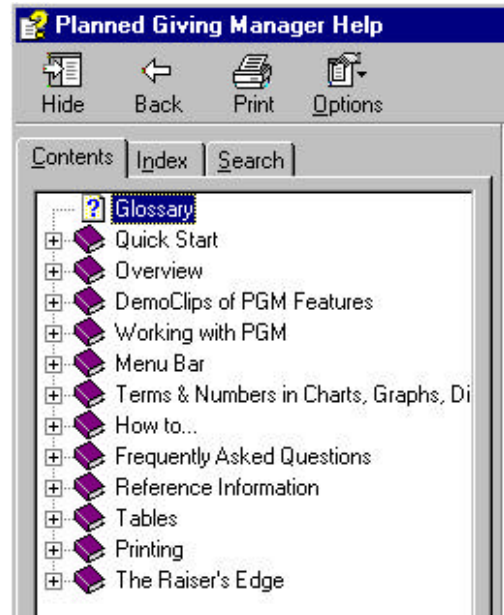



- 2) Now that the *Bargain sale* heading is visible, you can see that PGM Help contains several topics on bargain sales. To read a definition, double-click the *Definition* sub-heading.

In seconds, we have found and opened a Help topic that contains a definition of "bargain sale."

- 3)  When done viewing the topic, click the close box at the top of the topic window.
- 4) Click the Contents tab at the top of the left hand pane in the Help window.


The Contents organizes PGM's Help system. The Contents of PGM's Help system organizes its information into categories and sub-categories. The Contents makes it easy to see what information is available in the Help system and to open a topic once you have found it.



Note:  Help *categories* are marked with a book icon.


- 1) **Double-click Quick Start to expand this category and see the topics within it.**

You can see that the Quick Start category contains topics to help you learn the basics of how to use PGM.

Note:  Help *topics* are marked with a question mark icon.

- 2) **Double-click *Comparing the first year effective return of different plans*. The Help window on this topic will open.**

With just a few clicks, PGM provides step-by-step instructions on how to create a presentation that compares the first year effective rate of return of several gift options.

- 3)  **Click the close box at the top of each topic window until they are all closed.**

DemoClip slideshows animate your learning experience. DemoClips are Flash slideshows that guide you through a variety of common PGM tasks, such as how to create a gift annuity proposal or how to save and retrieve a PGM case. They make performing these tasks a cinch. Let's review how to produce a charitable remainder unitrust proposal.

- 1)  **Click the DemoClips button in the Menu Bar.**


Take a moment to scan the titles of the available DemoClips so that you have a sense

of the topics they cover.

2) Click *How to produce a charitable remainder unitrust proposal* in the Charitable Remainder Trusts section.

Tip: If you see a blank DemoClip window or the slides don't fit in the window, close the window as described in step (3) and click on the *Troubleshooting DemoClips* link above the list of DemoClip topics for guidance.

You will now see a slideshow that walks you through how to create a charitable remainder unitrust proposal. Use the Next and Previous buttons to move back and forth through the slideshow.

3)  Whenever you're ready to exit the DemoClip, click the close box of the Help window.

Preparing materials for an initial meeting

TO RESTART TUTORIAL AT THIS POINT

- 1) Open PGM software.
- 2) Click *File* on the *Menu Bar* and select *Open*.
- 3) Double-click *start2.inp*.
- 4) Continue with the tutorial below.

Retrieving the file restores all of PGM's inputs as of the end of the previous case, preparing you to start the new case below.

NOTE: The features illustrated in this case are not available in Gift Annuity Manager. The next feature available in GAM is "Exporting Presentations to Word, WordPerfect, and Excel" on page 52.

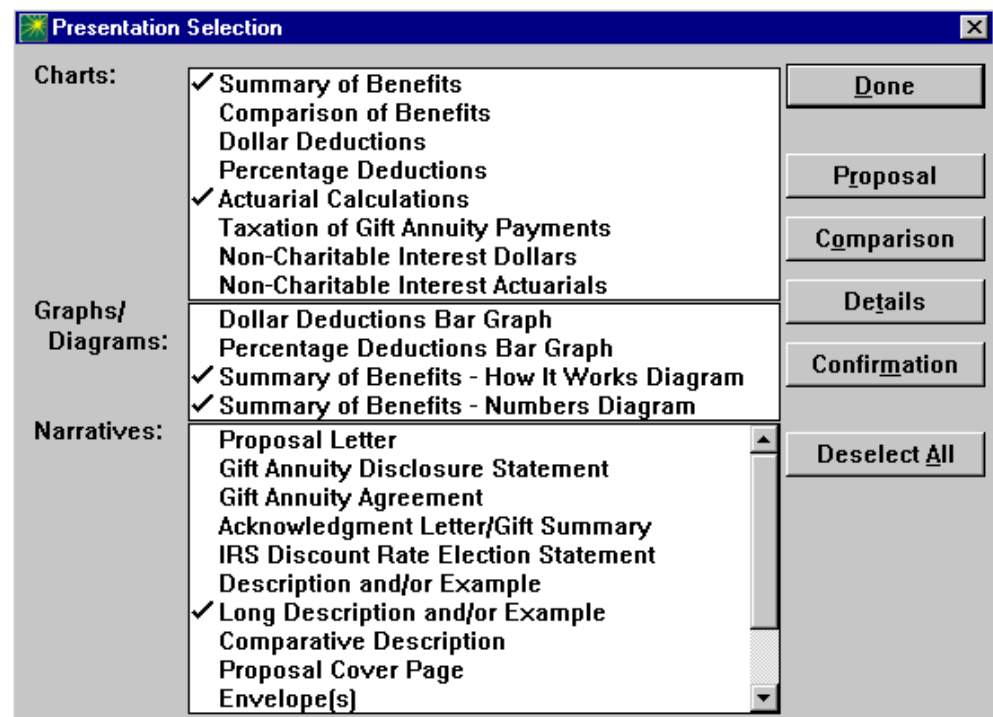
CASE 2: Part II. After further discussion with her advisor, Ms. Burnham decides that she wants to focus on funding a \$100,000 annuity trust that pays out \$5,000 each year. You suggest a meeting with Ms. Burnham and her advisor, then send a letter summarizing the benefits of such a gift.

To prepare for the meeting itself, you decide to produce a summary chart and a diagram to help Ms. Burnham understand how an annuity trust works, as well as a more detailed presentation of the deduction calculation for her advisor.

1) Open Presentation Selection.

- 2) Press [Deselect All]. Then select *Summary of Benefits and Actuarial Calculations* in the *Charts* box, *Summary of Benefits - How It Works Diagram* and *Summary of Benefits - Numbers Diagram* in the *Graphs/ Diagrams* box, and *Long Description and/or Example* in the *Narratives* box. Return to the Main Screen.


TIP: If you select correctly, you will see S AC SD ND LDE on the right of the Presentation Selection line on the Main Screen.

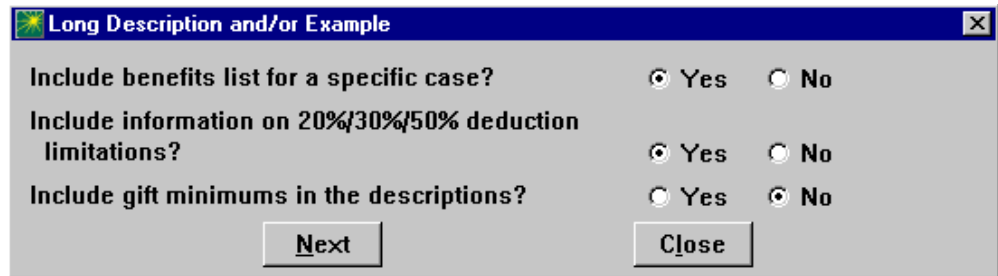


- 3) **Open the Principal Value - Cost Basis window.**
- 4) **Click *No* to turn off *Compare different principal amounts*.**

You should now see *Long term gain property* as the Property type, *100,000* as the Value of principal transferred, and *50,000* as the Cost basis.

- 5) **Click [Done].**
- 6) **Open the Gift Options window. Two options are selected.**
- 7) **Keep the first 5% Charitable Remainder Annuity Trust (5.0% CRAT). Delete the other one by highlighting it and clicking [Delete]. Return to the Main Screen.**
- 8) **Open Narrative Follow-up Questions and enter the information shown in the following window, then click [Close].**

 To delete a gift option, use your arrow keys to highlight it in the list at the left and press the [Delete] key.



- 9) **Click [View] to see the results. When done, return to the Main Screen.**

The presentations you have created are reproduced on the next three pages.

A note about printing diagrams. Your diagrams will print in portrait orientation. Alternatively, you can print your diagrams in landscape, if you wish. You may try printing your diagrams in landscape by following steps (10) and (11) below.

- 10) **Open the Customize menu, then select Portrait/Landscape Options. Select Landscape as the Orientation setting for Diagrams. Return to the Main Screen.**
- 11) **Click [Print] to print your diagrams in landscape orientation. When done, return to the Main Screen.**

To make it easier to view the diagrams on your screen, change the orientation for diagrams back to Portrait before proceeding.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Basic Gift Illustrations

Summary of Benefits

5% Charitable Annuity Trust

ASSUMPTIONS:

Beneficiary Age	75
Principal Donated	\$100,000.00
Cost Basis of Property	\$50,000.00
Payout Rate	5%
Payment Schedule	quarterly at end

BENEFITS:

Charitable Deduction	\$50,836.00
Annual Payments	\$5,000.00

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Summary of Benefits Chart

This chart is a simple summary of the annuity trust's benefits that is intended for the prospect. It is ideal for enclosing with a letter, for example.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Basic Gift Illustrations

Actuarial Calculations

5% Charitable Annuity Trust

ASSUMPTIONS:

[1]	Beneficiary Age	75
	Date of Gift	5/14/2012
[2]	Principal Donated	\$100,000.00
[3]	Cost Basis of Property	\$50,000.00
[4]	Payout Rate	5%
[5]	Payment Schedule	quarterly at end
[6]	Discount Rate under IRC Section 7520(a) for 5/2012	1.6%

CALCULATIONS:

[7]	Value of \$1 for meas. lives/term on [1], years on [12] (Reg. 25.7520-3(b)(2)(v) Example 5)	9.7742
[a]	Adjustment factor for schedule on [5], rate on [6] (Table K in IRS Publication 1457 (5-2009))	1.0060
[b]	Adjusted value of \$1 ([7] x [7a]) (Reg. 20.2031-7(d)(2)(iv))	9.8328
[8]	Remainder factor (1.0 - ([7b] x [4]))	0.50836
[9]	Annual Payment ([2] x [4])	\$5,000.00
[10]	Value of Life Interest ([7b] x [9])	\$49,164.00
[11]	CHARITABLE DEDUCTION ([2] - [10])	\$50,836.00
[12]	Number of Years to Corpus Exhaustion	24.12049
[13]	Probability of Corpus Exhaustion (Passes 5% Probability Test of Rev. Rul. 77-374)	3.17%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

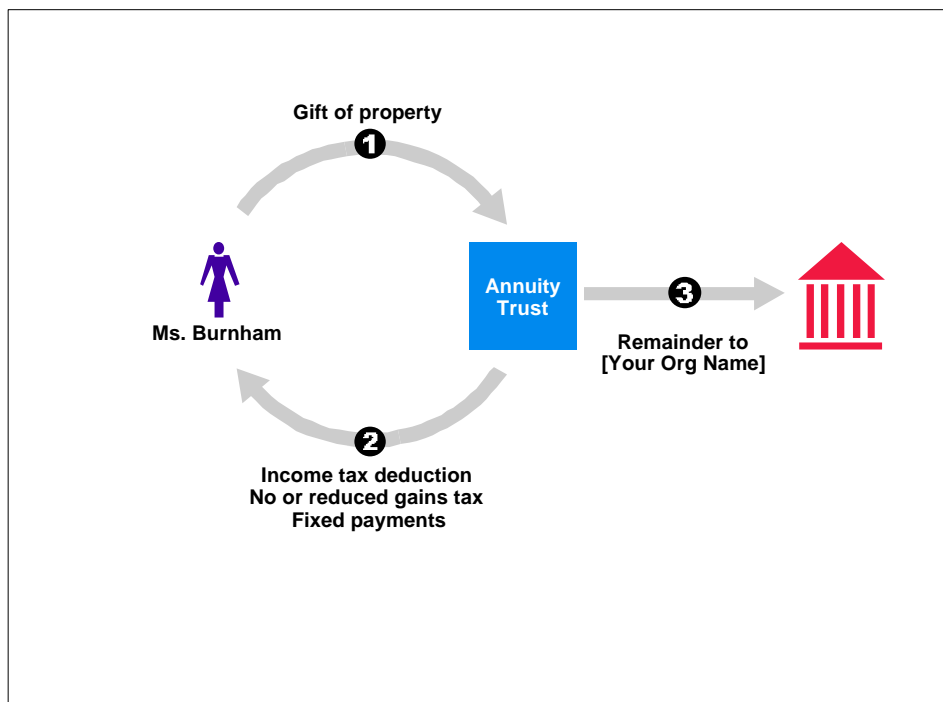
Explanation of Actuarial Calculations Chart

This chart presents the annuity trust deduction calculation in full detail, including appropriate legal citations and IRS table references. It is intended for the prospect's advisor.

Charitable Remainder Annuity Trust

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Ms. Pat Burnham



How it works

- 1** You transfer cash, securities, or other property to a trust.
- 2** You receive an income tax deduction and pay no capital gains tax on transfer to trust.
During its term, the trust pays a fixed amount each year to you or to anyone you name.
- 3** When the trust ends, its remaining principal passes to [Your Org Name].

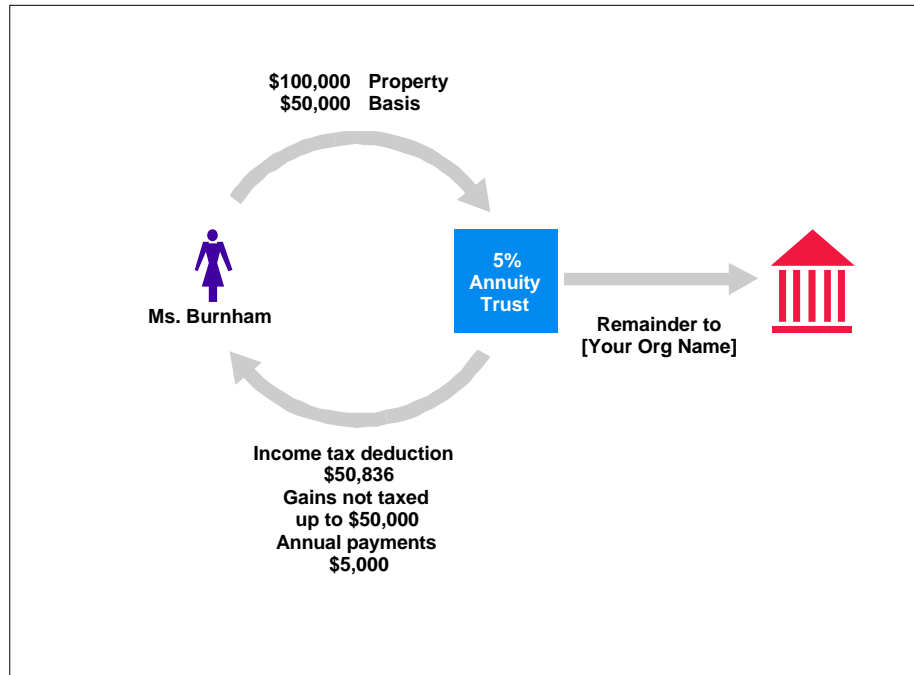
Explanation of Summary of Benefits - How It Works Diagram

As noted in our gift annuity example earlier, this diagram explains visually and verbally how the gift plan will work. The combination of picture and text makes this diagram a powerful tool for explaining the annuity trust concept to Ms. Burnham.

Charitable Remainder Annuity Trust

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Ms. Pat Burnham



Benefits

Immediate

Income tax deduction of \$50,836. Pay no capital gains tax on transfer to trust.

Annual

Annual payments of \$5,000 for life of beneficiary, age 75.

Future

[Your Org Name] will receive remaining principal when trust ends. May reduce estate taxes and costs.

Explanation of Summary of Benefits - Numbers Diagram

As noted in our gift annuity example earlier, this diagram uses the same visual presentation as the How It Works version shown on the previous page. These diagrams form an effective one-two combination for educating your prospective donors about annuity trusts and the other planned giving vehicles.

[YOUR ORGANIZATION NAME HERE]

WHAT IS A CHARITABLE REMAINDER ANNUITY TRUST?

A charitable remainder annuity trust ("annuity trust") is a gift plan defined by federal tax law that allows you to provide payments to yourself or others while making a generous gift to [Your Organization Name Here]. The payments may continue for the lifetimes of the beneficiaries you name, a fixed term of not more than 20 years, or a combination of the two.

As an annuity trust donor, you irrevocably transfer assets, usually cash or securities, to a trustee of your choice (for example, [Your Organization Name Here] or a bank trust department).

During the trust's term, the trustee invests the trust's assets. Each year, the trustee distributes a fixed dollar amount to your beneficiaries. The payments must be between 5% and 50% of the trust's initial value and are made out of trust income, or trust principal if income is not adequate. Payments continue until the trust term ends or until the highly unlikely event that the trust distributes all its assets. Payments may be made annually, semiannually, or quarterly.

When the annuity trust term ends, the trust's principal passes to [Your Organization Name Here], to be used for the purpose you designate.

EXAMPLE:

You irrevocably transfer \$100,000 in long term appreciated property (assets you have held more than one year) with a cost basis of \$50,000 to an annuity trust that pays 5% of its initial value each year for the lifetime benefit of an individual, age 75.

BENEFITS INCLUDE:

- 1) You will qualify for a federal income tax deduction of approximately \$50,836. Your deduction may vary modestly depending on the timing of your gift.

Note that deductions for this and other gifts of long term appreciated property will be limited to 30% of your adjusted gross income. You may, if necessary, take unused deductions of this kind over the next five years, subject to the same 30% limitation.
- 2) Your designated income beneficiary will receive fixed payments in quarterly installments totaling \$5,000 each year for life.
- 3) Your entire gift property will be available for reinvestment, free of tax on your \$50,000 of long term capital gain. If you were to sell and reinvest this property yourself, you would owe tax on \$50,000 of long term capital gain.
- 4) Your estate may enjoy reduced probate costs and estate taxes.
- 5) You will provide generous support to [Your Organization Name Here].

Explanation of Long Description and/or Example

This narrative gives Ms. Burnham a complete and clear description of how her proposed charitable remainder annuity trust will operate. Like the *Description and/or Example* narrative we reviewed earlier, this narrative can list the benefits of the gift plan. The benefits can be described in generic terms or, as above, can include values based on the specific facts of the proposed gift.

First year analysis of life income gift benefits

TO RESTART TUTORIAL AT THIS POINT

- 1) Open PGM software.
- 2) Click *File* on the *Menu Bar* and select *Open*.
- 3) Double-click *start3.inp*.
- 4) Continue with the tutorial below.

Retrieving the file restores all of PGM's inputs as of the end of the previous case, preparing you to start the new case below.

NOTE: First Year Analysis is not available in Gift Annuity Manager. The next feature available in GAM is "Exporting Presentations to Word, WordPerfect, and Excel" on page 52.


CASE 2: Part III. After further consideration, Ms. Burnham's advisor decides that she wants to know why her client shouldn't just sell her appreciated stock herself and reinvest the proceeds. In addition, she would like to reconsider the benefits of a gift annuity versus the CRAT.

First Year Analysis can create a chart that addresses the advisor's concern by comparing the real rate of return that these alternatives offer in the first year.

1) Select Program 2: First Year Analysis.

» Presentation Selection	RC
» Gift Date · IRS Discount Rate	5/14/2012 1.6% for 5/2012
» Lives and/or Fixed Term	75
» Rate of Return for Tax Savings	Total Income from Plan not selected
» Principal Value · Cost Basis	Principal: 100,000 Basis: 50,000 LTG
» Income/Cap. Gains Tax Rates	Donor: 35% / 15% Ben.: 35% / 15%
» Gift Options	5% CRAT
» Personalization	Ms. Pat Burnham [Today's Date] H1 D1

2) Open Gift Options.

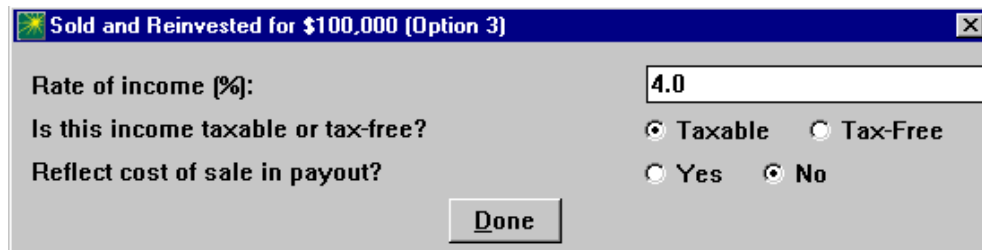
 Highlight [Add Option], press [Enter], then press [Enter] again while Charitable Gift Annuity is highlighted.

3) Double-click [Add Option] under Your selections, then double-click Charitable Gift Annuity to add a Charitable Gift Annuity as your second gift option.

4) Confirm that PGM has chosen 5.8% as the annuity rate for the gift annuity, then close this window.

TIP: To add another gift option, double-click [Add Option] in the left column. Then make your choice in the right column.

- 5) Now add **Sold and Reinvested** as your third gift option.
- 6) In the **Sold and Reinvested** follow-up window, set the **Rate of income for the reinvested assets to 4**. Return to the Main Screen.



Sold and Reinvested for \$100,000 (Option 3)

Rate of income (%):

Is this income taxable or tax-free? Taxable Tax-Free

Reflect cost of sale in payout? Yes No

Done

You now have a comparison of a 5% charitable remainder annuity trust, a 5.8% charitable gift annuity, and the 4% *Sold and Reinvested* option. You are comparing three options at once here, two charitable and one non-charitable, but you can examine two or just one at a time for greater simplicity, whenever you wish.

- 7) Click [View] to see your presentation. When done, return to the Main Screen.

This kind of analysis can be very persuasive in demonstrating the charitable and financial benefits of making a life income gift.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

First Year Analysis

Return Based on Cost of Plan

ASSUMPTIONS:
Property valued at \$100,000 with a cost basis of \$50,000.
Beneficiary age 75.
Donor's marginal income tax bracket is 35%.
Long term capital gains tax of \$7,500 (15% bracket) if sold by donor.

Income Rate	Charitable Annuity Trust 5%	Charitable Gift Annuity 5.8%	Sold and Reinvested 4%
Gross Principal	\$100,000	\$100,000	\$100,000
Capital Gains Tax			\$7,500
(a) Net Principal	\$100,000	\$100,000	\$92,500
(b) Payments	\$5,000 (fixed)	\$5,800 (fixed)	\$3,700 (variable)
Tax-free Portion		\$2,311	
Capital Gain		\$2,311	
(c) Charitable Deduction	\$50,836 50.8%	\$42,678 42.7%	
(d) Income Tax Savings 35% x (c)	\$17,793	\$14,937	\$-7,500
(e) Out-of-pocket Cost of Plan (a)-(d)	\$82,207	\$85,063	\$100,000
(f) Rate of Return (b)/(e)	6.1%	6.8%	3.7%
Equivalent Rate of Return		9.1%*	

* Adjusted upward because tax-free portion of \$2,311 and capital gain portion of \$2,311 makes the \$5,800 annuity equivalent to \$7,756 of taxable income for a beneficiary in the 35% income tax bracket and the 15% capital gains bracket.

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.



Explanation of Return Based on Cost of Plan Chart

This chart displays the rate of return to the life income beneficiaries relative to the donor's out-of-pocket cost of making the gift. The out-of-pocket cost of the plan equals the gift amount minus the federal income tax the donor will save as a result of making the gift. *Line (f)* on the chart displays this rate of return. The *Sold and Reinvested* column on the right shows how Ms. Burnham's rate of return will be reduced by capital gains tax if she sells her stock herself and reinvests the proceeds.

Exporting presentations to Word and Excel


Sometimes you may want to edit one of PGM's presentations in order to make a point or clarify a concept. You may also want to save it as a document so that you can e-mail it to a prospect or advisor. Once saved as a document, you also can attach it as a media attachment to a donor record in your donor database. This is a simple one-step process in PGM.

NOTE: If you are running Gift Annuity Manager, you will edit the Gift Annuity Agreement instead.

TIP: The appearance of the Toolbar button depends on whether PGM is set up to export presentations to Microsoft Word. You can make this selection in Customize/ Setup/General/ Word processor.

Word processing

Let's go through editing a presentation. The procedure below works if you have Microsoft Word or Corel WordPerfect installed. We will edit the *Return Based on Cost of Plan* chart we just looked at.

- 1) Click  (Microsoft Word) in the Toolbar. If you see the wrong button, follow the *Tip* on the left to change the button, then click it in the Toolbar.

After a few seconds, you should see the chart displayed by your word processor. Your PGM presentation is just like any other word processor document that you might edit, print, or save. To edit any of the text, simply use the same editing techniques you would use with any other word processor document.

- 2) In the Word document, click just to the right of *First Year Analysis* in the chart so that your cursor is blinking to the right of the "s," then type: *A comparison of three options.*

It is that easy to edit PGM presentations in Microsoft Word.

- 3) Make any other edits you wish to the chart. When finished modifying the chart, print it just as you would any other word processor document.
- 4) If you wish, save your edited charts as you would any other document. Exit your word processor.

E-mailing presentations

Once you have exported PGM presentations to Microsoft Word and saved them, you can attach them to an e-mail like any other document file. Using this approach, you can e-mail to prospects and their advisors gift proposals, annuity agreements, and any other documents you create in PGM. E-mail is also a convenient way to share PGM work with your colleagues.

This is the Microsoft Excel button.



Spreadsheet

It is also easy to load PGM presentations directly into a Microsoft Excel spreadsheet. Once in a spreadsheet, it's easy to graph PGM data in dozens of different formats using Microsoft Excel's Chart Wizard, including 3D. Just select the PGM presentations you want to manipulate in Microsoft Excel, then click the Microsoft Excel button in the PGM Toolbar. PGM's graphs and detailed cash flow charts lend themselves particularly well to manipulation with the Chart Wizard.


Long-term projections of life income gift benefits

TO RESTART TUTORIAL AT THIS POINT

- 1) Open PGM software.
- 2) Click *File* on the *Menu Bar* and select *Open*.
- 3) Double-click *start4.inp*.
- 4) Continue with the tutorial below.

Retrieving the file restores all of PGM’s inputs as of the end of the previous case, preparing you to start the new case below.

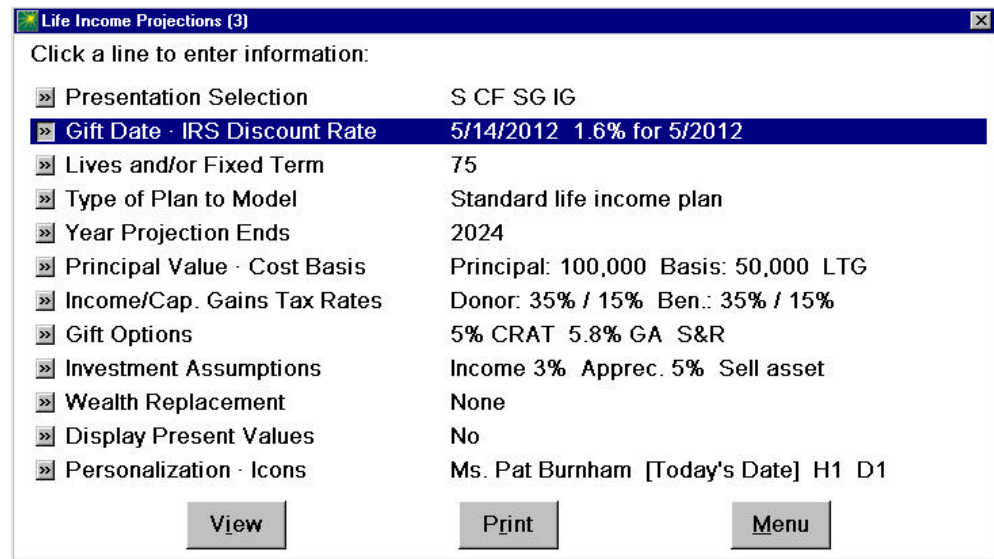
NOTE: Projections are not available in Mini Manager or Gift Annuity Manager. The next feature available in these programs is “Additional Capabilities” on page 72.

 Type [Alt] [3] to move to Program 3. In Presentation Selection, press [F2] to deselect all.

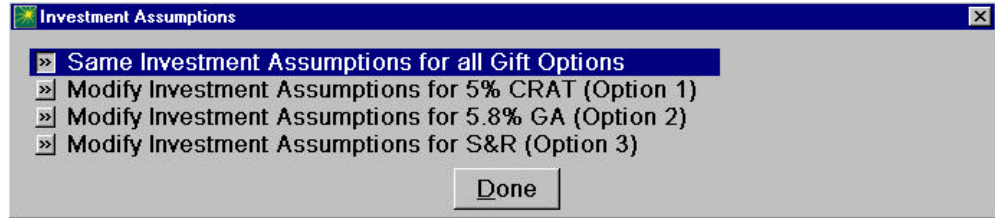
CASE 2: Part IV. To complete the comparison of different gift options, you want to show Ms. Burnham how her choice of life income plans will benefit both herself and the charity over the long term. Projecting these benefits will require us to make assumptions regarding the annual investment return we expect each option to earn.


- 1) **Select Program 3: Life Income Projections.**
- 2) **Open Presentation Selection.**
- 3) **In addition to the *Summary of Benefits* chart that is already selected for you, select *Cash Flow Comparison* in the **Charts** box, and *Summary of Benefits Bar Graph* and *Income Projection Line Graph* in the **Graphs** box.**
- 4) **Return to the Main Screen.**

TIP: If you select correctly, you will see S CF SG IG on the right of the Presentation Selection line on the Main Screen.



- 5) **Open Investment Assumptions.**



 Highlight the line you want and Press [Enter].

6) Click Modify Investment Assumptions for 5% CRAT (Option 1).

TIP: In this case, the income and appreciation assumptions you enter will apply to every year of your projection.

Rate of income (3%) refers to the annual percentage rate of earned income, such as the dividend of a stock or the interest on a bond. *Rate of capital appreciation* (5%) refers to the annual percentage appreciation rate of the underlying asset, such as the increase in the share price of a stock or the value of a piece of real estate. Together, these two percentages equal the total rate of return, 8% in this case.

Selecting *Sell in 1st year only* allows you to model properly the taxation of the payments that will be made by the annuity trust to Ms. Burnham, including capital gain payments. PGM applies the complicated taxation rules that apply to charitable remainder trust distributions when you run projections for a charitable remainder trust.

7) All of the defaults are as we want them. Click [Done] to return to the Investment Assumptions window.

We want to assume that the gift annuity and the annuity trust will be invested similarly. The investment assumptions defaults for the gift annuity already match those for the CRAT, so we don't need to change them.

You have already shown Ms. Burnham that if she sells the stock herself she will need to invest for a higher income rate in order to earn an after-tax income similar to

either of the life income options. Let's reflect this fact in the investment assumptions for the Sold & Reinvested case.

8) **Select Modify Investment Assumptions for S&R (Option 3).**

9) **Select No sales cost. This time, enter a 4 for Rate of income and a 2 for Rate of capital appreciation. Return to the Main Screen.**

(3) S&R

Investment plan for funding assets:

No sales cost
 Sales cost in 1st year only
 Vary assumptions or sell in any year

Rate of income (%):

% of income exempt from tax:

% of income taxed as qualified dividends:

Rate of capital appreciation (%):

Annual asset turnover (%):

Management fees: % of principal:

% of income:

base fee (\$):

10) **Click [View] to see your presentations. When done, return to the Main Screen.**

The presentations you have created are reproduced on the next four pages.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Life Income Projections

Summary of Benefits**ASSUMPTIONS:**

Projection begins in 2012 and runs for 12 years.

Measuring life age 75.

Original principal is \$100,000. Cost basis is 50%.

Donor income tax bracket is 35%, 15% for capital gains.

Beneficiary income tax bracket is 35%, 15% for capital gains.

	Charitable Annuity Trust 5%	Charitable Gift Annuity 5.8%	Sold and Reinvested
Gross Principal	\$100,000	\$100,000	\$100,000
Net Principal	\$100,000	\$100,000	\$92,500
Charitable Deduction	\$50,836	\$42,678	\$0
Income Tax Savings	\$17,793	\$14,937	\$0
Capital Gains Tax	\$0	\$0	\$7,500
Cost of Gift	\$82,207	\$85,063	\$100,000
Income	3%	3%	4%
Capital Appreciation	5%	5%	2%
Sell Asset in First Year	Yes	Yes	Yes
Total Before-Tax Benefit To Payment Recipient	\$60,000	\$69,600	\$49,625
Total After-Tax Benefit To Payment Recipient	\$42,230	\$60,495	\$32,256
Donor Principal	\$0	\$0	\$117,312
Benefit to [Your Org Name]	\$156,931	\$141,750	\$0
Total Benefit	\$199,162	\$202,244	\$149,568

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Summary of Benefits Chart

This chart compares the projected long-term benefits of the life income gifts and the non-charitable plan you are examining. The last five lines on the chart indicate the predicted total payments that will be made to Ms. Burnham, the principal remaining at the end of the projection, and the sum of these two benefits.

The *Sold and Reinvested* column on the right shows the projected results if Ms. Burnham sells and reinvests the assets herself.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Life Income Projections

Cash Flow Comparison

ASSUMPTIONS:

Projection begins in 2012 and runs for 12 years.
 Measuring life age 75.
 Original principal is \$100,000. Cost basis is 50%.
 Donor income tax bracket is 35%, 15% for capital gains.
 Beneficiary income tax bracket is 35%, 15% for capital gains.
 Column 1: income is 3%, apprec. is 5%. Sell asset in first year.
 Column 2: income is 3%, apprec. is 5%. Sell asset in first year.
 Column 3: income is 4%, apprec. is 2%. Sell asset in first year.

YR	Charitable Annuity Trust 5%		Charitable Gift Annuity 5.8%		Sold and Reinvested	
	Year-End Principal	After-Tax Payments	Year-End Principal	After-Tax Payments	Year-End Principal	After-Tax Payments
2012	\$100,000		\$100,000		\$92,500	
2013	103,000	\$3,650	102,200	\$5,041	94,350	\$2,405
2014	106,240	3,632	104,576	5,041	96,237	2,453
2015	109,739	3,613	107,142	5,041	98,162	2,502
2016	113,518	3,592	109,913	5,041	100,125	2,552
2017	117,600	3,569	112,907	5,041	102,127	2,603
2018	122,008	3,544	116,139	5,041	104,170	2,655
2019	126,768	3,518	119,630	5,041	106,253	2,708
2020	131,910	3,489	123,401	5,041	108,378	2,763
2021	137,463	3,459	127,473	5,041	110,546	2,818
2022	143,460	3,425	131,870	5,041	112,757	2,874
2023	149,936	3,389	136,620	5,041	115,012	2,932
2024	156,931	3,350	141,750	5,041	117,312	2,990
TOT	156,931	42,230	141,750	60,495	117,312	32,256

IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Cash Flow Comparison Chart

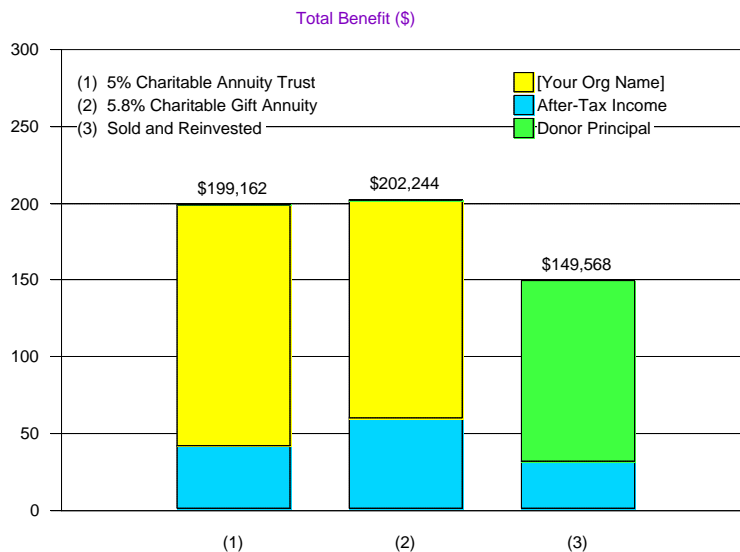
This chart offers a yearly accounting of the changes in principal and after-tax income payments that occur as the projection proceeds. This chart is useful in explaining the income flow and principal growth (or shrinkage) during the term of a life income gift. For example, you can see that with our assumptions, the principal grows much more quickly under the Charitable Annuity Trust option than either of the other options. The *Detailed Cash Flow Analysis* chart (not shown here) provides a complete explanation of the yearly figures.

[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Life Income Projections
Summary of Benefits

ASSUMPTIONS:
 Projection begins in 2012 and runs for 12 years.
 Measuring life age 75.
 Original principal is \$100,000. Cost basis is 50%.
 Donor income tax bracket is 35%, 15% for capital gains.
 Beneficiary income tax bracket is 35%, 15% for capital gains.
 Bar 1: income is 3%, apprec. is 5%. Sell asset in first year.
 Bar 2: income is 3%, apprec. is 5%. Sell asset in first year.
 Bar 3: income is 4%, apprec. is 2%. Sell asset in first year.



IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Summary of Benefits Bar Graph

This graph shows the same projected figures shown in the *Summary of Benefits* chart on page 56, but in bar graph form. This bar graph provides a persuasive visual comparison of the predicted benefits of two life income gifts versus the non-charitable option of selling and reinvesting the asset. The bottom section of each bar represents the projected after-tax total of the payments made to the income recipients by each plan. The top section of each bar represents the projected principal remaining in each plan at the end of the projection.

For the charitable options, the principal remaining in the life income plan is the amount transferred to your institution. In the *Sold and Reinvested* option, the donor retains this principal.

The dollar amount above each bar is the amount represented by both bar sections combined.

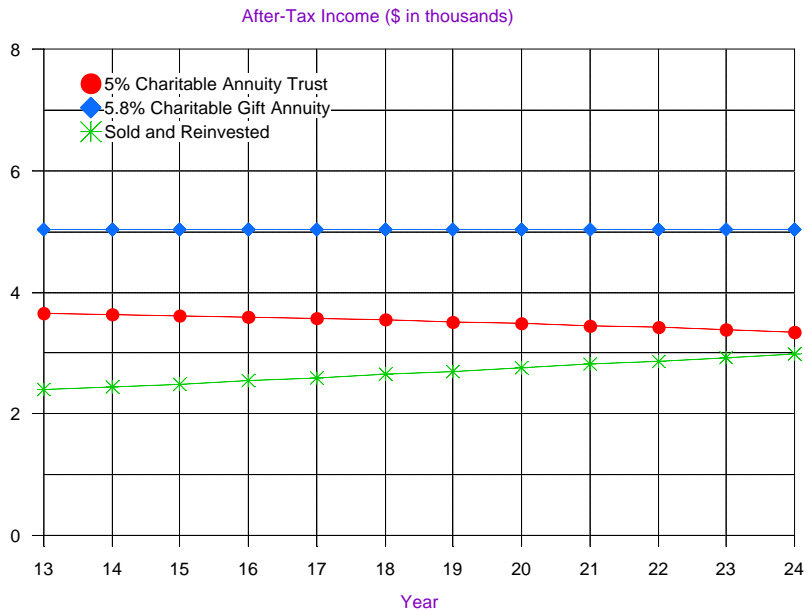
[YOUR ORGANIZATION NAME HERE]

Prepared for:
Ms. Pat Burnham
[Today's Date]

Life Income Projections
Income Projection

ASSUMPTIONS:

Projection begins in 2012 and runs for 12 years.
Measuring life age 75.
Original principal is \$100,000. Cost basis is 50%.
Donor income tax bracket is 35%, 15% for capital gains.
Beneficiary income tax bracket is 35%, 15% for capital gains.
Option 1: income is 3%, apprec. is 5%. Sell asset in first year.
Option 2: income is 3%, apprec. is 5%. Sell asset in first year.
Option 3: income is 4%, apprec. is 2%. Sell asset in first year.



IRS Discount Rate is 1.6%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.

Explanation of Income Projection Line Graph

This graph compares the annual after-tax income payments that are predicted for the life income plans and non-charitable option you are proposing. This chart simply and effectively communicates the income flow that Ms. Burnham might expect to receive from each plan during her lifetime.

You can see in a glance that the after-tax income from the *Sold and Reinvested* option slowly grows, the after-tax income from the gift annuity is static, and the after-tax income from the annuity trust slowly decreases (because less and less of the CRAT distribution is tax-free return of principal as each year passes).

Valuing a bequest intention

CASE 3. Many charities have active bequest programs that seek to identify and recognize supporters who have included the charity in their estate plans. Where possible, the charity will collect detailed information on its known bequest intentions, allowing it to estimate their value and incorporate them into its analysis of its own fundraising performance.

Imagine, for example, that Doug and Irene Chu, dedicated supporters of your organization, let you know that they have included a \$50,000 bequest in their will to support their favorite program at your institution. They are both 78 years old.

Delighted with the good news, you thank the Chus for their generosity and welcome them as the newest members in your planned giving society. You also are anxious to incorporate the value of their bequest into your planned gift totals for the quarter. In addition to listing the \$50,000 face amount of their gift, you want to provide a good estimate of the present value of their bequest.

PGM's Tools menu offers many handy functions for performing commonplace and cumbersome calculations, including the determination of the present value of a future bequest.

- 1) **Click the Tools menu in the Menu Bar.**
- 2) **Choose *Present Value of Future Bequest*.**
- 3) **Enter the values shown in the window below.**

Present Value of Future Bequest

Mortality table: Annuity 2000
1983 Basic
✓ 2000CM
90CM
80CNSMT
LN

Bequest amount anticipated:

Annual interest rate for discounting bequest (%):

Bequest valuation date:

Age or birth date:

Life #1: M F

Life #2: M F

Result:

Present value of bequest:

The present value of the Chus' bequest appears at the bottom of the window: just under \$31,000. In other words, the Chus' promise to give your organization \$50,000 after the second of them dies is worth about \$31,000 to your organization in today's dollars.

This sophisticated calculation uses the same approach as the IRS requires for computing planned gift deductions: it takes into account the likelihood that your organization might receive the Chus' gift in any given year, as well as the cost of having to wait that long. The result is a better estimate of the bequest's present value than you would get by assuming you will receive their \$50,000 at the end of their joint-life expectancy, 12.8 years, not earlier or later.

Rather than use the 2000CM mortality table, the table required by the IRS for computing planned gift charitable deductions, try using Annuity 2000, the table required by regulating states for computing minimum gift annuity reserves requirements.

1) Click *Annuity 2000* in the Mortality table menu.

Since this new table predicts that your organization will have to wait longer to receive the Chus' bequest than 2000CM did, it is not surprising that the present value of their bequest declines to \$27,503.

As with other PGM presentations, you can view or print the results of this and any other Tools function. Just click [View] or [Print] inside the window.

We encourage you to experiment with the other functions in the Tools menu. Functions that you might find particularly interesting include:

- Life Expectancy
- Deduction for Gift Annuity Termination
- Estate Tax
- Stock Valuation
- Blended Federal and State Tax Rates

Presenting a planned gift as part of an estate plan

TO RESTART TUTORIAL AT THIS POINT

- 1) Open PGM software.
- 2) Click *File* on the *Menu Bar* and select *Open*.
- 3) Double-click *start5.inp*.
- 4) Continue with the tutorial below.

Retrieving the file restores all of PGM's inputs as of the end of the previous case, preparing you to start the new case below.

NOTE: Estate models are not available in Mini Manager or Gift Annuity Manager. The next feature available in these programs is "Additional Capabilities" on page 72.

CASE 4: Many prospective donors are concerned about how planned gifts will affect their estates. Henry and Mary Higgins, who are 72 and 70 respectively, have expressed interest in a charitable remainder unitrust. They and their advisor, George Wise, want to analyze the benefits of funding a unitrust within the context of their overall estate plan.

You learn that the Higgins have a \$6,000,000 estate, split evenly between the two of them. Life expectancy tables predict that Henry will die in fourteen years and that Mary will die five years later. Neither of them has made a taxable gift during their lifetimes. The total value of their estate will grow 3% per year and will be divided evenly between their two children, George and Ellen. On the advice of Mr. Wise, the Higgins would like to consider a \$100,000 unitrust, funded with appreciated assets.

- 1) **Start from the Main Screen of Program 3: Life Income Projections.**
- 2) **Open Presentation Selection and click [Estate] on the right.**

The Estate button will automatically select six presentations: the *Estate without Charitable Plan* and *Estate with Charitable Plan* charts, and the *Estate without Charitable Plan - How It Works*, *Estate without Charitable Plan - Numbers*, *Estate with Charitable Plan - How It Works*, and *Estate with Charitable Plan - Numbers* diagrams.

Similar Selection buttons appear in the Presentation Selection window of each Program and will select presentations suited to the purpose described by the button. These buttons offer a starting point - you can always edit the charts selected.

- 3) **Return to the Main Screen.**
- 4) **Open Lives and/or Fixed Term.**
- 5) **Enter 72 as Life# 1 and 70 as Life# 2, then return to the Main Screen.**

You'll see a message that the year projection ends and gift annuity rates have been changed.

- 6) **Click [Continue]**
- 7) **Open Type of Plan to Model and select Estate plan for married couple.**

Click [More], then enter the values as shown in the window below.

Source of gift principal:	<input checked="" type="checkbox"/> Each spouse 50/50 <input type="checkbox"/> First spouse <input type="checkbox"/> Second spouse
First spouse to die - value of assets:	3,000,000
Prior taxable gifts:	0
Estimated years to first death:	14
Second spouse to die - value of assets:	3,000,000
Prior taxable gifts:	0
Estimated years later to second death:	5
Growth rate of assets (%):	3.0
Estate settlement costs (%):	2.5

- 8) **Open Principal Value · Cost Basis.** Choose *Long term gain property* as the **Property type**.
- 9) **Enter 100,000 as the Original principal, and 20% as the Cost basis.** You can leave the other selections as they are. **Return to the Main Screen.**
- 10) **Open Gift Options.** Press [Delete All], then double-click [Add Option].
- 11) **Double-click Charitable Remainder Unitrust in the list of gift options.**

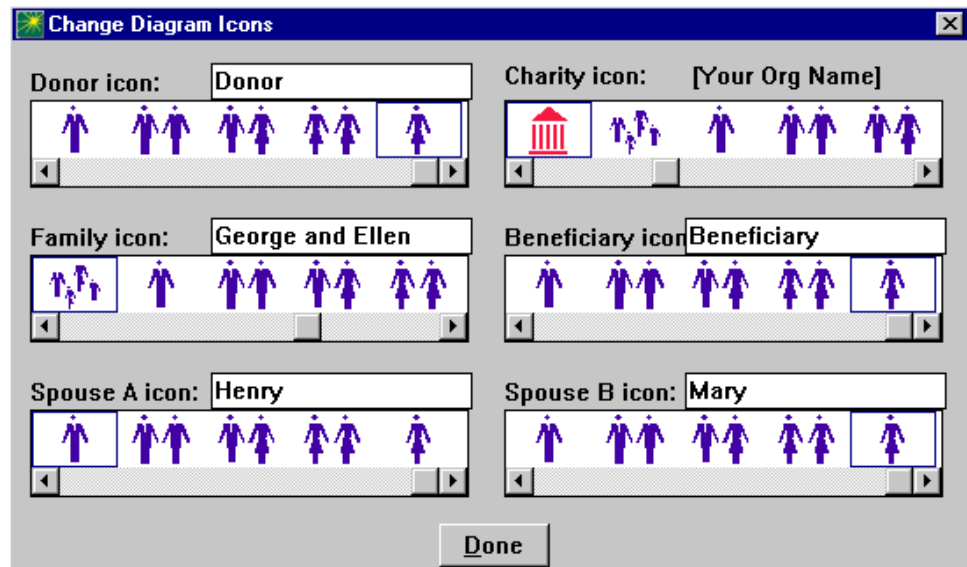
All the default settings for the CRU match what the Higgins want.

- 12) **Return to the Main Screen.**

Click a line to enter information:	
<input type="checkbox"/> Presentation Selection	WS LS WH WD LH LD
<input type="checkbox"/> Gift Date - IRS Discount Rate	5/14/2012 1.6% for 5/2012
<input type="checkbox"/> Lives and/or Fixed Term	72 70
<input type="checkbox"/> Type of Plan to Model	Estate plan for married couple
<input type="checkbox"/> Year Projection Ends	2031
<input type="checkbox"/> Principal Value - Cost Basis	Principal: 100,000 Basis: 20,000 LTG
<input type="checkbox"/> Income/Cap. Gains Tax Rates	Donor: 35% / 15% Ben.: 35% / 15%
<input type="checkbox"/> Gift Options	5% CRU
<input checked="" type="checkbox"/> Investment Assumptions	Income 3% Apprec. 5% Sell asset
<input type="checkbox"/> Wealth Replacement	None
<input type="checkbox"/> Display Present Values	No
<input type="checkbox"/> Personalization - Icons	Ms. Pat Burnham [Today's Date] H1 D1

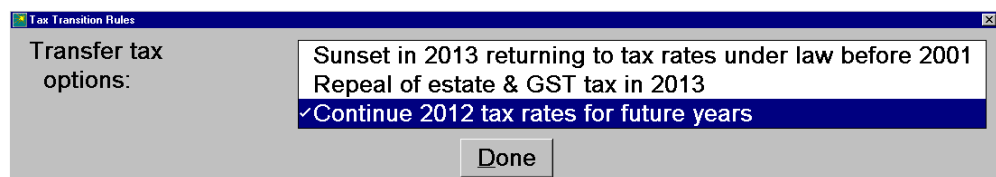
- 13) **Open Personalization - Icons.**

- 14) Enter *Henry and Mary Higgins* in the Prepared for field, then click [Change Icons].
- 15) Select the icons and enter the icon labels shown in the window below, then return to the Main Screen.



Before viewing your presentations, let's make sure you are applying the same estate tax rates that were used in preparing this manual.

- 1) Click **Customize** in the Menu Bar, then choose **Calculation Options**.
- 2) Choose **Tax Transition Rules**.
- 3) Select the transfer tax rates show in the window below, then return to the Main Screen.



- 4) To save this configuration change for use in future PGM sessions, choose **File - Save Configuration** in the Menu Bar, then click [Save].
- 5) Click [View] to see your presentations. When done, return to the Main Screen.

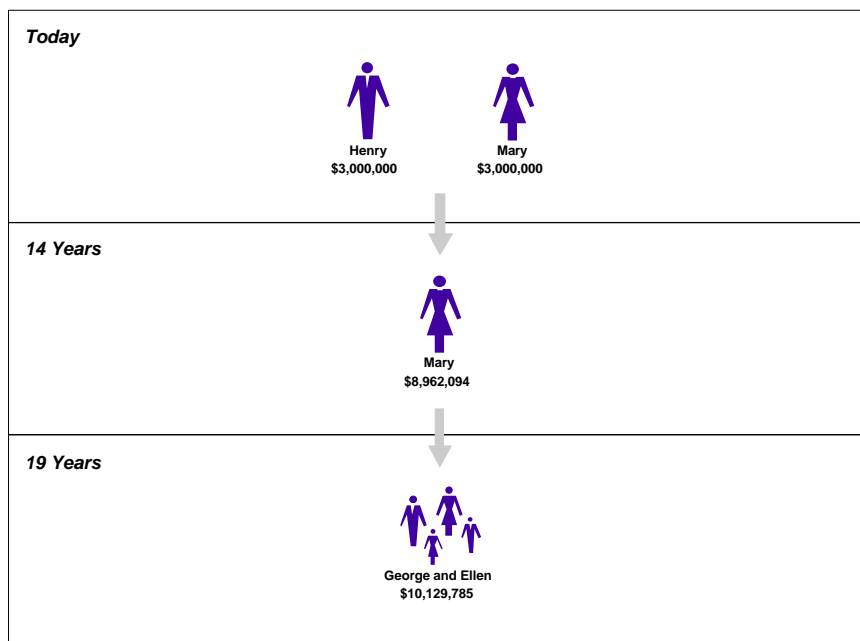
NOTE: You may use PGM diagrams in your printed or electronic marketing materials with an appropriate credit to PG Calc. Go to www.pgcalc.com/client/attribution.htm for guidance.

Only the Numbers versions of the diagrams are printed on the following pages. Please review their How It Works counterparts as well, so that you can see the helpful text that you can include with these diagrams. Also review estate plan charts (which appear first in the sequence on the View screen) to see where the numbers on the diagrams come from. These charts can be especially helpful for you as you prepare to meet with a donor's advisor.

Simple Will

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Henry and Mary Higgins



Results

Today

Total estate of \$6,000,000.

14 Years

Estate settlement costs of \$113,444. Estate taxes of \$0.

19 Years

Estate settlement costs of \$259,738. Estate taxes of \$0.

Explanation of Simple Will - Numbers Diagram

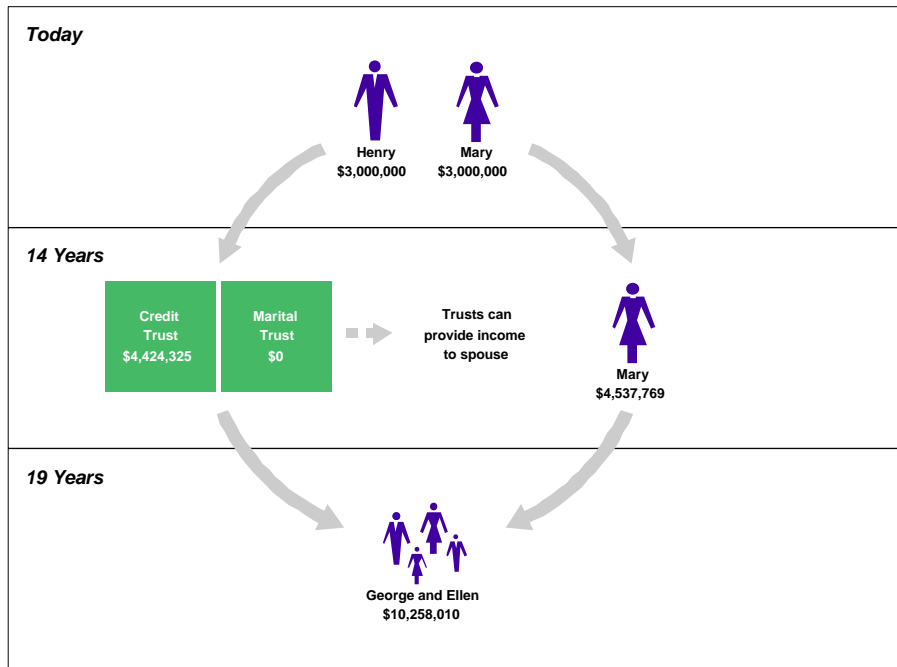
In this presentation, the Higgins' estate plan consists of a simple will: Henry, the spouse expected to die first, leaves all assets to Mary and Mary leaves all her assets to her children, George and Ellen. There are no federal estate taxes at George's death because of the unlimited marital deduction, but Mary's entire estate will be subject to federal estate tax at her death. The results would be the same if Mary were to die before Henry.

If you'd like to see where the numbers on the *Estate without Charitable Plan - Numbers* diagram come from, try viewing the *Estate without Charitable Plan* [chart](#). Often you'll use the diagram for presentation to your donor and provide the donor's advisors with the related chart.

Credit Shelter and Marital Trusts

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Henry and Mary Higgins



Results

Today
Total estate of \$6,000,000.

14 Years
Estate settlement costs of \$113,444. Estate taxes of \$0.

19 Years
Estate settlement costs of \$131,513. Estate taxes of \$0.

Explanation of Credit Shelter and Marital Trust - Numbers Diagram

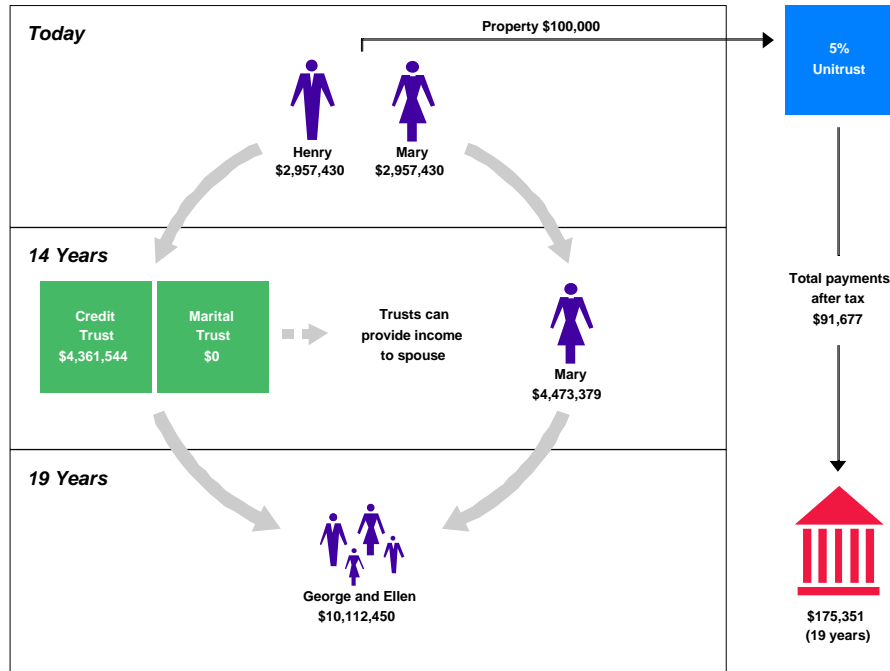
In this presentation, Henry's estate divides all assets between a credit shelter trust and a marital (QTIP) trust. Both trusts benefit Mary during the remainder of her life, and then benefit George and Ellen upon Mary's death. All of Mary's own assets are left directly to George and Ellen at her death.

As you can see by comparing the George and Ellen's benefit in this diagram to their benefit in the diagram on the previous page, the Higgins are able to transfer substantially more assets to their children by including a credit shelter trust and a marital trust in the their estate plan - an extra \$120,000 plus in this case. This case assumes that the federal estate tax schedule and exemption amount for 2012 will be extended indefinitely into future years.

Estate with Charitable Plan

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Henry and Mary Higgins



Results

Today

Total estate after gift of \$5,914,861 (\$6,000,000 total assets - \$100,000 gift + \$14,861 income tax savings).

14 Years

Estate settlement costs of \$111,834. Estate taxes of \$0.

19 Years

Estate settlement costs of \$129,647. Estate taxes of \$0.

Explanation of Estate with Charitable Plan - Numbers Diagram

In this presentation, a life income plan is added to the *Credit Shelter and Marital Trusts* model.

The couple can expect to receive a stream of income from the life income gift that will total over \$90,000 over their lifetimes after taxes. At the same time, they will make a generous gift to charity of over \$175,000.

Funding a remainder trust with a retirement plan

TO RESTART TUTORIAL AT THIS POINT

- 1) Open PGM software.
- 2) Click *File* on the *Menu Bar* and select *Open*.
- 3) Double-click *start6.inp*.
- 4) Continue with the tutorial below.

Retrieving the file restores all of PGM's inputs as of the end of the previous case, preparing you to start the new case below.

NOTE: Retirement plan models are not available in Mini Manager or Gift Annuity Manager. The next feature available in these programs is "Additional Capabilities" on page 72.

CASE 5. Many Americans have accumulated substantial assets inside their retirement plans. In the wake of several favorable IRS rulings, gift planners have begun encouraging prospects to give these assets to charity at death. Doing so can result in dramatic tax savings for the donor's estate.

Mrs. Quigley, age 80, agrees to meet with you when you pass through her town on business. During your meeting, you learn that she has always wanted to make a major gift to your institution and she is open to suggestions regarding how. She has two daughters, Claire and Isabel, ages 62 and 60, whom she'd also like to provide for. She estimates her total worth as \$6,000,000 including \$1,000,000 in an IRA that she rolled over from her husband when he passed away.

You tell Mrs. Quigley that you'd like to work up a proposal for her that examines funding a charitable remainder trust with her IRA.

For simplicity, you decide to examine what would happen if Mrs. Quigley died today and funded a 5% charitable remainder unitrust with all her IRA assets. The trust would benefit her two children.

- 1) **Start from the Main Screen of Program 3: Life Income Projections.**
- 2) **Open Presentation Selection and deselect all the previous selections.**
- 3) **In Diagrams, select all four estate plan diagrams. Return to the Main Screen.**

NOTE: In demonstration software, this example will be run with ages 72 and 70. Your results will change accordingly.

- 4) **Open Gift Date - IRS Discount Rate.**

If not already the default date, enter *5/14/2012* as the date of the gift. The IRS discount rate and month will automatically reset to *1.6 for May 2012*.

- 5) **Return to the Main Screen**
- 6) **Open Lives and/or Fixed Term. Type 62 as Life #1 and 60 as Life #2, then return to the Main Screen.**

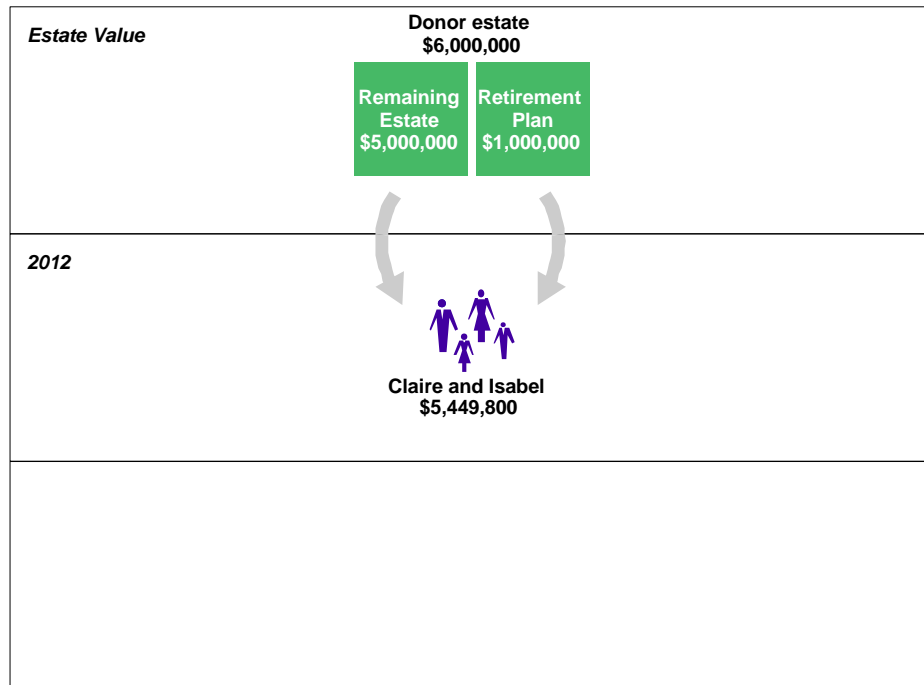
You'll see a note that the values for the Year Projection Ends and Estimated Years to Death have changed. Click [Continue].

- 7) **Open Type of Plan to Model. Select Testamentary gift of retirement plan or IRD.**
- 8) **Click [More], then enter the values shown in the Type of Plan to Model window shown at the top of the next page.**

Value of estate:	6,000,000
Prior taxable gifts:	0
Deceased spousal unused exclusion:	0
Is funding asset a retirement plan?	<input type="radio"/> Yes <input checked="" type="radio"/> No
Does state death tax (sponge tax) apply?	<input type="radio"/> Yes <input checked="" type="radio"/> No
Does generation skipping tax apply?	<input type="radio"/> Yes <input checked="" type="radio"/> No
<input type="button" value="Done"/>	

- 9) **Open Principal Value · Cost Basis. Choose *Cash* as the Property type, then enter *1,000,000* as the Original Principal. Leave the other entries as is and return to the Main Screen.**
- 10) **Open Personalization. Type *Mrs. Esther Quigley* as the Prepared for name and *IRA Gift* as the Optional text, then click [Change Icons].**
- 11) **Enter *Claire and Isabel* as the Family Icon label, then return to the Main Screen.**
- 12) **Click [View] to see your presentations.**

Only the Numbers versions of the diagrams are printed on the following pages. Please review the How It Works versions on your screen or print them out so you can see the helpful descriptive text that you can choose to include in these diagrams.

Bequest to Family**IRA Gift**[YOUR ORGANIZATION NAME HERE]
[Today's Date]Prepared for:
Mrs. Esther Quigley**Results****Effect on estate**

You leave \$5,449,800 to your family. Total taxes of \$550,200 (\$308,000 estate tax + \$242,200 income tax).

Effect on retirement plan

Total taxes of \$550,200 (\$308,000 estate tax + \$242,200 income tax). Reduces bequest of \$1,000,000 to \$449,800. Effective tax rate of 55.02%.

Explanation of Bequest to Family - Numbers Diagram

This diagram explains how Mrs. Quigley's estate will be taxed if she passes her entire estate, including her IRA, directly to Claire and Isabel. The *Effect on retirement plan* section shows that only \$449,800 of her \$1,000,000 IRA will actually reach her kids. The rest will be consumed by taxes.

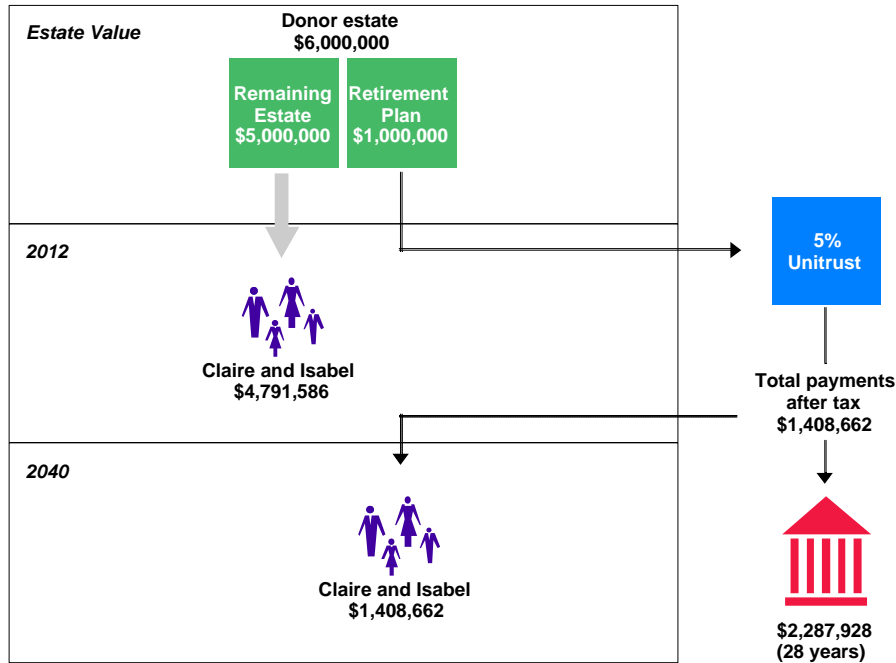
The *Estate without Charitable Plan* chart, which you did not produce for this case, provides the backup details you need to explain how all these taxes are calculated.

Bequest to Charitable Plan

IRA Gift

[YOUR ORGANIZATION NAME HERE]
[Today's Date]

Prepared for:
Mrs. Esther Quigley



Results

Effect on estate

You leave \$4,791,586 to your family. Estate taxes of \$208,415.

Effect on retirement plan

Estate taxes of \$208,415. Effective tax rate of 20.84%. Tax savings vs. bequest to family of \$341,785.

Gift plan benefits

Estate tax deduction of \$284,530. Projected total after-tax payments of \$1,408,662. [Your Org Name] projected to receive \$2,287,928.

Explanation of Bequest to Charitable Plan - Numbers Diagram

This diagram explains how Mrs. Quigley's estate will be taxed if she funds a 5% unitrust with her IRA and passes the rest of her estate directly to her children. Now, the whole \$1,000,000 from her IRA can generate income for her children while her estate saves over \$340,000 in taxes. And when the trust terminates in an estimated 28 years, the diagram shows that your charity is projected to receive a very generous gift of almost \$2,300,000.

The *Estate with Charitable Plan* chart, which you did not produce for this case, provides the backup details you need to explain how all taxes are calculated.

Part II: Additional Capabilities

Other calculations and models

This manual only scratches the surface of what Planned Giving Manager, Mini Manager, and Gift Annuity Manager can do. Now you are ready to create your own cases using all of the software's capabilities. Feel free to call us for assistance in running any gift planning models.

Some other things to try

Where to find them in PGM

Gift Annuity Manager

Tools functions
Flexible gift annuity calculation

Tools menu
Program 1, Gift Options

Mini Manager

Tools functions
Flexible gift annuity calculation
Flip remainder unitrust calculation
Lead trust deductions
Bargain sale calculation
Retained life estate calculation

Tools menu
Programs 1 or 2, Gift Options
Programs 1 or 2, Gift Options
Program 1, Gift Options
Program 1, Gift Options
Program 1, Gift Options

Planned Giving Manager

Tools functions
Flexible gift annuity calculation
Flip remainder unitrust calculation
Lead trust deductions
Bargain sale calculation
Retained life estate calculation
Testamentary gift of standard assets
Estate plan for surviving spouse
Estate plan for single person
Part sale / part gift
Build-up principal gifts
Lead trust projections

Tools menu
Programs 1, 2, or 3, Gift Options
Programs 1, 2, or 3, Gift Options
Program 1, Gift Options
Program 1, Gift Options
Program 1, Gift Options
Program 1, Gift Options
Program 3, Type of Plan to Model
Program 3, Type of Plan to Model
Program 3, Type of Plan to Model
Program 3, Type of Plan to Model
Program 3, Principal Value/Cost Basis
Program 4


Customizing PGM yourself

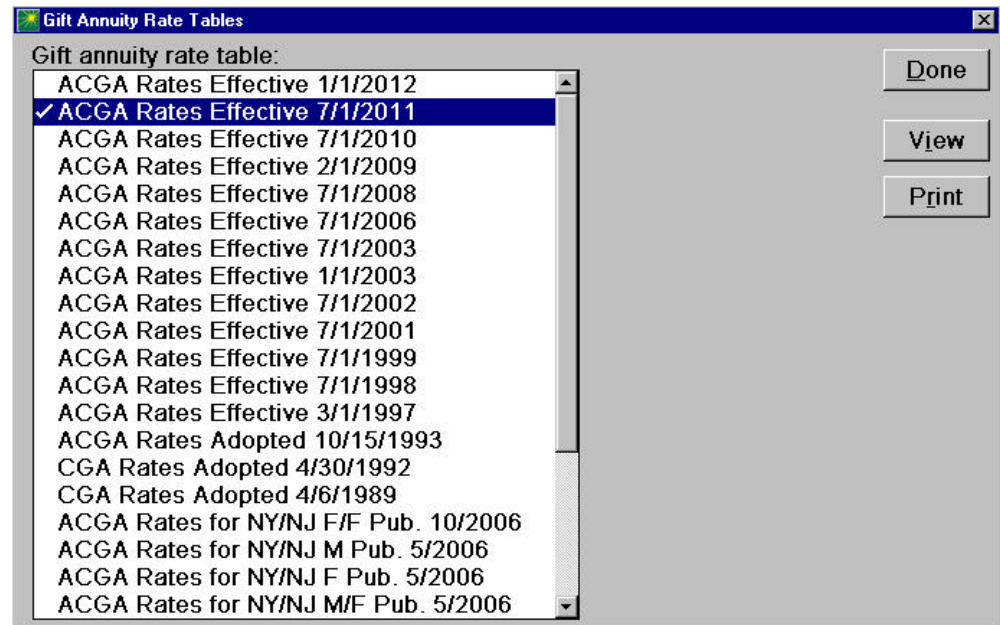
The *Customize* option on the *Menu Bar* allows you to customize PGM anytime. If you want to add or change a chart heading, disclaimer, or some pooled fund information, for instance, you have the power to do so. You also can enter extensive organization information along with a chart heading, which is used when you create gift annuity agreements.

We encourage you to experiment with the *Customize* option of the *Menu Bar* to see how easy it is to make changes and to get a sense of the many ways that you can customize our software for your organization.

Select a different ACGA rate table. One function in *Customize* that you should be familiar with is selecting a different ACGA rate table. If you ever need to research old ACGA rates or select a special rate table to comply with New York or New Jersey requirements, for example, you will be able to.

- 1) **Start at any Main Screen.**
- 2) **Open the Customize Menu, then select Gift Annuity Rate Tables.**

 To open *Customize* on the *Menu Bar*, type [Alt] [C], then use your arrow keys to highlight *Gift Annuity Rate Tables* and press [Enter].



To review any annuity rate table listed, simply click the table, then click [View].

Custom rate table. Notice the *Other* line at the bottom of the list. Clicking *Other* allows you to enter the name of a custom gift annuity rate table that PGM should consult when choosing default annuity rates. PG Calc has created numerous custom gift annuity rate tables for clients who do not follow the ACGA recommendations to the letter. We'd be happy to discuss creating one for your institution, too.

- 3) **Click [View] to review the current ACGA rate table.**
- 4) **Return to the Main Screen.**

Saving configuration changes

After changing any value using *Customize*, you *must* save it to make the change a permanent part of your software.

1) Open the File Menu and select Save Configuration.

PGM will show you a list of the configuration values you have changed during your session.

2) Click [Cancel] to cancel this sample configuration change. (To save a configuration change, you would choose [Save] instead.)

As a fail-safe measure, even if you forget to save configuration changes that you make during a session, the software will always ask if you want to save these changes prior to letting you exit the program.

Saving and retrieving cases

PGM lets you save the information you have entered on any case so that you can retrieve it later. This way, you can make additional calculations for a particular case without re-entering all of the data.

For example, if you might need to refine an analysis you have just completed for a donor at some later date, you should save your current inputs in a file. If at a later date the donor wants to see a presentation based on a larger gift size, you can simply retrieve the file containing the saved inputs, then enter the new gift amount. In two easy steps, you're ready to produce a new set of presentations based on the larger gift size.

Save inputs. Let's start by saving inputs for a particular case.

1) Click  on the Toolbar.

TIP: PGM will add “.inp” to the end of your file name if you don't type it yourself.

2) Type *donor.inp* for the file name and click [OK] or [Save]. Return to the Main Screen.

You have just saved a file named *donor.inp* on your hard disk. By default, input files are saved in the folder that you opened most recently while in PGM (the Templates folder in our case), but you can save them in any folder you wish. Some PGM clients, for example, store input files in a separate folder created especially for the purpose. You can configure PGM to save input files to a specific folder under *Customize/Setup/General/Path name for saving files*.

Open an input file. Now let's retrieve inputs by opening the file you just saved.

1) Click  on the Toolbar.**2) Select *donor.inp* in the list of file names and click [Open] or [OK].**

That quickly, you're ready to work with your case. It's that easy!

PGM maintains the monthly IRS discount rate for you

TIP: PG Calc publishes the new monthly IRS discount rate on our web site at www.pgcalc.com as soon as we know it, typically around the 20th of the preceding month.

Maintaining the monthly IRS discount rate in Planned Giving Manager could not be easier. You don't have to do anything!

Any time you launch Planned Giving Manager on or after the 24th of the month, PGM updates itself with the IRS discount rate for the following month. If it's been a while since you last launched PGM, it will import the rates for all the months you have missed, too.

Exiting PGM

This completes your tour through Planned Giving Manager, Mini Manager, and Gift Annuity Manager. You now have the skills to run any program in your software. At this point, you are ready to start analyzing your own cases.

To exit the software now:

1) Choose File/Exit.

Because you have made changes to your PGM configuration during your session, but have not saved those changes, the *Save Configuration* window will open automatically before PGM allows you to quit.

2) Click [Don't Save] to exit PGM without saving your configuration changes.

We hope you enjoyed your Planned Giving Manager tour!