Ways of Giving

a look at some of the gift plans offered by UNCG Gift Planning Services presented to the UNCG Board of Trustees

Barbara J. Wike ’80
J. Lee Knight, JD
Directors of Gift Planning

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Our presentation today…

- Ways of giving
- A unique plan for a personal residence or a farm
- 3 life-income gift plans
- 3 testamentary gift plans
Ways of giving

- Best assets for gifting
  - Cash, check, credit card
  - Appreciated stock or mutual funds
  - Real estate
Ways of giving

- **A closer look at real estate**
  - As with stock, it needs to be:
    - Appreciated
    - Very marketable
  
  - All…
  
  - …or just a portion (e.g., 50%) if listed, or going to be listed, for sale
Ways of giving

“Overlooked” real estate assets that make good gifts

- Lake lot never built on…
- An old farm or homeplace inherited…
- A mountain cottage not really being used anymore…
- An office condo…
- A rental house…
- Even one’s residence!

- And now take a look at this unique gift plan…
Remainder Interest in a Personal Residence or Farm

Gift

Substantial Income Tax Deduction

Retains the “Life Estate”

Deed to Foundation of just the “Remainder Interest”

Automatic Transfer of Full Title at death

THE UNCG EXCELLENCE FOUNDATION

For purpose designated by Donor
Illustration

- Mary and John Donor, both age 65 and residents of North Carolina, deeded just a “remainder interest” in their $200,000 South Carolina beach house to the Foundation.
- According to a current appraisal, this SC beach house has a market value of $200,000.
- In the deed the Donors each retained a “life estate” in their beach house – retaining complete and exclusive use, possession, custody, and control of their beach house for the rest of their lives.
Remainder Interest in a Personal Residence or Farm

**Benefits**

- Donors received large income tax deduction of $128,151 – equals current tax savings of **$42,290** at 33% tax bracket.
- Though remaining liable for maintenance, insurance, taxes, and assessments, Donors retained exclusive use and possession of their beach house for life.
- Later, estate will still receive an estate tax charitable deduction based on date-of-death value of beach house.
- **No probate** – in addition, Donors’ heirs will not be required to conduct ancillary out-of-state estate administration.
- Made an excellent gift – after 2% appreciation rate over 26 years, Donors’ Endowment Fund will receive over **$336,000** upon their deaths.
Life-income Plans

Gift

Income Tax Deduction

Income for Life

Life-income Plan

Balance of gift remaining at death

THE UNCG EXCELLENCE FOUNDATION

For purpose designated by Donor
Pooled Income Fund

Illustration

- Mary and John Donor, both age 65, established an account in our Foundation’s Pooled Income Fund, and purchased shares for that account with a gift of $20,000 of ABC Inc. common stock.
  - Our Pooled Income Fund is similar to a mutual fund.
  - Donors had paid $10,000 for ABC Inc. 4 years ago.
  - This stock has been paying them a 2% dividend.
- The Fund then began paying Donors a dividend calendar quarterly for the rest of their lives.
- This dividend is currently 3.21% – being the Donors’ pro-rata share of all of the income earned by the Fund.
Pooled Income Fund

● Benefits
  - Donors diversified stock holding – but avoided $1,500 tax on $10,000 of capital gain.
  - Received income tax deduction of $9,361 – equals tax savings of $3,089 at 33% tax bracket.
  - Increased income – from 2% to current 3.21%.
  - Dividend rate plus cash value of tax savings = an “effective” return rate of 3.80%.
  - Made excellent gift – after 5.6% average annual return over 26 years, Donors’ Endowment Fund will receive over $37,000 upon their deaths.
Charitable Gift Annuity

Illustration

- Mary and John Donor, ages 65, purchased an annuity from the Foundation with a gift of $50,000 of ABC Inc. common stock.
  - The Donors had paid $25,000 for ABC Inc. 4 years ago.
  - This stock has been paying them a 2% dividend.
- Foundation will pay the Donors, and then the survivor of them, a fixed annuity of $2,100 per year – that’s a rate of 4.2% of $50,000 – for the rest of their lives in convenient periodic installments.
- Payment of this annuity is guaranteed by all of the assets of the Foundation, currently in excess of $80M.
Charitable Gift Annuity

• Benefits
  – Donors diversified stock into guaranteed fixed income without loss of principal to capital gains tax.
  – Received income tax deduction of $7,645 – equals tax savings of $2,523 at 33% tax bracket.
  – Increased income – from 2% variable to 4.2% fixed.
  – Advantageous taxation of annuity (through 2036):
    • 19% ordinary income, 40.5% LT capital gain, 40.5% tax-free
  – Annuity rate plus cash value of tax savings = an “effective” return rate of 5.8%.
  – Made excellent gift – after 5.8% average annual return over 26 years, the Donors’ Endowment Fund will receive over $93,000 upon their deaths.
Charitable Gift Annuity

### One-Life Gift Annuity Rates

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<thead>
<tr>
<th>Age</th>
<th>Rate</th>
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<tbody>
<tr>
<td>55</td>
<td>4.0%</td>
</tr>
<tr>
<td>65</td>
<td>4.7%</td>
</tr>
<tr>
<td>75</td>
<td>5.8%</td>
</tr>
<tr>
<td>84+</td>
<td>7.6%</td>
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</tbody>
</table>

### Two-Life Gift Annuity Rates

<table>
<thead>
<tr>
<th>Ages</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>55/55</td>
<td>3.5%</td>
</tr>
<tr>
<td>65/65</td>
<td>4.2%</td>
</tr>
<tr>
<td>75/75</td>
<td>5.0%</td>
</tr>
<tr>
<td>87/87+</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

...as published on January 1, 2012, by the American Council on Gift Annuities
Charitable Remainder Unitrust

Illustration

- Mary and John Donor, ages 65, established a tax-exempt Foundation-trusteed Unitrust and funded that trust with a gift of $100,000 of ABC Inc. common stock.
  - The Donors paid $50,000 for stock 4 years ago, and it has been paying them a 2% dividend.
- The Unitrust sold that stock without paying capital gains tax, and reinvested sales proceeds into a professionally managed diversified trust portfolio.
- Each year and for the rest of their lives, the Unitrust will pay the Donors 5.5% of the annual market value of the trust assets in equal monthly installments.
Charitable Remainder Unitrust

- **Benefits**
  - Donors diversified stock holding but deferred $50,000 of capital gain over entire lifetimes. *
  - Received income tax deduction of $30,159 – equals tax savings of $9,952 at 33% tax bracket.
  - Substantially increased income – from 2% to 5.5%.
    - Taxation of income: 50% ordinary income, 50% LT capital gain*
  - Unitrust rate plus cash value of tax savings = an “effective” return rate of 6.11%.
  - If value of trust assets greater than year before, Donors’ Unitrust payment for coming year will be larger.
    - May provide a hedge against inflation over entire term of trust.
  - Made excellent gift – after 6% average annual return over 26 years, Donors’ Endowment Fund will receive over $109,000 upon their deaths.
Will or Revocable Trust bequest

- **Specific bequest** of $ amount, or **Residuary bequest** of % of estate…
- Republish Will or execute a simple **Codicil**, or simply execute **Amendment** to Revocable Trust…
- Sign **Gift Planning Pledge Form** and, if this testamentary gift is going to establish an Endowment, a **Statement of Intention**…

…and that’s all there is to it!
IRA or other Retirement Plan beneficiary designation

- Obtain a Change of Beneficiary form from your IRA Plan Administrator…
- Designate all, or just a portion (like 10%), of your IRA for UNCG or her Foundation as a primary beneficiary…
- Sign Gift Planning Pledge Form and, if this testamentary gift is going to establish an Endowment, a Statement of Intention…
  …and that’s all there is to it!
- And a big “plus” – deferred income taxes on gift totally avoided…
IRA or other Retirement Plan beneficiary designation

- **Common estate planning…**
  - Will bequest of $25,000 to UNCG → UNCG receives $25,000
  - IRA assets of $25,000 to Children → Children receive $16,750
  
  *Why? Income taxes of 33%*

- **Better estate planning…**
  - Will bequest of $25,000 to Children → Children receive $25,000
  - IRA assets of $25,000 to UNCG → UNCG receives $25,000
  
  *Why? We’re tax-exempt!*
Obtain a Change of Beneficiary form from your life insurance agent…

Designate all or just a portion (like 10%) of your whole or universal life policy for UNCG or her Foundation as a primary beneficiary…

Sign Gift Planning Pledge Form and, if this testamentary gift is going to establish an Endowment, a Statement of Intention…

…and that’s all there is to it!
Your directors of Gift Planning Services

- **Barbara J. Wike ’80**
  - Office: 336.256.1272
  - Cell: 336.404.8469
  - Email: bjwike@uncg.edu

- **J. Lee Knight, JD**
  - Office: 336.256.1272
  - Cell: 336.339.1531
  - Email: lee_knight@uncg.edu
Appendix

- Reports on the Irrevocable Gift Planning Program...
Pooled Income Fund

- **Current characteristics of program**
  - All gifts commingled into one account for investment, but each gift separately accounted – “like” a mutual fund
  - **Donors = 10  <>  Agreements = 13**
  - Target asset allocation = 40% dividend-paying equities, 60% diversified fixed income
  - Payout (income only) = currently 3.21% per year
  - Original gift value = $332,450
  - Current market value = $357,420
  - Preserved to-date = 107.51%
Charitable Gift Annuities

- Current characteristics of program
  - All gifts commingled into one account for investment, but each gift separately accounted – so that each gift “bears” its own “unique” annuity payout
  - **Donors = 105 <> Agreements = 153**
  - Target asset allocation = N/A – Obligation guaranteed by all assets of Foundation
    [Reserve: 60% equity / 40% fixed income]
  - Payout = Fixed annuities based on age(s) at time of gift
  - Avg. payout obligation = 6.54% of original gift value
    7.93% of current market value
  - Original gift value = $6,322,333
  - Current market value = $5,213,411
  - Preserved to-date = 82.46%
Charitable Remainder Trusts

- **Current characteristics of program**
  - All trusts separately invested – each trust its own account
  - **Donors = 18  <>  Trusts = 22**
    - 16 Unitrusts – paying fixed % of annual value of trust assets (variable)
    - 6 Annuity Trusts – paying fixed % of original gift value (fixed)
  - Target asset allocation = 60% equities / 40% fixed income
  - Avg. payout ► CRUTs = 6.6% of current market value
    ► CRATs = 6.5% of original gift value
    9.0% of current market value
  - Original gift value = $8,540,532
  - Current market value = $6,494,540
  - Preserved to-date = 76.04%
Remainder Interests in Personal Residence or Farm

- **Current characteristics of program**
  - **Two transfers:**
    - 2008 – $250,000   Ages 75,71   PR/Bar Harbor, ME
    - 2011 – $133,000   Ages 74,64   PR/Wendell, NC
  - Original gift value = $383,000
  - Current market value = $383,000
  - Preserved to-date = 100.00%