

XYZ INSTITUTION

*A Charitable Lead Annuity Trust Offers the
Opportunity to Make a Gift to
XYZ Institution and
Pass an Estate to Heirs While Either
Avoiding or Drastically Reducing Gift and/or Estate Taxes*

For many years, Samuel and Mary Fisher devoted their time and talents to a very successful family-owned business. As they approached retirement, they wanted to share their success with some of the people and places that meant the most to them—specifically to their three grandchildren and XYZ Institution.

Sam consulted a friend on the Board of XYZ who put him in touch with a representative of the Development Office. Here, Sam and Mary were introduced to the idea of a trust arrangement by which they could make a significant gift to XYZ, and pass on assets to their grandchildren, while avoiding gift or estate taxes on a major part of them. They considered the gift and estate tax consequences of establishing a **Charitable Lead Annuity Trust**.

If the Fishers selected XYZ Institution to be the recipient of a \$1 million gift, it would be held in trust for 20 years. XYZ Institution would receive a generous annual gift of \$60,000/year, based on a six (6) percent rate, for 20 years. The Fishers would avoid gift or estate taxes on a major part of the assets passed to their grandchildren.

At the end of the 20-year term of the trust, the assets would pass to the Fishers' heirs without tax on the transfer.

The Fishers discussed the idea with Herbert Miller, their friend and long-time tax advisor, and made the gift.

The Charitable Lead Annuity Trust pays an annual income to XYZ Institution of a fixed amount determined by the donor. The manager (fiduciary trustee) is chosen by the creator of this Charitable Lead Trust. The gift or estate taxes will be reduced to the extent the value in this trust produces income to XYZ Institution for X number of years. This data is based on government tax tables and discount rates.

Please consult with your tax and legal advisors and with a representative of XYZ Institution before making a gift.

XYZ INSTITUTION

CHARITABLE LEAD ANNUITY TRUST

Gift - \$1,000,000

BENEFIT TO CHARITY

Annuity Per Year x Length of Trust
\$60,000 Per Year x 20 Years = \$1,200,000

BENEFIT TO HEIRS

Principal After 20 Years -
Net Estate Tax Consequences
\$1,756,299 Minus \$68,351 = \$1,687,948

Charitable Gift Tax Deduction
In the Year of the Gift = \$ 860,510

ASSUMPTIONS:

The trust is established in 2009 and runs for 20 years. The original principal is \$1,000,000 and has a cost basis of 100%. The Beneficiary's income is \$1,000,000. The Donor's income is \$300,000. The Donor's prior taxable gifts are 0. The Donor's estate is \$3,000,000. The income yield is 6% and the capital appreciation is 2%.

Lead Trust Projections
Benefits and Tax Consequences*ASSUMPTIONS:*

Non-grantor Inter Vivos Trust established in 2009 for 20 years.
 Lead Trust makes annual, end-of-period payments to CHARITY.
 Original Principal of \$1,000,000 has a cost basis of 100%.
 Donor income-tax bracket is 35%, 15% for capital gains.
 Beneficiary income tax bracket is 35%, 15% for capital gains.
 Value of donor's estate is 3,000,000. Prior taxable gifts are 0.
 Transfer tax: Sunset in 2011 returning to tax rates before 2001.
 Income is 6%, capital appreciation is 2%.

	6% Charitable Lead Annuity Trust
Gross Principal	\$1,000,000
Annuity to CHARITY	60,000
Gift Tax Deduction	860,510
Gift Tax (Paid 2009 by donor)	0
Net Principal Placed in Plan	1,000,000
Total Management Fees	0
Total Income Tax Paid	103,456
Principal after 20 Years	1,756,299
Donor's Taxable Estate (2029)	2,000,000
Total Prior Taxable Gifts	139,490
Total Federal Estate Tax	503,350
Net Estate & Principal to Family	3,252,948
Estate w/o Gross Principal	2,000,000
Tax on Estate w/o Gross Principal	435,000
Net Estate w/o Gross Principal	1,565,000
Benefit to Family from Plan	\$1,687,948
Total Distributed to CHARITY	\$1,200,000

IRS Discount Rate is 3.4%

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 the timing of the gift.

CHARITABLE LEAD TRUST (NON GRANTOR)

Some individuals may wish to combine a gift to their charitable institution with a gift of assets to their children, grandchildren, or other heirs. They can opt for the **CHARITABLE LEAD TRUST**.

The procedure is as follows: Assets are placed into a **CHARITABLE LEAD TRUST** by an individual (grantor) who has retained or designated a fiduciary trustee.

The individual (grantor) must then make the following decisions:

- Length of trust – usually a minimum of **10 years**.
- Rate of return paid to the charitable institution – usually in the **5% to 7%** range.
- Rate of growth of principal assets over the trust's life – usually a minimum of **2%**.
- Which children, grandchildren, or other ultimate beneficiaries will receive the principal plus growth at the end of the trust life.

The trustees of the **CHARITABLE LEAD TRUST** manage the assets both to produce the required income to the institution each year at a specific rate of return and to enhance original principal assets for the term of the trust.

At the end of the trust term, the principal assets (plus growth or minus loss) will be divided among the family or heirs as remainderman or beneficiaries. At this point, no gift, estate, or income tax will exist on this transfer to the remainderman.

The children or other heirs will receive the transferred assets at the original cost basis when the trust was established. A capital gains tax would be paid by them only when they sell their respective share of the remainder, not upon the receipt of the assets from the trust.

The benefits of the **CHARITABLE LEAD TRUST** include:

- Making a substantial gift to the institution.
- Passing along more assets to family now, or by estate provision.
- Reducing gift or estate taxes.
- Paying any annual gift commitments or pledges on capital or endowment campaigns, while passing the principal plus growth to family or heirs.

It is possible to establish this type of **CHARITABLE LEAD TRUST (NON GRANTOR)** either during one's lifetime or by provision in a will or a living trust.

The points made above are intended to outline a **CHARITABLE LEAD TRUST (NON GRANTOR)**; it is recommended to thoroughly check all details with your charitable and financial advisors before proceeding.

XYZ INSTITUTION

*A Grantor Charitable Lead Annuity Trust Offers the
Opportunity to Make a Gift to
XYZ Institution and
Retain Ultimate Possession of the Asset
Including any Appreciation Occurring During the Trust Term*

Albert Westerman owns a successful real-estate firm. He and his wife, Sarah – an amateur artist – are long-time supporters of XYZ Institution, where Sarah often volunteers. For some time, they have considered making a lasting gift to XYZ Charity that has been so much a part of their lives over the years.

Albert consulted a friend in the Development Office. Here, he and Sarah learned of a trust arrangement by which they could make a significant gift to XYZ over a period of time, endow a space in their name, and retain ultimate possession of the asset while earning tax-free income. They considered the gift and tax consequences of establishing a **Grantor Charitable Lead Annuity Trust**.

If the Westermans selected the XYZ Institution to be the recipient of a \$1 million gift, it would be held in trust for 10 years. XYZ Institution would receive a generous annual gift of \$60,000/year, based on a six (6) percent payout rate, for 10 years. Each year the income from the lead trust is included in the donor's reportable income. The Westerman's would receive a \$449,970 income-tax deduction in the year of the gift. At the end of the 10-year term of the trust, the assets would pass to the Westermans without tax on the transfer.

The Westermans discussed the idea with their family and tax advisor, made the gift, and have a space in their name for perpetuity.

The Charitable Grantor Lead Annuity Trust pays an annual income to XYZ Institution of a fixed amount determined by the donor. The manager (fiduciary trustee) is chosen by the creator of this Grantor Charitable Lead Trust. The gift or estate taxes will be reduced to the extent the value in this trust produces income to the Institution for X number of years. This data is based on government tax tables and discount rates.

Please consult with your tax and legal advisors and with a representative of the XYZ Institution before making a gift.

XYZ INSTITUTION
GRANTOR LEAD ANNUITY TRUST

Gift - \$1,000,000

BENEFIT TO CHARITY = \$ 600,000

BENEFIT TO DONOR = \$1,270,847

**Income Tax Deduction in
the Year of the Gift** = \$ 501,520

ASSUMPTIONS:

The original principal donated is \$1,000,000 and has a cost basis of 100%. Payout rate is 6% with 2% growth. Payment schedule is annually.

Basic Gift Illustrations

Summary of Benefits

6% Grantor Lead Annuity Trust

ASSUMPTIONS:

Fixed Term	10 years
Trust Principal	\$1,000,000.00
Cost Basis of Property	\$1,000,000.00
Payout Rate	6%
Payment Schedule	annual at end of year

BENEFITS:

Gift Tax Deduction	\$501,520.00
Annual Payment to CHARITY	\$60,000.00

IRS Discount Rate is 3.4%

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 the timing of the gift.

Lead Trust Projections

Detailed Cash Flow Analysis*ASSUMPTIONS:*

Trust established in 2009 for 10 years.

Lead Trust makes annual, end of period payments to CHARITY.

Original Principal of 1,000,000 has a cost basis of 100%.

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

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

Value of donor's estate is 2,000,000. Prior taxable gifts are 0.

Transfer tax: Sunset in 2011 returning to tax rates before 2001.

6% Charitable Lead Annuity Trust

YR	Capital Apprec. (2%)	Income (6%)	Payout to CHARITY	Mgmt Fees	Donors Income Taxes	Year-End Principal
2009						\$1,000,000
2010	\$20,000	\$60,000	\$60,000	\$0	\$0	1,020,000
2011	20,400	61,200	60,000	0	180	1,041,420
2012	20,828	62,485	60,000	0	391	1,064,342
2013	21,287	63,861	60,000	0	735	1,088,755
2014	21,775	65,325	60,000	0	1,101	1,114,754
2015	22,295	66,885	60,000	0	1,537	1,142,397
2016	22,848	68,544	60,000	0	2,019	1,171,769
2017	23,435	70,306	60,000	0	2,601	1,202,910
2018	24,058	72,175	60,000	0	3,238	1,235,906
2019	24,718	74,154	60,000	0	3,931	1,270,847
TOT	\$221,645	\$664,935	\$600,000	\$0	\$15,733	\$1,270,847

IRS Discount Rate is 3.4%

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 the timing of the gift.

GRANTOR CHARITABLE LEAD ANNUITY TRUST

A grantor charitable lead annuity trust is a gift plan defined by federal tax law that allows you to retain ultimate possession of an asset while making a generous gift to Charity.

As a grantor lead annuity trust donor, you transfer assets, usually cash or securities, to a trustee of your choice (for example, Charity or a bank trust department). During the trust's term, the trustee invests the trust's assets and provides a fixed dollar amount each year to Charity. These payments are used for the charitable purpose you designate.

Although the trust's term may be for one or more lifetimes, a specific number of years (usually 10-20) is almost always used. The payments are made out of trust income, or trust principal if the trust income is not adequate. They continue until the trust term ends or until the highly unlikely event that the trust distributes all of its assets.

When the grantor lead trust term ends, its charitable payments cease and the trust returns all of its accumulated assets back to you.

Because you retain ultimate possession of a grantor lead trust's assets, all taxable income earned by the trust during its term, including income distributed to Charity, is taxable to you. For this reason, grantor lead trusts sometimes are invested to earn tax-free income.

Benefits Include:

- 1) You will qualify for a federal income tax deduction. Note that deductions for gifts of long-term appreciated property will be limited to 20% of your adjusted gross income and gifts of cash and non-appreciated property will be limited to 30% of your adjusted gross income. You may, if necessary, take unused deductions of either kind over the next five years, subject to the same 20% or 30% limitation.
- 2) Charity will receive fixed annual payments from your trust for a term of years, or for another term you designate.
- 3) You will receive all of the trust's assets when the trust terminates, including any appreciation that has occurred during the trust term.
- 4) Your gift will benefit from expert asset management, provided by the skilled investment professionals.

XYZ INSTITUTION

*A Retained Life Estate Offers the Opportunity to
Make a Gift of Real Estate to XYZ Institution,
Retain Personal Use of the Property, and
Save in Income and Estate Taxes*

When Virginia Brooks was 75, she inherited an oceanfront home in Maine. She and her husband decided this was where they wanted to retire; they sold their small house in the city; renovated the new home; and moved into it.

The Brooks reached a point in their lives when they wanted to give something back. They investigated the ideas of a donation to their favorite charity, the XYZ Institution.

After talking with a spokesman for XYZ Institution, they learned of a way in which they could donate their home – now valued at \$300,000 – to XYZ while retaining the privilege of living in their home for the rest of their lives. In return, they would also gain enough of a tax savings to add to their income. This was accomplished through a **Retained Life Estate**.

A donor can give any personal residence, vacation home, farm, or ranch to XYZ Institution and reserve use of that property for life (or a term of years), and/or the lifetime of another resident beneficiary. The Retained Life Estate arrangement provides the benefits of income and estate tax savings on a gift of a significant asset.

Please consult with your tax and legal advisors and with a representative of XYZ Institution before making a gift.

XYZ INSTITUTION

RETAINED LIFE ESTATE

BENEFIT TO CHARITY

Value of the Gift = \$300,000

BENEFIT TO DONOR

Income-tax Deduction
In the Year of the Gift = \$189,005

ASSUMPTIONS:

The gift is established in 2009 is based on the life of a 75 year old. The property is valued at \$300,000 and has a cost basis of \$100,000 (real estate).

Basic Gift Illustrations

Summary of Benefits

Retained Life Estate

ASSUMPTIONS:

Life Tenant Age	75 years
Value of Property	\$300,000.00
Cost Basis of Property	\$100,000.00
Value of Building(s)	\$300,000.00
Estimated Useful Life of Building(s)	45 years
Salvage Value of Building(s)	\$50,000.00

BENEFITS:

Charitable Deduction	\$189,005.00
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IRS Discount Rate is 3.4%

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 the timing of the gift.

RETAINED LIFE ESTATE

One increasingly attractive charitable gift arrangement some individuals are opting to take is the irrevocable donation of real estate while retaining the right to use the property.

A donor can give a personal residence or vacation home to a charitable institution and reserve use of that property for life (or a term of years), and/or including the lifetime of another resident beneficiary or spouse.

The gift would provide significant tax savings and the security of knowing that the donor, and a surviving spouse, could make a major lifetime gift of a valuable asset without relinquishing its use.

This arrangement can be ideal for:

- The older donor who owns property and has no heirs.
- The philanthropist whose only asset is his/her home.
- Donors who want certainty as to their living situation.
- Donors who wish to allocate their property.
- Alleviating the heirs' responsibility of disposing of the property and its value.

The immediate benefit of a gift of real estate with **RETAINED LIFE ESTATE** is an often substantial tax deduction for the charitable gift. This deduction is equal to the remainder interest in the property – the appraised fair market value (FMV) of the real estate less the calculated value of the retained life use.

As with other gifts of real property, it is the donor's responsibility to obtain an independent appraisal of the value of the property. The expense of the appraisal, however, is deductible because it is directly related to the charitable gift.

The income-tax deduction can mean significant tax savings in the year of the gift and may be carried forward for up to five additional years, to a limit of 30 percent of the donor's adjusted gross income each year.

The deduction can shelter income on which the donor would otherwise pay taxes, and yield immediate tax savings in the years in which the deduction is taken, providing the donor with tax savings to spend or reinvest.

The gift agreement specifies that the donor is required to continue appropriate maintenance and meet financial obligations such as taxes and insurance. In the rare arrangement where the donor is not charged with these responsibilities and expenses, the IRS will add the benefits back into the donor's taxable income.

The points made above are intended to outline a **RETAINED LIFE ESTATE**; it is recommended to thoroughly check all details with your charitable and financial advisors before proceeding.

XYZ INSTITUTION

*A **Term Certain Charitable Remainder Unitrust** Offers the Opportunity to Give a Gift of Stock to XYZ Institution that Produces Income for a Term and Saves Both Capital Gains and Income Taxes*

Among his assets, George S. Newton, a retired physician and widower of 12 years, owned stock worth \$100,000. Dr. Newton had long wished to make a gift to XYZ Institution that he felt had been an immeasurable help in his career. He knew that if he sold the stock, he would have to pay a hefty capital gains tax.

Dr. Newton approached XYZ Institution. He learned of a gift arrangement in which a donation of appreciated securities or bonds for a term of five (5) years could have a three-fold benefit: 1) help the Institution in its mission, 2) provide him a benefit from the charitable income-tax deduction, and 3) allow him to receive income from his gift.

XYZ Institution suggested a gift arrangement called the **Term Certain Charitable Remainder Unitrust**. By offering annual payments of five (5) percent on his \$100,000 gift of stock, Dr. Newton netted \$25,000 over the life of the term, plus an income-tax deduction of \$77,799 in the year of the gift.

*The **Term Certain Charitable Remainder Unitrust** allows the donor to increase income, save capital gains income and estate taxes. At the end of no more than 20 years, the value passes to XYZ Institution.*

Please consult with your tax and legal advisors and with a representative of XYZ Institution before making a gift.

XYZ INSTITUTION
TERM CERTAIN CHARITABLE
REMAINDER UNITRUST

Gift - \$100,000
Appreciated Property

BENEFIT TO CHARITY

Value of Trust after 5 years = \$100,000

BENEFIT TO DONOR

Before-tax Benefits to Donor = \$ 25,000

Income-tax Deduction for the
Donor (In the Year of the Gift) = \$ 77,799

ASSUMPTIONS:

The Trust is established in 2009 and runs for 5 years.
The principal is \$100,000 and has a cost basis of 20%.
The trust returns 5% annually, with 0% growth.

Life Income Projections
Summary of Benefits

ASSUMPTIONS:

Projection begins in 2009 and runs for 5 years.
Fixed term of 5 years.
Original principal is \$100,000. Cost basis is 20%.
Donor income tax bracket is 35%, 15% for capital gains.
Beneficiary income-tax bracket is 35%, 15% for capital gains.

	Charitable Unitrust 5%
Gross Principal	\$100,000
Charitable Deduction	\$77,799
Tax Savings	\$27,230
Cost of Gift	\$72,770
Income	5%
Capital Appreciation	0%
Total Before-Tax Benefit To Income Recipients	\$25,000
Total After-Tax Benefit To Income Recipients	\$16,250
Benefit to CHARITY	\$100,000
Total Benefit	\$116,250

IRS Discount Rate is 3.4%

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 the timing of the gift

CHARITABLE REMAINDER UNITRUST

A **CHARITABLE REMAINDER UNITRUST** is a gift vehicle which irrevocably transfers the remainder interest of an asset's value to the charitable institution upon the death of named income beneficiaries or at the end of a specified term of years. The donor can name him or herself and/or others as income recipients, with payments made concurrently or consecutively. This trust arrangement may be created for the lifetimes of the beneficiaries or for a term of no more than 20 years.

In a **UNITRUST**, the donor creates a formal trust arrangement through which donated assets are transferred to a trustee. This agreement must meet Internal Revenue Code requirements. The donor cannot stipulate in the trust agreement that the original assets placed in the trust be retained for the life of the trust. These assets may be held separately and managed as a single fund, according to the investment strategy of the trustee. The trustee may be the donor, the institution, an individual other than the donor, or a bank or trust company selected by the donor.

The donor receives a tax deduction for the charitable remainder interest in the year the trust is established. Any portion of the deduction not used in that year may be carried over for up to five more years, within the limitations of the law. There is no capital gains tax due on appreciated securities contributed to the **UNITRUST**.

In general, **UNITRUST** gifts are defined by the manner in which income is paid to beneficiaries. Definitions and stipulations of these differing Unitrust arrangements follow:

1. A **Straight Unitrust** must pay a fixed percentage of the net fair market value (FMV) of its assets, as valued at least annually, to the designated beneficiaries. Although it cannot be less than five percent (5%+), the fixed percentage is established by the donor when the trust is created and cannot be changed. Additional contributions may be added at any time.

The amount of the annual payment is determined by multiplying the FMV of the trust times the specified percentage. Consequently, if the FMV of the trust's assets rises, the amount of the annual payment rises; if the FMV goes down, the amount of the annual payment reflects that downward turn.

2. An **Income-Only Unitrust** agreement stipulates that the trust will distribute either the actual amount of income earned or the established percentage payout rate, whichever is less. This is the best way to handle gifts of real estate which may be difficult to sell and temporarily provide no income. Until the property has been sold and the trust is generating income, no payments are due to the beneficiary(ies) and the trust remains intact.
3. An **Income Only Unitrust with Make Up Provision** uses excess income from the trust to pay the beneficiary(ies) income lost during the years when earnings were insufficient. This type of trust arrangement can be used to reduce income in the early years of the trust, then pay out larger amounts later, as the assets in the trust earn a higher rate of return.

The points made above are intended to outline a **CHARITABLE REMAINDER UNITRUST**; it is recommended to thoroughly check all details with your charitable and financial advisors before proceeding

XYZ INSTITUTION

*A Charitable Remainder Unitrust Offers the Opportunity to Make A
Gift of Real Estate to XYZ Institution
that Produces Income for Life and
Saves in Income, Capital Gains, and Estate Taxes*

When Edith and Frank Simpson reached 60 and 61 years old respectively, they considered making a gift to XYZ Institution. They owned a vacation home that they no longer wanted to maintain. They talked with their tax advisor and with a representative of XYZ about the ramifications of donating their vacation home - currently valued at \$500,000 - to XYZ Institution.

In addition to the satisfaction of helping XYZ in its mission, making such a gift will actually produce income for both Mr. and Mrs. Simpson during their lifetimes. They will realize \$1,163,767 in before-tax income over the course of their lives, and will also gain a \$111,085 income-tax deduction in the year of the gift.

A Charitable Remainder Unitrust pays the real estate donor 6 percent annually and, upon the death of a named income beneficiary, transfers the value left in the trust to XYZ Institution.

*Please consult with your tax and legal advisors and with a
representative of XYZ Institution before making a gift.*

XYZ INSTITUTION
CHARITABLE REMAINDER
UNITRUST

Gift - \$500,000

BENEFIT TO CHARITY

Value of the Trust After 29 years = \$ 887,922

BENEFIT TO DONOR

Before-Tax Benefits to Donor = \$1,163,767

**Income-tax Deduction for the Donor
(In the Year of the Gift) = \$ 111,085**

ASSUMPTIONS:

The Trust is established in 2009 and runs for 29 years. The Principal is \$500,000 and has a cost basis of 20%. The trust returns 6% annually, with 2% growth.

Life Income Projections

Summary of Benefits

ASSUMPTIONS:

Projection begins in 2009 and runs for 29 years.

Measuring lives age 60, 61.

Original principal is \$500,000. Cost basis is 20%.

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

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

	Charitable Unitrust 6%
Gross Principal	\$500,000
Charitable Deduction	\$111,085
Tax Savings	\$38,880
Cost of Gift	\$461,120
Income	6%
Capital Appreciation	2%
Total Before-Tax Benefit To Income Recipients	\$1,163,767
Total After-Tax Benefit To Income Recipients	\$756,449
Benefit to CHARITY	\$887,922
Total Benefit	\$1,644,371

IRS Discount Rate is 3.4%

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 the timing of the gift.

CHARITABLE REMAINDER UNITRUST

A **CHARITABLE REMAINDER UNITRUST** is a gift vehicle which irrevocably transfers the remainder interest of an asset's value to the charitable institution upon the death of named income beneficiaries, or at the end of a specified term of years. The donor can name him or herself and/or others as income recipients, with payments made concurrently or consecutively. This trust arrangement may be created for the lifetimes of the beneficiaries, or for a term of no more than 20 years.

In a **UNITRUST**, the donor creates a formal trust arrangement through which donated assets are transferred to a trustee. This agreement must meet Internal Revenue Code requirements. The donor cannot stipulate in the trust agreement that the original assets placed in the trust be retained for the life of the trust. These assets may be held separately and managed as a single fund, according to the investment strategy of the trustee. The trustee may be the donor, the institution, an individual other than the donor, or a bank or trust company selected by the donor.

The donor receives a tax deduction for the charitable remainder interest in the year the trust is established. Any portion of the deduction not used in that year may be carried over for up to five more years, within the limitations of the law. There is no capital gains tax due on appreciated securities contributed to the **UNITRUST**.

In general, **UNITRUST** gifts are defined by the manner in which income is paid to beneficiaries. Definitions and stipulations of these differing Unitrust arrangements follow:

1. A **Straight Unitrust** must pay a fixed percentage of the net fair market value (FMV) of its assets, as valued at least annually, to the designated beneficiaries. Although it cannot be less than five percent (5%+), the fixed percentage is established by the donor when the trust is created and cannot be changed. Additional contributions may be added at any time.

The amount of the annual payment is determined by multiplying the FMV of the trust times the specified percentage. Consequently, if the FMV of the trust's assets rises, the amount of the annual payment rises; if the FMV goes down, the amount of the annual payment reflects that downward turn.

2. An **Income-Only Unitrust** agreement stipulates that the trust will distribute either the actual amount of income earned or the established percentage payout rate, whichever is less. This is the best way to handle gifts of real estate which may be difficult to sell and temporarily provide no income. Until the property has been sold and the trust is generating income, no payments are due to the beneficiary(ies) and the trust remains intact.
3. An **Income-Only Unitrust with Make Up Provision** uses excess income from the trust to pay the beneficiary (ies) income lost during the years when earnings were insufficient. This type of trust arrangement can be used to reduce income in the early years of the trust, and then pay out larger amounts later as the assets in the trust earn a higher rate of return.

The points made above are intended to outline a **CHARITABLE REMAINDER UNITRUST**; it is recommended to thoroughly check all details with your charitable and financial advisors before proceeding.

XYZ INSTITUTION

*A Charitable Gift Annuity of \$100,000+ to XYZ Institution
Offers Both Donor and Survivor Quarterly Income
and Savings in Income Taxes in the Year of the Gift*

For many years, Bill Peterson had been a consistent annual supporter of XYZ Institution. At 65, he decided it was time to do something more significant. After discussing the idea of a \$10,000 gift with a representative of XYZ, he learned of a way he could make the donation; receive an immediate deduction, and a fixed, guaranteed income for the remainder of his life.

Mr. Peterson selected the **Charitable Gift Annuity**, opting for receiving a quarterly income based on a 5.3% fixed rate.

At age 65, Mr. Peterson will receive a total of \$10,547 paid in quarterly increments of \$530, over the course of his lifetime. His income-tax deduction is \$3,312 applicable in the year of the gift.

XYZ Institution receives the \$10,000 after all payments have been made.

A Charitable Gift Annuity is a contract between the donor and XYZ Institution, whereby the Institute agrees to make fixed payments for the life of the designated annuitant(s) in exchange for a donation.

Please consult with your tax and legal advisors and with a representative of XYZ Institution before making a gift.

XYZ INSTITUTION

CHARITABLE GIFT ANNUITY

GIFT - \$10,000

BENEFIT TO CHARITY

Value of Principal Donated = \$10,000

BENEFIT TO DONOR

Annual Payments Each
Year x Life of the Donor
\$530 x 19.9 years = \$10,547

Income-tax Deduction in
the Year of the Gift = \$ 3,312

ASSUMPTIONS:

The original principal donated is \$10,000 and has a cost basis of 100%. The annuity rate is 5.7% and the donor's age is 65. Payments are made quarterly. Income is fixed and guaranteed for life.

Basic Gift Illustrations

Summary of Benefits

*5.3% Charitable Gift Annuity***ASSUMPTIONS:**

Annuitant's Age	65 years
Principal Donated	\$10,000.00
Annuity Rate	5.3%
Payment Schedule	Quarterly at end

BENEFITS:

Charitable Deduction	\$3,312.40
Annuity	\$530.00
Tax-free Portion	\$336.02
Ordinary Income	\$193.98

After 19.9 years, the entire annuity becomes ordinary income.

IRS Discount Rate is 3.4%

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 the timing of the gift.

CHARITABLE GIFT ANNUITIES

CHARITABLE GIFT ANNUITIES are some of the earliest, most popular, and simplest of life income agreements. A **CHARITABLE GIFT ANNUITY** is a contract between the donor and the charitable institution, wherein the institution agrees to make fixed payments for the life of designated annuitant(s) in exchange for a donation. By federal law, the donor can name up to two income beneficiaries. The arrangement is considered part gift and part purchase of annuity under contract. The fixed rate of the payments is guaranteed for the life (or lives) of the income recipient(s). A portion of the income paid is tax-free to the recipients.

There are four basic types of **CHARITABLE GIFT ANNUITIES**:

1. **Single-Life Gift Annuities** are based on the life of one person.
2. **Joint and Survivorship Gift Annuities** are based on the lives of two people. The gift is given by two parties, and payments are made to both persons for life, then to the survivor.
3. **Survivorship Gift Annuities** can be arranged during the donor's lifetime or created by will or trust. A payment is made to the donor for life, then to the designated survivor for life.
4. **Deferred Payment Gift Annuities** involve payments that start at a later date and at a higher rate than would be paid presently. These may be based on either one or two lives.

The fixed rate of payment for life is established when the annuity contract is signed. Rates are regulated most often by the state insurance department. The institution or an insurance company can handle the management of the funds and payment of the annuity to the beneficiary(ies).

Determining Remainder Interest

Criteria for determining the fixed rate depend upon the age(s) of the annuitant(s). When there is more than one recipient, the rates will be lower. As the age(s) of the annuitant(s) increases, so do the fixed rates which can be offered.

Because this annual payment amount is negotiable, there is sometimes a temptation to set competitive rates to motivate donors. Take care that this attitude does not set off a "rate war" among nonprofit institutions. Too high a rate can also disburse your principal, leaving you too little to meet your commitments to the annuitant(s). Most organizations use the rates recommended by the American Council on Gift Annuities (formerly the Committee on Gift Annuities), an independent group composed of representatives of various charitable organizations.

Once the rate is set, the donor's charitable income-tax deduction is based on the rate of return, the number of beneficiaries, and their ages.

Estate Tax Implications

The single life annuity payment made to the annuity donor or other named annuitant is not included in the donor's gross estate for estate-tax purposes.

The points made above are intended to outline a **CHARITABLE GIFT ANNUITY**; it is recommended to thoroughly check all details with your charitable and financial advisors before proceeding.

XYZ INSTITUTION

*With a **Deferred Gift Annuity**, Make A Gift of \$10,000+
to XYZ Institution and Receive Quarterly Income
at the Time You Select for Retirement
and Immediate Savings in Income Taxes
Beginning in the Year of the Gift*

Britt Westerman, at age 50, knew she was at the peak of her earning potential. She was late in planning an IRA, and wanted to schedule her retirement to benefit both herself and XYZ Institution.

Ms. Westerman opted to give \$10,000 to XYZ Institution through a **Deferred Gift Annuity** because it guaranteed her a quarterly income at the rate of 9.8%, to begin at the age she specifies (70), providing her \$980/year for the rest of her life.

In the year of the gift, Ms. Westerman gained an immediate income-tax deduction of \$3,421.

*The **Deferred Gift Annuity** is attractive to people with high earning potential in mid-life who wish to plan a fixed, guaranteed annual income later by making a charitable contribution to XYZ Institution. Tax savings are higher and yields are greater than with conventional retirement plans.*

Please consult with your tax and legal advisors and with a representative of XYZ Institution before making a gift.

XYZ INSTITUTION
DEFERRED GIFT ANNUITY

GIFT - \$10,000

BENEFIT TO CHARITY

Value of the Principal Donated = \$10,000

BENEFIT TO DONOR

(Annual Payments Deferred Until Age 65)

Annual payment at age 65 x life of the donor

\$980/year x 19.9 years = \$19,502

Income-tax deduction

(In the year of the gift) = \$ 3,421

ASSUMPTIONS:

The Original Principal donated is \$10,000 and has a cost basis of 100%. The Annuity Rate is 9.8%.

Payments are made quarterly. The donor's age is 50 and income starts at age 65 for life.

JOHN BROWN LIMITED

Prepared for:
Donor
September 2009

Basic Gift Illustrations

Summary of Benefits

9% Deferred Gift Annuity

ASSUMPTIONS:

Annuitant	50
Age at Date of First Payment	[9/1/2024] 65
Principal Donated	\$10,000.00
Cost Basis	\$10,000.00
Annuity Rate	9.8%
Payment Schedule	quarterly

BENEFITS:

Charitable Deduction	\$3,420.80
Annuity	\$980.00
Tax-free Portion	\$ 330.26
Ordinary Income	\$ 648.74

After 19.9 years from the year the payments begin, the entire annuity becomes ordinary income.

IRS Discount Rate is 3.4%

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 the timing of the gift

DEFERRED GIFT ANNUITY

The **DEFERRED GIFT ANNUITY** offers the same fixed and guaranteed income payments as the standard gift annuity, with one important difference – you may postpone income payments from your gift until some future date, determined by you, when those payments may be required to maintain your level of income. In addition, the amount of that income payment will be increased over the standard gift annuity because of the deferral period.

The deferral period offers a second advantage. The value of the immediate charitable deduction you are entitled to claim in the year of the gift will be increased significantly, generating greater tax savings than could be provided by other planned gift arrangements.

Preferential treatment of the income payments completes the **DEFERRED GIFT ANNUITY**'s array of benefits. Depending upon the type of asset contributed, your annual payments might include tax-free or capital gain income – or both – in addition to regularly taxed ordinary income. Therefore, the income received through a **DEFERRED GIFT ANNUITY** will provide a higher value in after-tax dollars available for your use.

This type of gift annuity has become quite popular in recent years as it combines the elements of an alternative retirement plan with the immediate tax benefits of charitable giving. Income can be deferred and income taxes reduced during a period when you are likely to be at the peak of your earning power. At a later time, perhaps upon retirement, the **DEFERRED GIFT ANNUITY** will begin to pay you a fixed and guaranteed annual income for the rest of your life.

The annuity payment you will receive is based upon the value of your gift, your age at the time payments will begin, and the length of time over which income is deferred.

Gifts of appreciated property may be used to fund a **DEFERRED GIFT ANNUITY**. Again, as with the standard annuity, some capital gain must be reported, though the amount of that gain will be reduced significantly and reported over the period of years.

The points made above are intended to outline a **DEFERRED GIFT ANNUITY**; it is recommended to thoroughly check all details with your charitable and financial advisors before proceeding.