



Phillips Academy
ANDOVER

Life Income Arrangements

Overview:

Turn an asset into income. By funding a life income gift to Andover, you could generate more income, earn a charitable deduction to protect your income this year and defer or avoid capital gains tax. All this while letting Andover take the lead on investing your portfolio, and show your commitment to Andover's future strength and leadership.

Fixed income gifts:

First, the charitable gift annuity. This is a contract between you and Andover. In exchange for your contribution of cash or publicly traded securities, PA promises to pay one or two beneficiaries income for life. The annuity rate is determined by the age(s) of the annuitants and the income they receive will never change, regardless of how the funds are invested or what return Andover earns on the asset. Minimum gift is \$10,000. Maximum is \$500,000.

BENEFITS include:

- Fixed, secure payments for life
- A charitable income tax deduction
- Reduction of capital gains tax when funded with long-term appreciated securities
- The financial benefit of a reliable income stream simultaneous with support of Phillips Academy

WHO is a Charitable Gift Annuity beneficial for?

Anyone who:

- Has low yielding, long-term appreciated securities
- Would enjoy or needs the reliability of a fixed income stream
- Would like to supplement retirement income
- Wishes to support PA at a higher level but has some concern about future income need

Second, the charitable remainder annuity trust or CRAT. This is a separately invested and managed charitable trust that pays the named beneficiaries a stable, fixed income for life or for a term of years (up to 20). The income amount is determined when the trust is created and is equal to no less than 5% of the original gift. The minimum gift amount to fund a trust is \$100,000.

BENEFITS include:

- Potential estate tax savings, at either or both the federal and state level
- A charitable income tax deduction
- A reliable annual payment that can supplement other sources of income
- Ability to leverage highly appreciated assets, such as stock or real estate
- Avoidance of capital gain taxes

WHO should consider a Charitable Remainder Annuity Trust?

Anyone who:

- Has low yielding, long-term appreciated securities
- Would like to supplement retirement income with a stable quarterly income
- Wishes to support PA at a higher level but has some concern about future income need
- Wants or needs to reduce/eliminate a potential income and estate tax liability

Variable income gifts:

The most flexible life income plan is the charitable remainder unitrust, or CRUT, a vehicle which can be funded with almost any asset (cash, publicly traded stocks and bonds, closely held stock, partnership interests and real estate). Once funded, it pays a variable income, based on a percentage of the value of its principal, re-evaluated annually. Its term can be a set of years, the lifetimes of people you name, or a combination of the two. You can tailor when the income starts, now or defer it to a future time. You can even make additions to the trust, helping the income to grow, while receiving an additional income tax deduction. The minimum gift amount to fund a unitrust is \$100,000.

Additional note: a donor of \$1,000,000 or more to a charitable remainder unitrust can confer with our team about the opportunity to have the trust assets co-mingled with the Academy's endowment rather than with a more traditional portfolio, using mutual funds to achieve its objectives. This allows for greater diversification of the trust assets and potentially stronger investment performance.

BENEFITS include:

- A variable (quarterly or annual) payment that can grow (or decline) over time
- Ability to accept assets other gift vehicles cannot (income-earning properties, partnership interests)
- Avoidance of capital gain taxes
- Potential estate tax savings, at either or both the federal and state level
- A charitable income tax deduction

WHO should consider a Charitable Remainder Unitrust?

Anyone who:

- Is looking to diversify his/her portfolio while freeing themselves from investment management
- Would like to supplement current or future retirement income while keeping pace with inflation
- Has financial responsibility for others and is looking for help in structuring that support
- Wishes to support PA at an impactful level while ensuring that future income need is more secure

Questions, letters, and e-mails to Grace E. Curley '81, P'20, director of gift planning, at:

Phillips Academy
180 Main Street (McKeen Hall)
Andover, MA 01810
Email: gcurley@andover.edu
Phone: 978-749-4281
Fax: 978-749-4308