



The Pooled Income Fund at 45 - Consider the Possibilities



Date: November 19, 2015

Time: 1:00 – 2:30 Eastern Time

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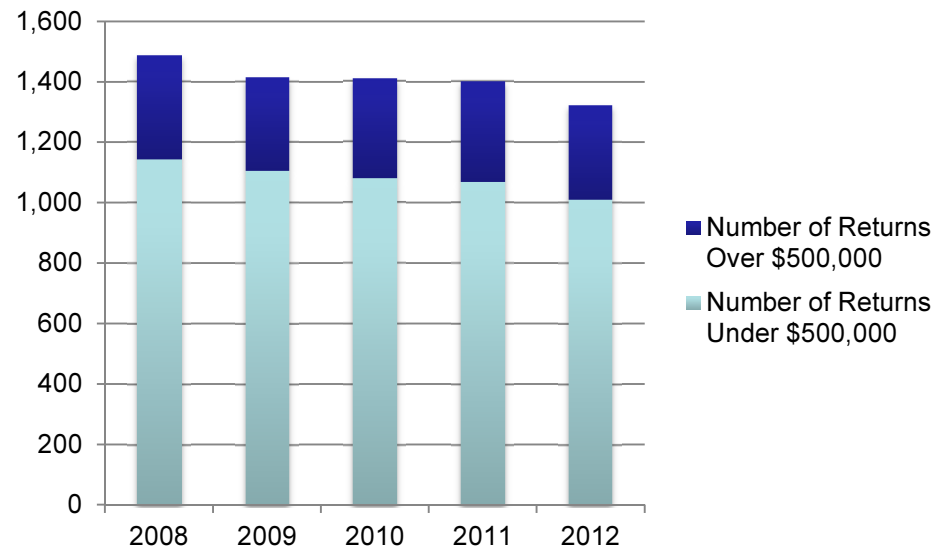
- History
- Existing Fund: No Hope?
- Existing Fund: Worth Resurrecting?
- Starting a New Fund
- Conclusion



History:

Some Statistics from the IRS

Number of PIF Tax Returns for Selected Years





History:

Some Statistics from Harvard

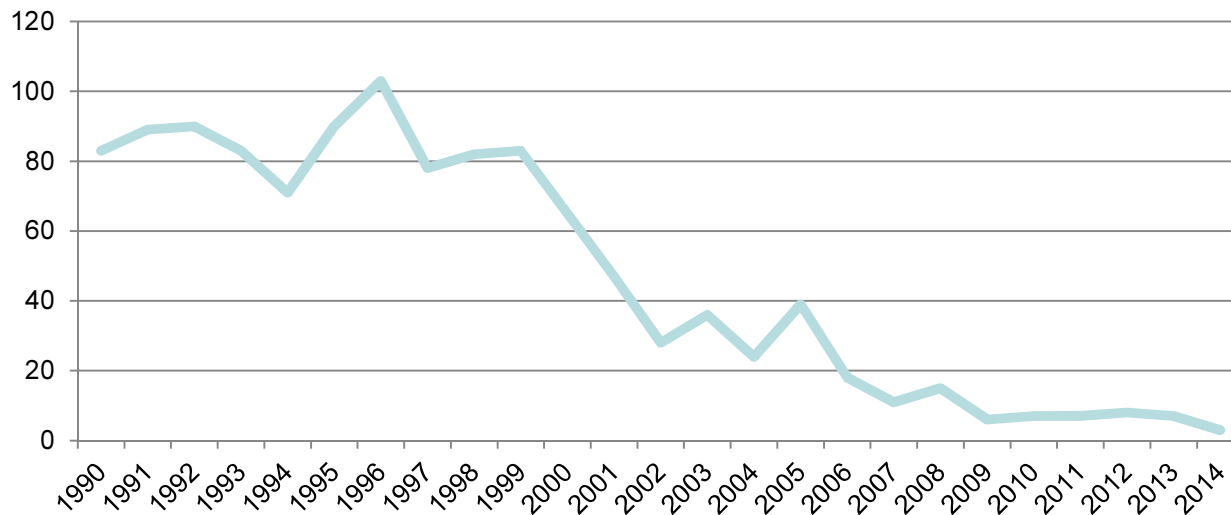
- 1,594 active PIF gifts at Harvard.
 - 267 are in the Balanced Fund
 - 233 are in the Growth Fund
 - 1,094 are in the Return Fund.
- 673 current participants in various funds



History:

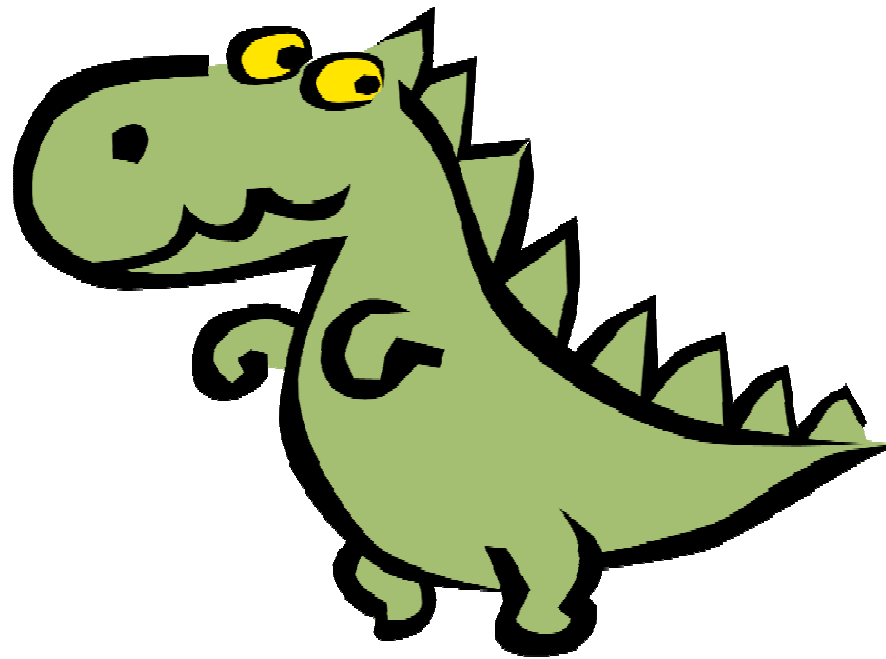
Some Statistics from Harvard

Number of PIF Gifts Made in Calendar Year





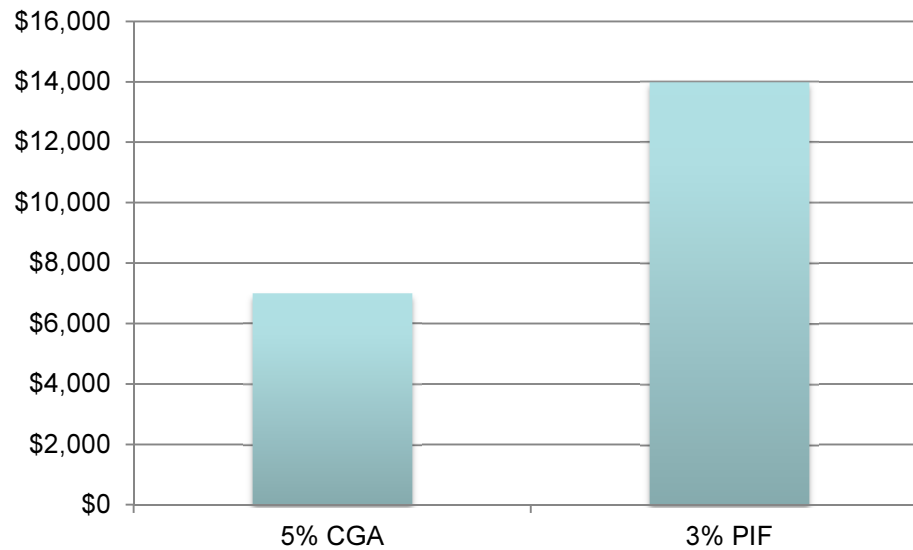
The Existing Pooled Income Fund: On Its Last Legs





Existing PIF – On Its Last Legs: CGA Residuum vs. PIF Residuum

\$10,000 Gift





Existing PIF – On Its Last Legs: Fees and Expenses

\$100,000 PIF		\$500,000 PIF		\$800,000 PIF	
Base / Fixed Costs	\$3,000	Base / Fixed Costs	\$3,000	Base / Fixed Costs	\$3,000
Variable Costs @ 2%	\$2,000	Variable Costs @ 1.5%	\$7,500	Variable Costs @ 1%	\$8,000
Total Costs	\$5,000	Total Costs	\$10,500	Total Costs	\$11,000
Costs as Percent	5.00%	Costs as Percent	2.10%	Costs as Percent	1.38%



Existing PIF – On Its Last Legs: Severing Income Interest

\$10,000 Existing PIF Gift
Annual Payment at 3%: \$300

Present Value of Remainder Interest: \$6,729

Present Value of Income Interest: \$3,271

Charitable Deduction for Severing: **\$3,271**



Existing PIF – On Its Last Legs: Converting PIF interest to CGA

**New Charitable Gift Annuity
(based on \$3,271 Present Value of Income Interest of PIF)**

Annual Payment at 5.1%: \$167

Present Value of Remainder Interest: \$1,309

New Charitable Deduction for transaction: \$1,309



Existing PIF – Worth Resurrecting: Effective Rate of Return

\$10,000 Pooled Income Fund Gift

First year at 3% pays \$300

Value increases 4% each year

- ***After 10 years pays \$444 or 4.4% based on original gift value***
- ***After 15 years pays \$540 or 5.4% based on original gift value***
- ***After 20 years pays \$657 or 6.6% based on original gift value***



Existing PIF – Worth Resurrecting: Unusually High Charitable Deductions

\$10,000 Funding Value by 70 year old donor

CGA pays 5.1%: Charitable Deduction = **\$4,002**

CRUT pays 5.0%: Charitable Deduction = **\$5,232**

PIF pays 3.0%: Charitable Deduction = **\$6,729**



Existing PIF – Worth Resurrecting: Return Based on Cost of Plan

\$10,000 PIF Gift – donor in 28% tax bracket

Deduction is \$7,158 resulting in tax savings of \$2,004

True out-of-pocket “cost of gift” is only \$7,996

- Pays \$300 in first year - return on cost is **3.75%**
- Pays \$540 after 15 years – return on cost is **6.8%**
- Pays \$657 after 20 years – return on cost is **8.2%**



Existing PIF – Worth Resurrecting: “Younger” Donors



“Alice, they say 70 is the new 50...”



Establishing a New PIF: Even Higher Charitable Deductions

\$10,000 Funding Value by 70 year old donor

Existing PIF pays 3.0%: Charitable Deduction = \$6,729

-- Based on Highest Rate of Return over Past 3 years

New PIF pays 1.2%: Charitable Deduction = \$8,470

-- Based on Deemed IRS Rate



Establishing a New PIF: Significant Startup Costs

- Legal Fees for Creation of Trust
- Selection of Asset Manager
- Selection of Administrator
- Arrangements for Tax Returns
- Marketing – Internal
- Marketing – External



Establishing a New PIF: Charitable Benefit!





Conclusion: It's All About Choices





Still Have a Question?

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