

4 POWERFUL PLANNING STRATEGIES TO PUT PREDICTABILITY IN YOUR FINANCIAL FUTURE

Since the dramatic downward spiral of the stock market that came with breathtaking suddenness in late 2008 and early 2009, the market has made a slow, steady comeback. Nevertheless, with unemployment remaining high many Americans seem unsure of the future direction of the economy.

At a time when many are seeking certainty in a very uncertain environment, one of the best ways to put meaningful predictability into your financial future is with creative charitable planning. In this issue of the Financial Guide, we will look at some bold moves that could strengthen your position for a secure future.

1. Bump Up Your Returns

Many people currently face an investment conundrum. On one hand, they are uneasy about where the stock market is headed. On the other hand, the returns on traditional income-producing investments such as bonds, money-market funds, and certificates of deposit are at near-record lows.

Money-market funds pay barely a fraction of 1%, and only longer-term CDs generate more than 2%. The returns on bonds have also slipped substantially and carry an additional risk: if interest rates do rise, the principal value of bonds melts away. All this leaves many feeling they have no choices for safe, meaningful returns.

Those with significant charitable objectives have options not available to others – options that are more attractive than ever. A number of creative giving plans are available to return an attractive stream of income to donors.

EXAMPLE: Jeff T., 70, counts on his investments to provide a meaningful portion of his retirement income. In the last few years he has seen that income steadily decline. He is concerned about the preservation of his principal if he invests in stocks, but he gets more discouraged as each maturing CD is renewable for substantially less than what it was paying.

Dear Friends,

We are pleased to bring you the latest issue of the Financial Guide. In this issue, we feature four creative and timely ideas for gift plans that may benefit your financial and philanthropic goals.

We all want to find ways to minimize our taxes, get the most out of our investments, plan effectively for retirement and identify the best way to support our families as well as charitable organizations that are important to us. The staff of the Planned Giving Office at Purdue University welcomes the opportunity to talk with you and explore the means to accomplish these goals in your situation. We invite you to contact us by using the enclosed reply card, by calling (800) 677-8780, or by email at plangift@purdue.edu. You can also visit our website at www.purdue.edu/planned_giving.

We are here to help you explore opportunities to support Purdue.

Sincerely,



Charles E. Sage
Interim Senior Director of
Planned Giving

www.purdue.edu/planned_giving



Jeff is a longtime supporter of Purdue and has always wanted to find a way to make a substantial contribution to the University. Accordingly, when a \$50,000 CD recently came due for renewal at 1.5%, Jeff decided to transfer those funds to us in exchange for a charitable gift annuity that will pay him \$2,900 each year for the rest of his life. His gift entitles him to a charitable income-tax deduction of slightly more than \$18,000.

In his 33% federal income-tax bracket, the deduction saves Jeff about \$6,000, reducing his out-of-pocket cost for the gift annuity to about \$44,000. Even better, \$2,000 of his annual annuity income will be tax-free for the balance of his life expectancy.

2. Hedge Your Bets with Gifts of Appreciated Stock

Many investors have moved back into the market, not wanting to be on the sidelines when the next major upward movement hits. By the same token, many would like to cushion the potential blow if the market takes another big dip. One of the best ways to improve your position is to use your appreciated stock instead of cash to fund a major charitable gift you are planning.

You then take the cash you had planned to give and replace the stock you gave away. Either way the market moves, you will be better off than if you had kept the stock and given the cash.

HERE'S WHY: Making a charitable gift of long-term appreciated stock entitles you to deduct its *full fair-market value* – not the original cost. When you buy the replacement stock you establish a higher basis; and if it goes up in value, you will be taxed on a smaller amount of gain if you sell later—a factor that could be doubly meaningful if the tax rates on capital-gain income increase as many think they will.

Even if the stock goes down, you are still ahead of where you would have been. Losses you incur if you sell will be measured against the new, higher price you paid to replace the stock – not the price of the gifted stock. This will create a larger loss for tax purposes that can be netted against any gain or used to offset a limited amount of ordinary income.

3. Multiply Your Assets Through Giving

All of us are concerned about providing for loved ones, and that is an important consideration to take into account as you plan significant charitable gifts. Depending on your personal circumstances, it may be possible to fulfill your desire to make a major charitable gift without compromising your objectives to provide substantial assets to family members.

Many donors employ a creative plan using tax savings realized from making significant charitable gifts to replace the value of those assets.

EXAMPLE: Mark and Betty, both 65, want to make a major gift to Purdue University, but they want to be sure that they are still able to ultimately provide significant assets to their children. They are pleased to learn of a plan that lets them achieve both objectives.

INCOME FROM A \$100,000 GIFT ANNUITY

ONE LIFE			TWO LIVES		
Age	Rate	Income	Age	Rate	Income
55	5.0%	\$5,000	55-55	4.6%	\$4,600
60	5.2%	\$5,200	60-60	4.9%	\$4,900
65	5.5%	\$5,500	65-65	5.1%	\$5,100
70	5.8%	\$5,800	70-70	5.4%	\$5,400
75	6.4%	\$6,400	75-75	5.7%	\$5,700
80	7.2%	\$7,200	80-80	6.3%	\$6,300
85	8.1%	\$8,100	85-85	7.1%	\$7,100
90	9.5%	\$9,500	90-90	8.3%	\$8,300

Mark and Betty make a gift of \$200,000 to Purdue University, saving them \$70,000 in their 35% federal income-tax bracket, which they then use to purchase a \$200,000 life insurance policy that will pay death benefits to their children. (Because the policy pays at the second death, its cost is substantially less than a policy of similar size on one life.)

The amount of insurance you are able to buy will depend on several factors – most notably your age and health. If you do qualify, there are many variations of this strategy. It may be optimal for you to pay a single premium up front with the tax savings, or it may be better to make annual payments either indefinitely or for a fixed number of years. It may be advisable for purposes of federal estate tax to transfer ownership of the policy to the beneficiaries or even to create a special life insurance trust to purchase the policy – approaches, however, that can create taxable gifts for gift- or estate-tax purposes.

4. Building a Retirement Nest Egg: Investing in the Future

While many Americans are unsure about where the economy is headed in the short run, most are confident about the long-term. As you look to the future, there are ways to combine your major charitable plans with your retirement-planning goals.

Many taxpayers in their peak earning years wish they could find more tax-advantaged ways to set aside money for retirement. To the extent retirement-planning opportunities are available to you through your employment or through options open to most Americans, you will want to take full advantage of those.

If you would like to accumulate still more and you also have major charitable goals, there are creative options for reaching your objectives.

EXAMPLE: Karen B., 50, has a very successful consulting practice. She makes the maximum allowable contributions to all retirement plans open to her but is concerned it may not be enough to allow her to enjoy the kind of retirement she envisions.

Karen is a major supporter of Purdue University and would very much like to complete a substantial gift to complement the contribution she makes annually. After conferring with her advisors and a member of our staff, Karen decides to put a plan in place that will meet her personal and charitable objectives: she contributes \$100,000 to a special trust designed to supplement her retirement income.

The trust will pay her 6% of its annual value each year; but until she turns 65, it will make the payments out of the trust's income. Since Karen really doesn't need – or want – additional income right now, the trust is invested in a manner that focuses on growth rather than income over the next 15 years and she will receive little or no distributions during this time frame. She will start receiving income when she reaches her anticipated retirement age of 65.

Assuming the trust generates an 8% total return annually, it will have grown to about \$293,000 at that point. Karen will receive more than \$17,000 her first year of retirement – and more than \$400,000 over her life expectancy. Purdue will ultimately receive more than \$427,000.

Conclusion

While powerful planning options are available during all kinds of economic conditions to those who are philanthropically minded, we have touched on just a few ideas you may want to consider at this time in your own planning. ☺

PHILANTHROPY FOR TODAY:

Practical and Rewarding

We hope this issue of the Financial Guide has provided insight regarding practical ways to meet your philanthropic goals. To request more information, or to speak with a professional at the Planned Giving Office at Purdue University, please call (800) 677-8780 or e-mail at plangift@purdue.edu, or use the enclosed reply card, and request our complimentary brochure, *Trusts in Financial Planning*. You can also request additional information about any of the gift ideas covered in this newsletter. As always, we appreciate your consideration and support of Purdue University.

Bequest language

When making a bequest to Purdue, please be sure to use: **PURDUE FOUNDATION, INC.**
Thank you for your thoughtful support.

Visit Our Web Site:

www.purdue.edu/planned_giving

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R. B. STEWART SOCIETY

Purdue founded the R. B. Stewart Society to recognize special benefactors who make commitments to the future of the University in their estate plans — through a will bequest, retirement plan, living trust, insurance policy, charitable gift annuity, or charitable remainder trust.

Membership is available to individuals who have made a commitment to Purdue's future through their estate plans or with life-income gift arrangements, regardless of the amount. Please note that membership is free and no additional gifts are expected or required.

A written confirmation of intent is all that is needed for membership. This might be a signed statement of support, a copy of the will or trust provision, or a letter informing the University of your plans.

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