

Pathways

CHARITABLE GIFT ANNUITIES

WINTER 2006

IDEAS FOR FINANCIAL, ESTATE
AND PHILANTHROPIC PLANNING
FROM THE UNIVERSITY OF TEXAS
M. D. ANDERSON CANCER CENTER

John and Anne Gorman

When Anne and John Gorman decided to establish a gift annuity at The University of Texas M. D. Anderson Cancer Center, you can be sure they had done their homework. After all, doing detailed research has been one of the guiding principles behind their life decisions.

John Gorman worked as a chemical engineer for Shell Oil for 45 years, and during the last 20 years of his career he re-searched the processes used by chemical plants to manufacture plastics and rubber products. The preparation for his career began at Bucknell University where he also had the good fortune to

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The Charitable Gift Annuity: *A Great Way to Give and Receive*

The charitable gift annuity has become a mainstay among planned giving options, due in large part to attractive payout rates. A gift annuity today can provide you with both a fixed lifetime income (that is partly tax-free) and a charitable deduction that can create tax savings for you right now. It also gives you the opportunity to make a larger gift to us than otherwise might be possible.

There's plenty to learn about the flexible planning options available with a charitable gift annuity. This issue highlights some different ways to use gift annuities which may interest you.

With a life income gift plan such as the charitable gift annuity, questions often focus on the basics of planning. For example:

- *How easy is it to start a gift annuity?*
- *What assets can be used for funding purposes?*
- *How safe are my payments?*
- *Why should I choose a charitable gift annuity rather than a charitable remainder trust?*

To answer these and other commonly asked questions, we've prepared a helpful booklet, *Exploring Gift Annuities — Understanding the Basics*. It's easy to read and understand. You can receive a free copy by using the enclosed card. When you send for it, please let us know which of our charitable programs or services interests you most. We will be happy to help you plan your gift annuity in a way that efficiently satisfies both your charitable and financial objectives.

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ANNE AND JOHN GORMAN *continued from page 1*

meet his life partner, Anne, in a public speaking course. Both were from New Jersey and grew up in towns only 5 miles apart but had never met. From the earliest days they shared a love for bird watching and reading—history, philosophy, science and mysteries—a sure sign that they probably also shared a belief in doing the research when making big decisions.

Anne Gorman has had to use her investigative abilities to learn more than she ever wanted to know about three different types of cancer: melanoma, colon cancer and gynecologic cancer. Each cancer was diagnosed and treated while in the early stages, and she is now grateful to celebrate being cancer free. One of John’s brothers is also a cancer survivor, while another passed away after a long battle with leukemia.

These personal experiences and their closeness to many friends and associates who experienced the cancer journey led them to an interest in M. D. Anderson Cancer Center. They had lived in Houston for a number of years when one day John spotted a book on the history of M. D. Anderson at Half Price Books. He says he was “instantly hooked.” The book led to a request for a tour and the chance to meet some of the researchers.

Gorman says, “I really liked what M. D. Anderson is doing from a scientific point of view. They have a great program, and Anne and I are happy to provide some long-range help.”

When discussing how to provide that long-range help, they looked into several options and decided on a gift annuity, a “win-win situation” for them because they would receive a steady income while they contributed to M. D. Anderson’s scientifically rigorous search for better cancer prevention and treatment



options. In addition, they have included M. D. Anderson in their wills. They are happy that with their children taken care of through other means, they have the freedom to give to charities in which they believe, now, and later through their estate.

Not surprisingly, their gifts to M. D. Anderson are designated for research.

Creative Planning Opportunities with Charitable Gift Annuities

A gift annuity should never be established for financial and tax considerations alone. However, if you have a sincere desire to participate in our mission while enjoying splendid financial and tax benefits, the charitable gift annuity is hard to beat.

As you consider how you want your gift to be used and which programs to support, let’s look at two creative ways to use the charitable gift annuity in today’s ever-changing economy.

A Charitable Solution to Maturing CDs

Certificates of deposit (CDs) generally appeal to individuals who want a secure, fixed income. Like many of our friends, you may have several CDs you purchased years ago when they were generating a satisfying return. If those CDs are nearing maturity, you may be faced with a lower return if you roll them over into new CDs. Or, you may simply be looking for other options.

Charitable gift annuities are an attractive option for individuals who appreciate the security and fixed income of CDs and who, at the same time, want to make a significant charitable gift. Charitable gift annuities offer fixed income payments backed by the general assets of our organization (not just the cash or property you transfer to us). And, with a charitable gift annuity, those



payments are locked in for the life (lives) of you and/or your beneficiary, not just for a term of years, as with a CD.

Charitable gift annuities offer other benefits as well. Since a charitable gift annuity is in part a charitable gift, you will receive a charitable tax deduction for your gift. Also, part of the income you receive may be tax-free or taxed as long-term capital gain (depending on what assets you use to fund your annuity). Most important, you also have the satisfaction of knowing your contribution will support important programs at M. D. Anderson for years to come.

Example: *Several years ago, Ruth Andrews placed \$25,000 in a certificate of deposit. Now that the CD is nearing maturity, Ruth worries about the comparable loss of income if she were to reinvest in another CD. But she likes the idea of a charitable gift annuity, since it provides a fixed income and also gives her the opportunity to make a significant charitable gift to us.*

When her CD matures, Ruth plans to contribute \$25,000 to us in exchange for a charitable gift annuity. At her age (70), the annuity will pay her 6.5% or \$1,625 annually for the rest of her life,

part of which will be tax-free until she reaches her life expectancy (and all ordinary income thereafter). She will also receive a charitable income tax deduction of nearly \$9,450 in the year she makes the gift. Ruth increases her income, enjoys a substantial tax deduction and makes a meaningful charitable gift — one that will have considerable impact on a program of vital interest to her.*

Use Appreciated Stock to Fund Your Gift Annuity

Although many gift annuities are funded with cash, it often makes sense to make your gift with appreciated securities. The following example illustrates the benefits.

Example: *Jeremy Owens (age 64), owns an antique store. In the late 1990s, Jeremy purchased stock in an Internet auction service. Despite the hard times suffered by many dot-com companies, Jeremy's stock holdings have done rather well—his initial \$10,000 investment is now worth \$46,000 (though it was as high as \$60,000 a year ago).*

Jeremy is glad that he purchased the stock, but he is somewhat weary of its volatility. He would like to nail down his

gain and convert this stock holding into an income stream for life. After discussing matters with his advisors and our development office, Jeremy decided to make a charitable gift of the stock in return for a charitable gift annuity.

In return for his gift, Jeremy will receive a gift annuity payout of \$2,760 every year for the rest of his life — that is a 6 percent annuity payout. And part of that payout will be tax free until he reaches life expectancy. He also will receive a charitable deduction of about \$15,575 that he can deduct in the year of his gift or stretch out over the next five years. And he has the opportunity to spread the capital gains tax liability over the term of his life expectancy rather than pay it all at once. Jeremy is glad that the charitable gift annuity features several tax and financial advantages to complement his sincere wish to help our organization.*

* Illustration based on an Applicable Federal Rate of 5.0% and quarterly payment.

SAMPLE GIFT ANNUITY RATES

AGE	RATES (single-life)
65	6.0%
70	6.5
75	7.1
80	8.0
85	9.5
90	11.3

NOTE: American Council of Gift Annuities sample rates effective July 1, 2005. Two-life rates are slightly lower than single-life rates. More information about single-life and two-life rates is available in our new booklet, **Exploring Gift Annuities — Understanding the Basics.**

Want to Find Out More about How You Can Benefit?

This newsletter contains just a few ideas about the planning that can be done with charitable gift annuities. To learn even more, send for our booklet, *Exploring Gift Annuities — Understanding the Basics*. It's easy to read and answers frequently asked questions posed by donors.

Next, we invite you to address your specific questions to us directly:

- What programs are available for you to support with your gift annuity?
- Do you need more detailed information about these programs?
- Should you use cash or appreciated stock to set up your gift annuity?
- Is it possible to use other assets?
- What is the minimum transfer to establish your gift annuity with The University of Texas M. D. Anderson Cancer Center?

We will be happy to answer these and any other questions you may have. We can even provide you with illustrations which will spell out your potential tax and financial benefits. We hope you find this issue stimulating and insightful. Please feel free to contact Erin McMillin, Associate Director of Development, at your convenience. You can always do so without any obligation whatsoever.



PLANNING TIP: Do you already have a gift annuity? Here's an idea worth considering: If you are like some of our supporters who have already established a gift annuity, you may want to explore adding another. Here's a helpful idea: consider "laddering" your gift annuities. By locking in different fixed rates over time, you can improve the payment amounts you receive, somewhat like investors using the technique of dollar cost averaging. Remember, payment rates increase with age and are locked in when the gift annuity is set up. Charitable gift annuities are easy to establish and do not require a set-up fee. As a donor, you will have the added satisfaction of knowing that your influence will be continually felt while you are benefiting The University of Texas M. D. Anderson Cancer Center. Several of our donors have multiple gift annuities. Why not find out if such an arrangement makes sense for you?

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If you would like to discuss the benefits of any planned gift, or if you have questions about this issue of Pathways, please contact:

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