

FORUM

CASE STUDY

INSIDE THIS ISSUE:

<i>Case Study</i>	1
<i>Pennsbury Society</i>	1
<i>New Charitable Gift Annuity Program</i>	3

Special points of interest:

- Read how creative planning met the needs of one donor and his family when they had to face the unexpected.
- Keeping history alive at Pennsbury Manor in Bucks County: William Penn's Home on the Delaware River.
- Learn how Univest Foundation's new Charitable Gift Annuity Program can be a valuable planned giving tool.

Donors: Walter and Della Gate
Age: 58 and 55
Family: Daughter Patty, age 19, is a second-year psychology major.

Walter Gate is the sales manager for a regional manufacturer and has done well. His wife Della had worked as a travel agent until three years ago, when Walter's mother became seriously ill and moved in with them. Walter told everyone that he couldn't pay someone enough for the care that Della gave to his mother during the last years of her life. Della has now entered into a nursing degree program.

Della's 87-year-old father Ariel Mann is moving into a retirement home near them

and they will be contributing \$10,000 towards the annual cost.

Walter is on the board of his college alma mater. The college is in the midst of a capital campaign to build a new, and much-needed, library. Part of the funds raised will be to endow the building.

During the campaign feasibility study, Walter had expressed a willingness to contribute \$100,000 over four years. His anticipated gift is a major factor in the school going ahead with the construction.

Things don't always go according to plan. Walter's company has just announced that

Continued page 2

NOT-FOR-PROFIT HIGHLIGHT ~PENNSBURY SOCIETY

Pennsbury Manor is a 43 acre historic site situated on the Delaware River north of Philadelphia and south of Trenton. It is the reconstructed home of Pennsylvania's first colonial governor, William Penn. Pennsbury was reconstructed in the 1930's following archaeological excavations. The site is administered by the Pennsylvania Historical and



Museum Commission and is aided in that effort by the not-for-profit Pennsbury Society.

The combined efforts of the PHMC and Pennsbury

Society offer visitors an outstanding opportunity to experience a little of Penn's life and times in lower Bucks County. Pennsbury Society is dedicated to preserving the historical significance of William Penn and Pennsbury Manor, his only extant residence. Pennsbury Society provides quality programs, events and classes to all segments of the public.

Continued page 4

CASE STUDY

(CONTINUED FROM PAGE 1)

it is facing a major product recall and law suit; resulting in an indefinite suspension of the bonus plan for senior management. It will probably be three or four years before it is reinstated.

As a result, Della wants to put her education on hold and return to the role of caretaker; moving her father in with them. Walter will not have it. He knows how much obtaining a nursing degree means to her. He also knows his father-in-law would never want to “intrude” on them.

His real dilemma is the capital campaign. They have already had the groundbreaking. He now must tell the board that its chairman can’t “come through”. First, he’ll break the news to Dr. Thurston Foremost, the college president. Dr. Foremost, ever the optimist, advises Walter to meet with Greg D’Angelo at Univest Foundation, who has been advising the school on planned giving matters.

Greg learns that Walter and Della own \$300,000 in



municipal bonds with an average maturity of five years and yield of 3.5%. Most of their equity holdings are in Walter’s IRA; but they do have stock with a market value

of \$200,000 and a cost basis of \$150,000 in a brokerage account. They also have \$125,000 in a CD that is about to mature.

Greg suggests funding a Grantor Annuity Lead Trust with the \$300,000 in municipal bonds and \$100,000 from the maturing CD (which could purchase additional municipal bonds or shares of a municipal bond fund). The trust would have a 3% payout rate and a term of 5 years. It would pay the college \$60,000 over the term of the trust. After five years, the trust assets would revert back to Walter and Della. Because it was a Grantor Lead Trust, they would receive an income tax deduction of \$53,172 for the year the trust was funded. They would also be required to report the annual income from the trust; however, the trust would only have municipal interest.

What about the remaining \$40,000 for the campaign?

Greg suggests using \$100,000 of the appreciated securities to purchase a charitable gift annuity from Univest Foundation (the college does not have a gift annuity program); naming Della’s father as the annuitant. Given Ariel’s age of 87; he would receive an annuity payout rate of 10.2%, which would result in \$10,200 annually. Upon his death (the life expectancy for an 87-year-old is 6.7 years), Univest Foundation would distribute the remainder (projected to be \$50,000) to the college for the library’s endowment fund. (Univest Foundation allows the donor to designate the charity that will receive the annuity remainder.) Walter and Della will receive an income tax deduction of \$54,423. This means they will have received charitable deductions totaling \$107,595, saving considerable income

With careful planning, Walter is able to meet his capital campaign commitment and adjust to his family’s changes.

Continued page 4

Note: Case studies, articles and commentary are included solely as educational information. Articles and editorial comments are offered as an educational service to friends of Univest Foundation and may not always reflect our official position on any issue. Since case studies or articles may not always reflect the current AFR or tax law, it may be necessary to reproduce any illustration to obtain updated information. If professional services are required, all persons should consult with their qualified professional advisors.

New Charitable Gift Annuity Program

Many of us are familiar with the idea that in the act of giving we receive more than we ever thought imaginable. Most of us have experienced this reality through the eyes of a child, the gratitude of a life changed, or through the vision that is inherent in the spirit of philanthropy. Some may find it surprising that our tax laws fully support and enable this mission of philanthropy. It is with this purpose that our laws embrace planning strategies such as the Charitable Gift Annuity (CGA), offering measurable incentives which nurture a philanthropic society.

Univest Foundation makes it possible for donors to take advantage of the latest and best ways to meet the needs of not-for-profit organizations. Building on the precedence set by its other charitable endeavors, Univest Foundation has taken philanthropy one step further by creating a Charitable Gift Annuity Program for residents of Pennsylvania.

A CGA is a contract

between a donor and a not-for-profit organization. Property being donated to the charity is exchanged for a fixed payment annuity to the donor for life. The donor receives an attractive payout rate which is calculated based upon age. The CGA makes it possible for the donor to receive higher returns on an asset that may be producing little or no current income. Since the not-for-profit organization guarantees and backs the income stream with all of its assets, the donor can rest assured that the annuity payments will continue for the remainder of his or her life. In addition, a portion of each annuity payment is tax-free.

Donors also receive a charitable income tax deduction for part of the gift. If appreciated property is used to fund the annuity, only a portion of the capital gain is taxable. That portion is spread out over a period of years equal to the life expectancy of the donor.

Univest Foundation's Charitable Gift Annuity Program provides not-

for-profit organizations (and their donors) the opportunity to benefit from gift annuities without the administrative requirements and fiscal liability that accompany an in-house charitable gift annuity program. Donors enter into the gift annuity contract with Univest Foundation. Upon the passing of the annuitants, Univest Foundation distributes the remainder of the gift to the charities designated by the donors.

The new CGA program is a welcome addition to Univest's existing services for the not-for-profit community. Now a charity can choose to utilize Univest Foundation's CGA program in its entirety or opt to sponsor its own CGA and have Univest Foundation administer it. Either way, the NFP organization receives Univest Foundation's professional assistance, account management, marketing support and administrative services. When determining whether or not to self-sponsor a CGA program, issues

surrounding the ability to meet CGA reserve requirements, as well as the willingness to risk the liability for future annuity payments, may make Univest Foundation's CGA Program a more attractive option for many organizations.

For more information regarding Univest Foundation's Charitable Gift Annuity Program or other Planned Giving tools, please contact Greg D'Angelo at 215.721.8379 or dangelog@univest.net. Or visit our website at www.univestfoundation.org.

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new planned
giving
solution from
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~ PENNSBURY SOCIETY
(CONTINUED FROM PAGE 1)

Experience Penn's 17th century through guided tours of the 43-acre country estate, hands-on workshops, demonstrations of colonial crafts and trades. Pennsbury welcomes more than 50,000 visitors a year seeking to know more about an extraordinary man, place and time in history. Half of these visitors are children who come to Pennsbury from throughout the region as a part of their 4th grade education in Pennsylvania history.



The partnership between PHMC and the Pennsbury Society is a shining example of the "public & private" partnership that is often wished for and seldom attained in museum management. The PHMC offers all the strength of State Government while the Pennsbury Society offers the flexibility needed to complement the Commonwealth efforts. The effect for their guests is a seamless operation that engages them in exploring early Pennsylvania life.

Pennsbury's Visitor Center is the gateway to an extraordinary experience in American history. With the excitement of growing visitation, dynamic technology and innovations in exhibition and historical interpretation,

Pennsbury Society realizes the time has come to build a new Visitor Center. The new Visitor Center is currently being bid on and a Capital Campaign is underway.

You are invited to spend some time getting to know Penn and the people of early Pennsylvania. Whether you come to tour the grounds or to participate in one of the special programs, you will find the lively history and the serene setting a pleasant escape from today's hectic pace. For more information about Pennsbury Manor, call 215.946.0400 or visit their website at www.pennsburymanor.org.

CASE STUDY
(CONTINUED FROM PAGE 2)

taxes. (NOTE: Since the annuitant (Ariel) is not the owner of the appreciated securities, Walter and Della will have to report \$11,559 in capital gains; however, that will be offset by the charitable deduction.)

Walter is happy (and relieved) that he will be able to keep his campaign promise to his alma mater; proudly watch Della

become a nurse; and provide considerable financial assistance to his father-in-law.

What about their daughter, Patty? She hopes to earn a doctorate in psychology and perhaps meet her soul mate too! (With both a degree and a possible wedding in the future, Walter and Della will sure be happy to

receive back the assets of the lead trust, when its term is completed.)