



# The Benefactor

IDEAS FOR FINANCIAL, GIFT AND ESTATE PLANNING

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## A Gift That Repays Your Generosity

**H**ow would you like to make a gift to Puget Sound Blood Center and, in return, receive a check from the Blood Center every quarter for the rest of your life?

We are excited to offer a new gift vehicle – charitable gift annuities – to our donors. A gift annuity provides an opportunity to make a significant contribution to the Blood Center while retaining a lifetime payment stream. If you have been wanting to support the Blood Center’s research programs but are reluctant to contribute an asset that pays you current income, a charitable gift annuity may be your solution.

Here is a summary of how gift annuities work, and their benefits to you and your family:

### Guaranteed fixed payments for life

■ With a gift annuity, you simultaneously make a charitable gift and provide guaranteed fixed payments for life to yourself and/or another person.

■ The size of the payments depends upon the amount contributed, as well as your age. The older you are when the annuity starts, the larger the payments.

■ The size of the payments will never change, no matter what happens to the economy or interest rates.

■ Annuity payments are backed by the assets of Puget Sound Blood Center.

### Sample Gift Annuity Rates (Single Life)

Age	Rate
70	6.5%
75	7.1%
80	8.0%
85	9.5%
90	11.3%

### Appealing tax benefits

■ You receive an income tax charitable deduction in the year of your gift. This deduction can be up to 50% of your adjusted gross income if the gift is cash, 30% if the gift is appreciated securities.

■ Giving appreciated securities or bonds held more than one year allows you to reduce capital gains tax liability.

■ For a number of years, a portion of each payment will be tax free.

Of course, the most compelling benefit of establishing a gift annuity

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## Spoil the Grandkids in a Practical Way

**M**any grandparents assist their grandchildren with college expenses. It helps the grandchild, relieves the parents of a financial burden and reduces the grandparents' gross estates. There are several tax-smart ways for grandparents to give youngsters the gift of an education:



- A grandparent can give up to \$11,000, free of gift tax, to a grandchild. Married couples can give up to \$22,000.

- In addition, grandparents can make transfers directly to the school to pay for certain qualified education

expenses, without paying gift tax.

- Education IRAs can be established in the name of children under age 18. Up to \$2,000 can be contributed annually. The accounts grow tax free. If withdrawals are used for qualified education expenses, the income tax is avoided.

- Many states offer qualified state tuition programs (called Section 529 tuition savings plans). Contributions grow tax deferred. The growth is taxed at the grandchild's lower rate when funds are withdrawn to pay qualified college expenses (tuition, fees, books, supplies, room and board).

## When to Take the “Bull” by the Horns

**C**onventional wisdom says that retirees should invest more conservatively as they grow older. That advice is valid for most retired people, but there are many cases where investments can be more aggressive.

One rule of thumb advises that you subtract your age from 120 and keep no more than that percentage in stocks and mutual funds. But some seniors have sufficient assets and income to meet all future needs, including long-term nursing home expenses.

Those retirees are not investing for themselves and their future needs, but rather to pass on assets to younger family members and the charities they support. It may be possible to invest a higher percentage in stock or stock mutual funds, even volatile stock, in order to accumulate more. Growth stock, which pays little or no dividends, will not increase the retiree's taxable income; it can be liquidated quickly, if needed, at maximum capital gains rates of 15%. Or, if the investment is held until death, family beneficiaries receive a basis in the stock equal to the date of death value and can avoid capital gains on a sale.

A growth strategy is not for every older investor. Estate taxes may already be a concern and meeting the individual's own financial needs should be paramount. There are ways to combine gifts to Puget Sound Blood Center and family members that take advantage of the appreciation from more aggressive investments. Please call our office to learn more about these ideas.

## Tailor Your Gift Annuity for Just the Right Fit

**A** charitable gift annuity can be arranged to fit most financial and philanthropic needs. Here are some questions and concerns we sometimes hear:

**Q:** *Is there some way I could use an annuity to help support my mother (she's 77) and have the payments come to me after her death?*

**A:** You can establish a two-life “survivorship” annuity that would provide a lifetime income to your mother and a charitable contribution deduction for you this year. When your mother dies, the payments would continue to you for the rest of your life.

**Q:** *Can I arrange a gift annuity for a family friend? She is actually our part-time housekeeper and is getting ready to retire. I would like to do something for her and a worthwhile cause, as well.*

**A:** Gift annuities can be an important supplement to anyone's retirement income, including friends and family members. The friend will receive annual payments for life but you will receive the charitable deduction. It's best to fund such annuities with cash, for tax purposes.

**Q:** *My mother and father both died during the last three years and I would like to make a gift in*

*their memory. Can a gift annuity be established as a memorial?*

**A:** Your gift annuity can memorialize another person or persons and we would be pleased to help plan such a gift.

**Q:** *I'm concerned about having to pay taxes on my Social Security benefits because my other retirement income is over the limit. Could a gift annuity help me, since the income is partly tax free?*

**A:** Under the right circumstances, retirees can reduce the tax on Social Security benefits by converting some fully taxed investments into charitable gift annuities. You're sure to save taxes, in any event.



We would be happy to provide you with more information on charitable gift annuities, and to send you our free booklet explaining this unique gift and income arrangement.

### Revive “Sleeping” Savings Bonds

Do you own Series E or EE savings bonds? It's possible that some or all of your bonds have stopped earning interest. In any event, E and EE bonds do not provide you with any income. Savings bonds can be converted into charitable gift annuities by cashing the bonds and contributing the proceeds. You must report any interest that has built up on the bonds, but your gift annuity will create a charitable deduction that may reduce or even eliminate the taxes owed on the bonds. Furthermore, you will receive lifetime payments at attractive payout rates, part of which will be tax free during your life expectancy.

# The Advantages of a Charitable Gift Annuity

**T**he charitable gift annuity is a unique plan for satisfying both philanthropic and financial needs. Yet it's a remarkably simple plan: In exchange for a gift of cash, securities or other assets, we will pay you a certain fixed dollar annuity for the rest of your life. In most cases, the annuity will be from 5.7% of the amount of the gift to as much as 11.3%. Our Development Office will be happy to provide you with specific figures for any gift annuity arrangement you may consider.

One of the most attractive features of the gift annuity is its flexibility. Some examples:

- Mr. A, at age 55, makes a gift of \$10,000 to the Puget Sound Blood Center for an annuity that will not start until he reaches age 65. The *deferred gift annuity* arrangement offers the donor extremely favorable tax benefits.
- Mr. B makes a \$20,000 gift to the Blood Center and we agree to pay an annuity to him for his life and then to his wife for her life. The financial benefits from such

an arrangement are substantial . . . and Mr. B can have the immense personal satisfaction that comes from making a lifetime gift.

- Mrs. C, locked into a low-yield security, gives the security to the Puget Sound Blood Center in exchange for an annuity. She can substantially reduce her capital gains tax and at the same time increase her spendable income.
- Ms. D creates an annuity for her parents. The annuity payments will be taxed directly to the parents

– rather than at Ms. D's high income tax rates.

We invite you to consider a gift annuity arrangement with the Puget Sound Blood Center. In addition to the possible financial benefits you may derive, you'll have the satisfaction of knowing you have helped in the advancement of transfusion medicine for many future generations. For our booklet, *The Charitable Gift Annuity*, simply return the enclosed card.

## A Gift That Repays Your Generosity

*(continued from page 1)*

is that your gift supports the Blood Center's research programs.

As you may know, the development and application of new research to today's major blood problems has distinguished Puget Sound Blood Center in American medicine for more than 60 years. Researchers at the

Blood Center have literally changed transfusion medicine internationally by extending storage time of whole blood and delicate platelets, by opening doors to bone marrow transplantation, and by providing new technologies for collecting, testing and storing umbilical cord blood.

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