

Solutions to Planning Puzzles

Financial planning and charitable gift planning can sometimes be compared to working a jigsaw puzzle. Meeting all objectives at once can be difficult—like fitting together a thousand odd-shaped pieces—but rewarding in many ways.

A flexible “piece” of the puzzle

“Giving for income” is a planning concept offering flexibility, convenience, additional security, and the satisfaction of giving. Indeed, there are several ways to make charitable gifts while retaining income for yourself and perhaps loved ones as well.

The benefits to all concerned are important. You fulfill your desire to give and also may enjoy tax and other financial benefits while increasing spendable income for yourself and/or others you name.

Cash is one of the most popular assets used to fund life income gifts, but not the only, nor always the best. Securities (stocks, bonds, and mutual funds, for example) may be given in addition to real estate and other types of property.

The tax and other financial consequences of each plan vary, and the best choice can only be made after careful consideration.

The right combination

All giving-for-income plans provide extra income to the donor as well as an ultimate charitable gift. Such gifts enable us to strengthen our foundation for the future.

Giving through a life income plan may offer just the right combination of benefits to fill gaps in *your* financial puzzle. Read the following pages to find out how life income plans can help achieve different people’s financial planning objectives while they make significant gifts.

INSIDE THIS ISSUE

- Several ways to give while retaining benefits.
- Give your home while continuing to live there.
- A comparison chart of three giving methods.

Is Life Income Giving for You?

- Do you have someone for whom you wish to provide?
- Do you have stocks, cash, or other marketable property, which you would like to see provide a greater income?
- Do you have young grandchildren to whom you would like to give substantial amounts later?
- Would a charitable income tax deduction benefit you?
- Do you want to make a substantial charitable gift?

If you answered yes to even one or two of these questions, learn more about life income giving. We’ll be happy to help you explore options. Or ask your professional advisor.

Who is important to you, and how can you help?

Which Plan ‘Fits’ Best for You?

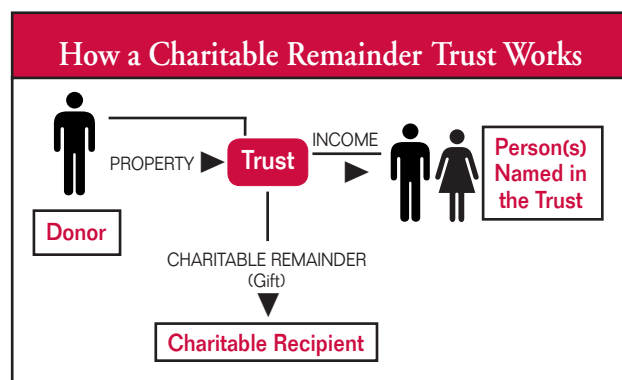
Life income giving offers flexibility. Look at how different people might use the plans.

Fixed income for a sister

Sylvia Boswell lives with her sister, who is in poor health. They depend on the income from stock Miss Boswell owns to supplement income from retirement plans, other assets, and Social Security.

But the stock yields only 2%. Miss Boswell is concerned about increased costs of living in the future.

One solution might be to place some of the low-yielding stock in a gift plan that will pay her a set amount each year equal to 7% of the initial value of the stock (an *annuity trust*).



She receives a charitable income tax deduction in the year the plan is created for the amount estimated to become a charitable gift. The income will be paid each year for the rest of her life and her sister’s, or until the trust assets have been exhausted.

Miss Boswell receives over three times the amount her stock was earning and arranges a significant charitable gift.

Asset values affect income

Martin Carter believes his stock could be more productive. He hesitates to use it to fund a trust that generates *fixed* annual payments. Instead, he prefers to place the stock in a gift plan (a *unitrust*) producing an income that will fluctuate with the value of the assets.

Mr. Carter will receive annual income of an agreed-upon percentage—at least 5%—of the value of the assets *as determined each year*.

As in Sylvia Boswell’s case, a significant income tax deduction is available. And because their trusts are funded with stock that has increased in value and been held long term, they bypass capital gains tax at the time the trusts are created.

Gift Potential ‘Close to Home’

A *life estate arrangement* does not feature income payments to the donor, but other benefits are enjoyed by people choosing this giving vehicle.

Under this plan, a donor gives his or her home, vacation home, or farm but retains all rights to live there as long as desired. A survivor, often a spouse, may also be given rights to live there for life. The giver receives any income the property generates and pays insurance, upkeep, and taxes.

The owner of the gift property receives a charitable income tax deduction when the remainder interest is transferred. The deduction is based on the full current value of the property and represents the calculated value of the eventual charitable gift, taking into consideration the donor’s right to remain in residence.

The house or farm will become available to the charitable beneficiary at the person’s death (or at the death of a survivor).

Preserving an Inheritance While Giving Annually

We've read about an annuity trust and a unitrust, two plans that provide income to the person who gives (see page 2). "Sylvia Boswell" and "Martin Carter" found them to suit their needs precisely.

The *charitable lead trust*, however, provides income to charity and returns the trust assets to the donor.

How a lead trust can work

Bob and Nancy Norris have three grandchildren, ages 14, 10, and 3. After conferring with their advisors, the Norrises decide to create a charitable lead trust that will contribute annually for 15 years to charitable interests they already support financially. At the end of that period, the assets in the trust will pass to their grandchildren.

The benefits include the following:

- The grandchildren will receive their inheritances at older, more mature ages.
- The Norrises will have reduced estate tax liability; in particular, they will have lessened the impact of the generation skipping transfer tax.
- They will be making a large charitable gift.

Now more than ever, if you anticipate incurring estate taxes, you may be interested in exploring the charitable lead trust. Tax deductions can be obtained at the time you create your trust. In today's climate of relatively lower interest rates, the deductions are generally quite attractive.

Ask us or your advisor if you think you may be interested.

A charitable lead trust may help you save estate taxes.

In Brief: Benefits of Life Income Giving Plans

	Immediate Income Tax Deduction	Donor Also Receives . . .	Charitable Recipient Receives . . .
Charitable Remainder Trust (Annuity Trust/ Unitrust)	Estimated value of charitable gift (charitable remainder) at the time the trust is created.	<ol style="list-style-type: none"> 1. Annual income to self or another (annuity trust: fixed income; unitrust: variable income). 2. Avoidance of capital gains tax at time trust is created. 3. Federal estate tax savings. 4. Possible favorable taxation of income. 	Assets of trust at death of last beneficiary or term of trust.
Charitable Lead Trust	In some cases, value of income paid to charity.	Distribution of assets in trust at end of term of years to donor or others donor names.	<ol style="list-style-type: none"> 1. Income during term of trust. 2. If donor desires, assets in trust at end of term.
Life Estate Arrangement	Estimated value of charitable gift.	<ol style="list-style-type: none"> 1. Right to live in/on property for self and a survivor. 2. Avoidance of capital gains tax. 3. Possible federal estate tax deduction. 	Full ownership of property at death of last life estate holder.



The University of Georgia Foundation Board of Trustees established the Heritage Society to honor alumni and friends who have made documented bequests in their wills or other planned gifts in support of the University of Georgia. Among the many types of planned gifts are: bequests, life insurance policies, pooled income funds, charitable gift annuities, and charitable remainder trusts.

If you would like to become a member of the Heritage Society by including the University of Georgia Foundation in your financial or estate plans, the University's Gift Planning Officers will be happy to work with you and your advisors. Your gifts help ensure that the University of Georgia will continue its tradition of excellence well into the 21st century.

Giving Back to UGA

Every university dreams of having donors like June and Bill Flatt! Not only does Bill continue to light up our classrooms with his energetic lectures in a beginning nutrition course, but he and June are making a significant difference at UGA's College of Family and Consumer Sciences (FACS) through the wise investment of their personal resources through two of the many so-called "life income gifts." This newsletter describes some of the other life income gift vehicles available to donors.

The life income gift mechanisms June and Bill chose are the Pooled Income Fund and the Charitable Gift Annuity (CGA). In fact, they have created the very first CGA for the College of Family and Consumer Sciences. Their investments in UGA through these methods will establish both graduate and undergraduate scholarships in the College's Department of Foods and Nutrition. "June and I both received tuition assistance when we were college students," Bill says. "Now that we're in a position to give back, we derive more pleasure from helping others than we ever did as students!"

The **Pooled Income Fund** allows you to give away assets, such as stocks (you can avoid capital gains on donated appreciated securities) or bank savings, while keeping the right to receive the interest and/or dividend income for you and/or others.

A **Charitable Gift Annuity** is a simple agreement between the donor and the UGA Foundation. In exchange for your gift of cash or securities, the UGA Foundation will agree to make fixed, periodic payments to you and/or another beneficiary for life. A portion of the payments to you may be tax free, or taxed at the more favorable rate for taxes on capital gains. Of course, you will be entitled to an immedi-

ate federal income tax deduction for a portion of your gift.

June and Bill Flatt have this to say about their life income gifts: "This is a win/win situation! Not only are we able to provide funds for FACS projects



June and Bill Flatt with student Brent Sapp

in which we believe, but we receive fixed income for the rest of our lives. With the market fluctuating so widely recently, we have less anxiety knowing that we are locked in at a rate of return higher than we would receive if we had chosen many other investment options. We also get the tax deduction today for a gift that UGA won't actually use until it is realized through our estates."

If you would like to join the Flatts in supporting the University of Georgia (or some constituent part of UGA) through a planned gift, please contact Keith Oelke at (706) 542-8179 or e-mail koelke@uga.edu, or Bill Herringdine at (706) 542-8138 or e-mail bherring@uga.edu. You may visit our planned giving web site at www.uga.alumni.edu/giving.