



PG Calc | Your Partner In Planned Giving Success

Life Income Gifts

- Charitable gift annuity
 - $\checkmark\,$ Contract in exchange for a contribution that promises fixed payments for life
- Charitable remainder trust
 - Separate legal entity holds and manages assets, makes payments to beneficiaries, distributes remainder to charity

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- ✓ Annuity trust pays fixed dollar amount
- ✓ Unitrust pays fixed percentage of trust value
- Pooled income fund

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• Split interest

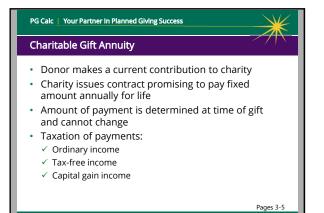
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Charitable Deduction

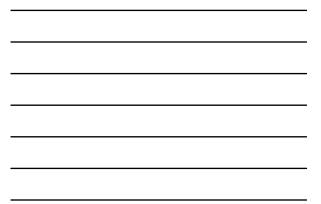
- ✓ Right to receive payments
- ✓ Right to hold remainder
- Donor retains right to payments, contributes right to receive remainder in the future
- Charitable deduction for calculated present value of the right to hold the remainder
- Older (or fewer) beneficiaries or lower payout yields larger deduction

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Gift Annuity Example		~//\
Charitable Gift Annuity funded with:	Cash	Appreciated Securities
Assumptions		
Annuitant Age	72	72
Principal Donated	\$25,000	\$25,000
Cost Basis	\$25,000	\$5,000
Annuity Rate	5.8%	5.8%
Charitable Deduction (CMFR = 3.4%)	\$10,638	\$10,638
Annuity	\$1,450	\$1,450
Tax-free Income	\$990	\$198
Capital Gain Income	n/a	\$792
Ordinary Income	\$460	\$460
After 14.5 years the entire annuity becomes ordinary	income.	Page 6
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Charitable Gift Annuity

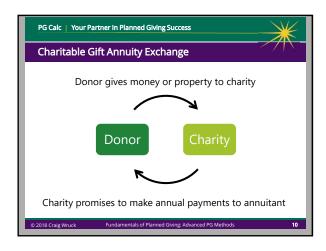
Notes:

- Contribution of appreciated property:
 - If donor is annuitant, portion of each payment taxed as long-term capital gain over life expectancy
 If donor is not annuitant, portion of gain is taxable to donor in year of gift
- Deferred payment gift annuity
 - ✓ First annuity payment some years in future
 - ✓ Payout and deduction will be larger

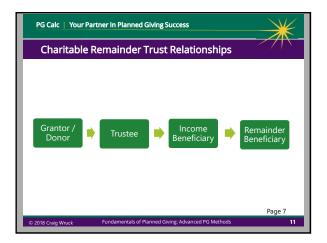
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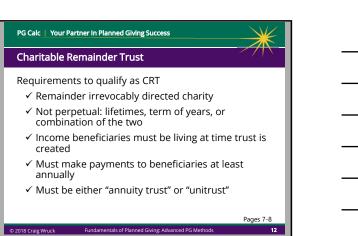
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Deferred Payment Charitable Gift Annuity	
Assumptions	
Annuitant Age at Date of Gift	50
Age at Date of First Payment	65
Cash Contributed	\$25,000
Annuity Rate	8.8%
Charitable Deduction (CMFR = 3.4%)	\$10,230
Annuity	\$2,200
Tax-free Income	\$741
Ordinary Income	\$1,459
After 19.9 years the entire annuity becomes ordinary income.	
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Taxation of Beneficiary Income

Four tier payout rule:

- 1. Ordinary income: net income including dividends and interest collected by the trust
- 2. Capital gain income: gains realized from sales by the trust

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- 3. Tax-exempt: municipal bonds and other taxexempt income collected by the trust
- 4. Return of principal

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Negotiating the Payout Rate

- · Fixed at the time trust is created
- 5% minimum

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- At least 10% deduction value to qualify
- Higher payout reduces deduction (Page 11)
- · Lower payout can afford growth
- Payout higher than expected investment return can reduce payout amount over time

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Unitrust Types

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- Standard (SCRUT, Type I) principal can be distributed if needed to make payment
- Net income (NICRUT, Type II) beneficiary receives unitrust % or net income (dividends & interest), whichever is less
- Make-up (NIMCRUT, Type III) Type II, but can make up past deficiencies with excesses in future years
- Flip Trust begins as Type II or III, but can become Type I in the future

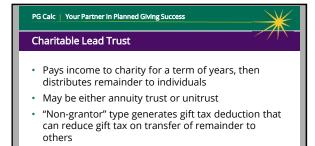
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Charitable Remainder Unitrust Example	
Charitable Remainder Unitrust funded with appreciated pro	perty
Assumptions	
Beneficiary Age	72
Value of Property Donated	\$500,000
Cost Basis of Property	\$100,000
Payout Rate	5%
Charitable Deduction (CMFR = 3.4%)	\$278,260
Estimated Income in First Full Year	\$25,000
(Future income will vary each year with trust value.))
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Life Income Projection	~/\\
Assumptions	
Projection runs for 20 years, measuring life is age 72	
Original Principal is \$500,000 with \$100,000 cost basis	
Income tax bracket 37%, 20% for capital gains	
Total investment return (income + appreciation) 6% p	er year
Charitable Deduction (CMFR = 3.4%)	\$278,260
Income Tax Savings at 37%	\$102,956
After-tax Cost of Gift	\$397,044
Total Before-tax Income to Beneficiary	\$550,475
Projected Remainder for Charity	\$610,095
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CRUT vs. Sell & Reinvest		
Assumptions		
Projection runs for 14 years, measuring life is	age 72	
Original Principal is \$500,000 with \$100,000 c	ost basis	
Income tax bracket 37%, 20% for capital gain	s	
Total investment return (income + appreciation	on) 6% per yea	r
	5% CRUT	Sell
Gross Principal	\$500,000	\$500,000
Net Principal to Invest	\$500,000	\$404,800
Capital Gains Tax Paid	\$0	\$95,200
Tax Savings from Charitable Deduction	\$102,956	\$0
Total Before-tax Income to Beneficiary	\$550,475	\$445,665
Remainder to Charity or Heirs	\$610,095	\$493,933
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Charitable Lead Trust

- \$10 million asset contributed to 20-year CLAT
- CLAT pays \$635,200 to charity each year
- After 20 years, trust assets transfer to heirs
- Results:

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- ✓ \$12.7 million given to charity over 20 years
- ✓ Transfer to heirs 20 years hence is tax-free due to gift tax deduction

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Donor irrevocably contributes home or farm now but retains right to live in and use it

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Retained Life Estate

 Income tax deduction now for calculated value of charity's right to property

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• Donor continues to pay expenses for taxes, maintenance, et cetera

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Retained Life Estate	
Assumptions	
Life Tennant age	72
Value of Property	\$500,000
Value of Buildings	\$350,000
Useful Life of Buildings	45 years
Salvage Value of Buildings	\$100,000
Charitable Deduction (CMFR = 3.4%)	\$292,005
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Still Have a	a Question?	>/\\
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