

## Give and Receive: Do Both with a Life Income Plan

Dear Friends,

More and more of our friends are using life income plans to make their gifts. And there's a reason why. They benefit, and so does Purdue.

Still, there are reasons some people hesitate to take advantage of our life income gift programs that allow them to donate assets, take charitable deductions, sidestep capital gains taxes, and receive a good income for life or for a term of years.

First, the idea sounds almost too good to be true. But, be assured that our life income gift plans are bona fide, legitimate planning strategies developed by Congress to provide incentives for individuals who wish to make significant donations to Purdue University. While these plans have been modified and refined over the years, the basic concept has remained unchanged.

Second, life income gifts may seem to defy logic. After all, you donate an asset, but then you receive an income based on that gift for a period of years or perhaps even for the rest of your life. Nonetheless, life income gifting is a straightforward and relatively simple concept that makes good sense for many individuals who are willing to plan ahead.

In this issue, we look briefly at life income gifts as a three-step process. Rather than focus on the technical aspects of a particular gift plan, we discuss life income plans in general and illustrate how you can solve various financial and estate planning problems while making a gift that can help shape the future of Purdue University.

Whether you are a current life income donor or simply exploring life income plans for the first time, we think you will find this issue interesting and thought provoking. As always, you can request in-depth information about these mutually beneficial plans.

Simply use the enclosed reply card or give us a call. We welcome any opportunity to be of service.

Sincerely,



Gordon D. Chavers  
Sr. Director of Planned Giving



The Campaign   
for **PURDUE**



### Life Income Gifts: The Three-Step Concept

Perhaps you would like to supplement your retirement plan, provide a predictable income stream to a dependent, or simply rebalance your stock portfolio without incurring capital gains taxes. Life income plans can help you solve these problems...and others.

Most importantly, a life income plan may enable you to make a major gift which otherwise might not be possible. Thus, you can support a particular program, leave your own legacy and help make a difference in Purdue's future.

## THE LIFE INCOME GIFT PLAN

**Step 1** ▶ You donate assets and take a charitable income tax deduction for your gift.

**THE BENEFIT TO YOU:** You avoid or reduce the impact of capital gains taxes if you give a highly appreciated asset.

**Step 2** ▶ We pay you an income for life or, in some instances, a term of years.

**THE BENEFIT TO YOU:** Your gift is converted into an attractive stream for you and/or for whomever you designate.

**Step 3** ▶ Once income benefits end, the gift becomes the property of Purdue University.

**THE BENEFIT TO US:** We are given an asset to continue our work that we may not have otherwise received.

## You Receive Income Now and Create a Better Future for Others

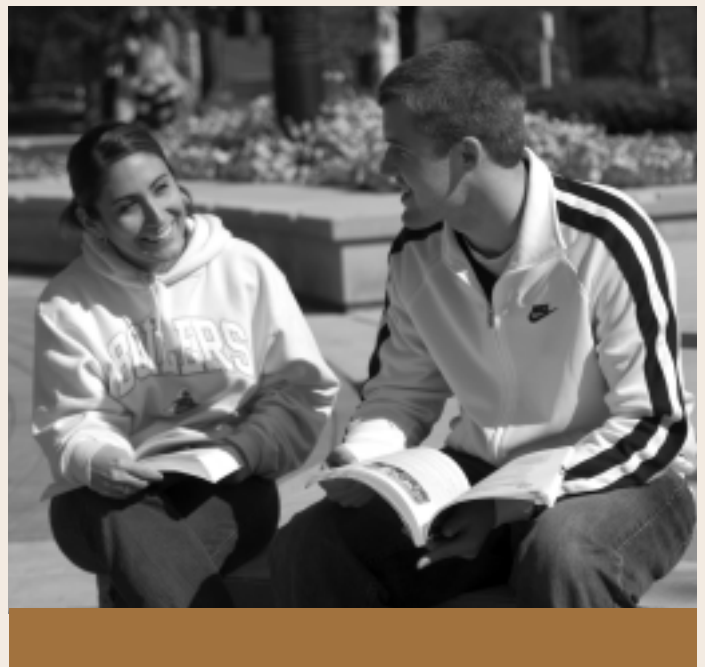
Despite formidable-sounding names such as the charitable remainder trust and the charitable gift annuity, the concept of a life income plan is quite simple. You make an irrevocable gift now — with cash or appreciated property, such as securities — but you retain the right to receive the income or payments from the gift for life or a term of years.

With some plans, you can choose between a fixed income and a variable income. Most importantly, you can strategically plan your gift to achieve many personal objectives such as converting highly appreciated, low-yielding securities into an attractive income stream without taxation, supplement your current retirement plan without penalty, or provide for a dependent relative in a tax-efficient way.

With life income gift plans, both the donor and the nonprofit organization benefit from the arrangement (see the chart above). Following are examples to illustrate the many kinds of financial problems one can solve while supporting our important work.

### Lock in a Competitive Income Stream for Life

Marilyn, age 80 and a widow, has always kept most of her money tied up in CDs at her local bank. She was frustrated over the fluctuating rates (hovering around 5 percent for 2006, but which had been as low as 1



percent several years ago), so she wanted to investigate alternatives to a CD renewal. Her major objective was to lock in a respectable income that will last her entire life.

After exploring her options, Marilyn set up a \$20,000 charitable gift annuity with Purdue. The deciding factor was the annual payment rate, which is 8 percent at age 80 (see rate chart for other ages). The annual payment is \$1,600, fixed for her life, with payments backed by the general assets of Purdue Research

### Current One-Life Gift Annuity Rates\*

AGE	RATE
60	5.75%
65	6.0%
70	6.5%
75	7.1%
80	8.0%
85	9.5%

\* Rates subject to change.  
Two-life rates also available.  
Contact us for information.

Foundation. The payment rate is attractive. Additionally, part of her payments will be tax-free. Plus, she receives an income tax charitable deduction of about \$10,300 for the value of our gift portion.\*

When she factored in the charitable deduction with the attractive payment rate, Marilyn found the charitable gift annuity an ideal arrangement. She has the satisfaction of knowing she will be able to make a meaningful gift to us while enjoying these financial and tax benefits. As she so aptly put it, “It’s nice to know you can benefit yourself while benefiting others.”

\*Based on 6.0% AFR and quarterly payments.

## Sidestep the Capital Gains Tax Trap

Jim and Lynne feel trapped by their success — a sizable equities-based portfolio that has grown considerably over the years. With approximately 85 percent of their portfolio the result of capital gains, they fear taking a tax beating if they try to sell assets. At the same time, many of their stocks pay very little in dividends. They want more income during their retirement years but feel locked in. If they sell some of their stock and reinvest the proceeds, it will trigger a hefty capital gains tax, considering the years of built-in appreciation. Jim and Lynne learned about the charitable remainder trust from an independent financial planner who has suggested this planning technique for many of his clients.

They learned that, by setting up a charitable remainder unitrust, they can avoid the capital gains tax, and the trust will provide them an income equal to a fixed percentage (for example, 5 percent) of the value of the trust assets as revalued every year over both their lifetimes. Because the trust is revalued annually, the income will grow as the trust assets increase in value. Also, they receive an immediate income tax charitable deduction for the present value of the remainder interest expected to go to our endowed fund. Jim and Lynne can make additional contributions to the trust as they wish. And, most importantly, they have the opportunity to make a gift that will have a real impact on our programs — a gift they never thought was possible.



## Questions, Questions...

Perhaps you, like so many others, have questions about life income gift plans since they have become more popular and are now recommended by many independent financial planners as viable financial and estate planning tools. Here are some of the most frequently asked questions:

- Which life income plans offer you the most flexibility in determining your income stream or designating multiple beneficiaries?
- What is the minimum dollar amount needed to establish a particular plan?
- When is it better to use appreciated property instead of cash to fund the plan?
- Which plan permits additional contributions to an existing arrangement?
- Which plans can help you build a larger retirement nest egg, even increase your retirement income?

We will be happy to answer these and other questions you may have about life income gift plans. We welcome your inquiries. Contact us at: Planned Giving Office, Dick and Sandy Dauch Alumni Center, 403 West Wood Street, West Lafayette, Indiana 47907. Phone: (765) 494-8657, Toll free: (800) 677-8780. E-mail: [plangift@purdue.edu](mailto:plangift@purdue.edu).

## Take the First Step

To determine which life income plan might be best for you, talk with both your financial advisors and us. As a first step, you may want to send for our new booklet which highlights the comparative benefits of our various life income arrangements. It's called ***Life Income Gift Plans — Ways to Give and Receive***. You can get a free copy simply by using the enclosed reply card.

If you need information about a specific plan, we will be happy to provide you with assistance. Find out, like others, how you may be able to increase your spendable income, enjoy greater tax benefits and make a gift that can have a substantial impact on Purdue University and our work.

We invite you — indeed, urge you — to explore these exciting life income gifts. You can do so without any obligation whatsoever. Feel free to send for the information, or give our office a call. It is with pleasure that we look forward to hearing from you.



## R. B. Stewart Society

Purdue founded the R. B. Stewart Society to recognize special benefactors who make commitments to the future of the University through their estate plans. The Society is named after Robert Bruce Stewart for his commitment to higher education, his efforts on behalf of the University, and his expression of faith in the future of Purdue through his own gifts.

Membership is available to individuals who have made a commitment to the future of Purdue through their estate plans, or with a life-income gift arrangement, regardless of the amount.

A written confirmation of the intent is required for membership. This might be a signed statement of support, a copy of the will or trust provision, or a letter from the donor informing the University of his or her plans.

### ***Important Reminder about the New IRA Charitable Rollover***

If you are 70½ or older, you still have until the end of 2007 to make direct federal income tax-free transfers of IRA assets (up to \$100,000) to Purdue University. While such transfers cannot be used to fund life income plans, they do provide donors with an opportunity to make a more immediate impact with their gifts. As a bonus point, the IRA charitable rollover counts toward fulfilling your required minimum distribution. If interested, contact us to see how you can benefit from this unique giving opportunity.

# PURDUE

UNIVERSITY

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