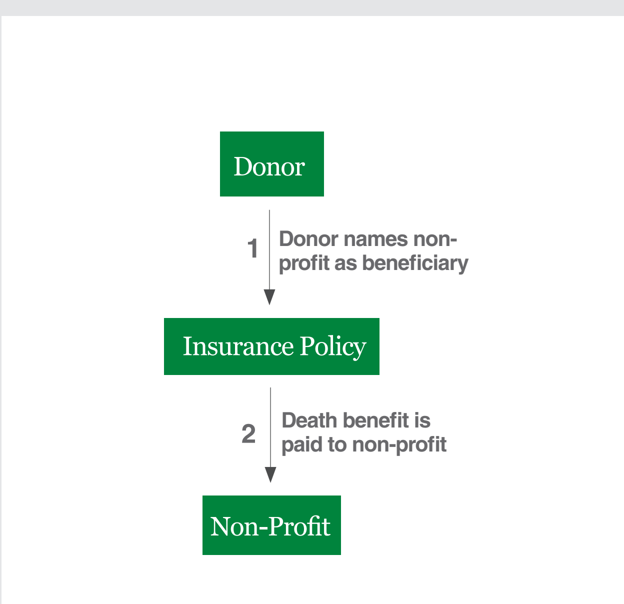
Life Insurance

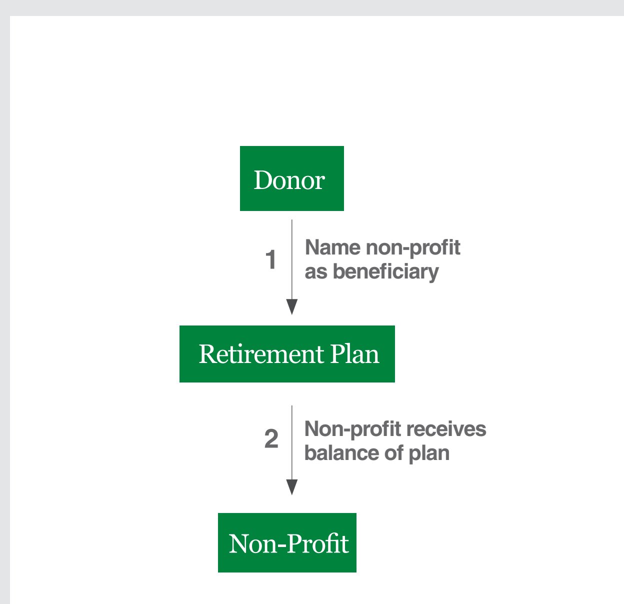
The death proceeds of a life insurance policy can be paid to a non-profit organization as a charitable gift.

- Donor can contribute a fully paid-up policy or transfer ownership of a paid-up life insurance policy to a non-profit.
- Policy holders can also contribute a policy on which some premiums remain to be paid.
- Donor can claim a charitable deduction for the value of the donated policy, and the organization can "cash in" the policy in advance of the donor's death.
- Donor receives a gift credit and an immediate income tax deduction for the cash surrender value of the policy.
- Donors can (revocably) name an organization as the beneficiary of a life insurance policy which they continue to own and maintain.
- Contributor can name the organization the owner and beneficiary of a new life insurance policy, and make ongoing gifts that offset the premiums the non-profit will pay to maintain the policy. There is no charitable deduction available for taking out a new life insurance policy, even if the donor makes the non-profit the irrevocable owner.

Retirement Plans

- Donors can name a non-profit organization the successor beneficiary of all or a portion of their IRA, 401(k), or other qualified retirement accounts. The designation is revocable and does not generate a charitable income tax deduction.
- Distributions from retirement accounts to surviving family members can be subject to both income and estate tax. Directing the balance of a retirement plan to charity removes the most taxed asset from the donor's estate, freeing up other, more favorably taxed assets to give to family and heirs.
- Donors have the reassurance that they can continue to take withdrawals from the plan during their lifetime, as well as flexibility to change the designation of the charitable beneficiary if their or their family's circumstances change.





If you're interested in learning more about planned giving solutions for non-profits, ask your client consultant about Manning & Napier's Endowment and Foundation Consulting Services. This service is free of charge to our endowment and foundation clients and can help you design a plan that meets the charitable and financial goals of your non-profit organization.

Source: PlannedGiving.com. Analysis: Manning & Napier. The information in this publication is not intended as legal or tax advice.

Endowments and Foundations: Planned Giving Solutions for Non-Profits

MANNING & NAPIER

At Manning & Napier, we provide comprehensive investment solutions for non-profit organizations and their planned giving programs. Many non-profit organizations understand that just as a planned giving program provides critical, often long-term financial support, it also provides a way to help their donors address a range of charitable and financial goals. We can review your existing planned giving program and provide a comprehensive analysis, including design alternatives that may better address your goals and your objectives.

Summary Overview

Planned giving is a creative way to support your favorite non-profits and charitable organizations. It enables philanthropic donors to make larger gifts than they could make from their annual disposable income. For most non-profit organizations, a strong annual giving program is essential to identify potential donors and create an effective gift planning program.

Three Types of Planned Gifts

1. As a substitute for outright cash gifts, donors can use appreciated assets (stocks, real estate, artwork, personal property, life insurance or a retirement plan)
2. Gifts that provide a lifelong income to the donor in exchange for making the donation
3. Gifts payable upon the donor's death using estate and tax planning techniques

Funding a planned gift can make charitable giving very attractive to both the donor and charity by maximizing the gift and helping to minimize its impact on the donor's estate.

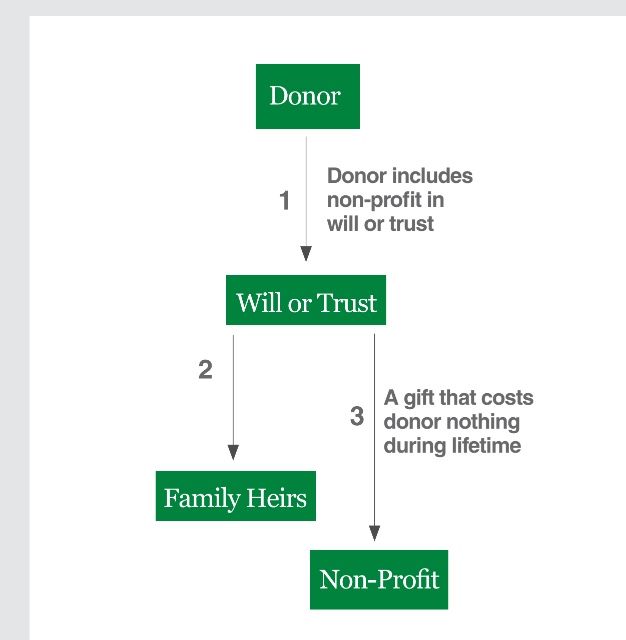
Tax Benefits of Planned Gifts

- By contributing appreciated property, like securities or real estate, a donor is eligible to receive a charitable deduction for the full market value of the donated asset, and would pay no capital gains tax.
- By establishing a life-income gift, the donor would receive a tax deduction for the full fair market value of the assets contributed, minus the present value of the income interest retained. If the donor funds the gift with appreciated property they would pay no upfront capital gains tax.
- A bequest or a beneficiary designation in a life insurance policy or retirement account, payable to a charity upon the donor's death, does not generate a lifetime income tax deduction for the donor, but is exempt from estate tax.

Planned Giving Vehicles

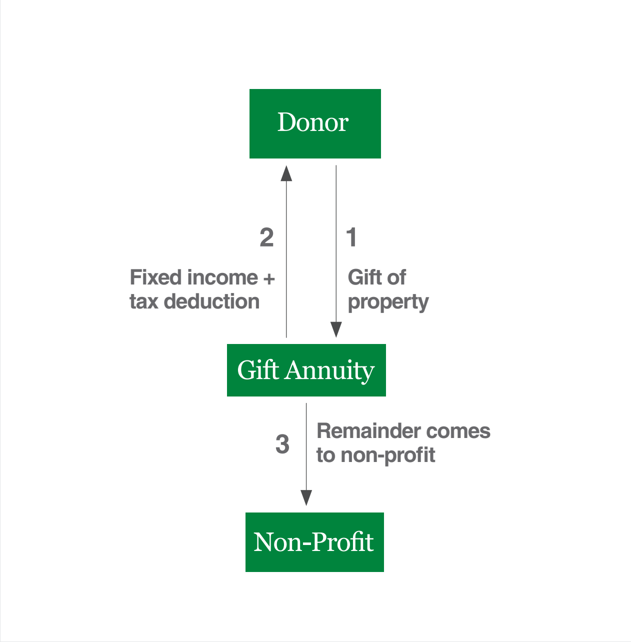
Bequest Intention

- Donors include a provision in their will directing that a gift be paid to a non-profit organization upon their death or the death of one of their survivors.
- Donors can give a charity either a specific amount of money or item of property ("specific" bequest), or a percentage of the balance remaining in their estate after taxes, expenses, and specific bequests have been paid ("residual" bequest).
- Donors can instruct a non-profit to use their bequest for a particular program or activity or allow them to use it at their discretion ("restricted" and "unrestricted" bequests).



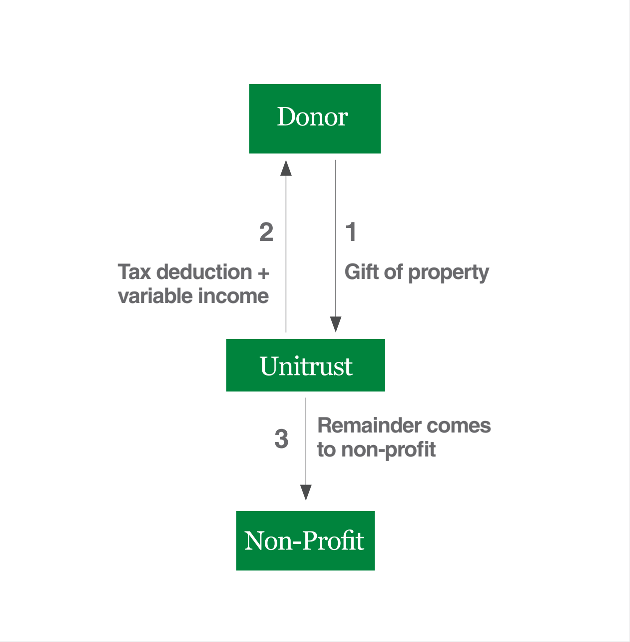
Charitable Gift Annuity

- Donors make a gift of cash or securities to an organization and in return, the charity agrees to make fixed income payments to the donor for life. Payments may be made to a maximum of two beneficiaries. At the death of the last beneficiary, the remaining balance of the annuity is used by the non-profit organization for the purpose that the donor specified when the gift was made.
- Donor receives an immediate income tax deduction for a portion of the gift.
- A portion of the annuity payment will be tax-free to the donor.
- Gift annuities operate under a simple contract between the non-profit and the donor. They are not trusts, but rather income obligations backed by the organization's assets.
- Payments from a gift annuity can also be arranged to commence at a future date ("deferred" gift annuity). Deferring the start of payments gives donors a higher income rate and a larger charitable deduction than they could secure from annuities with payments starting immediately.



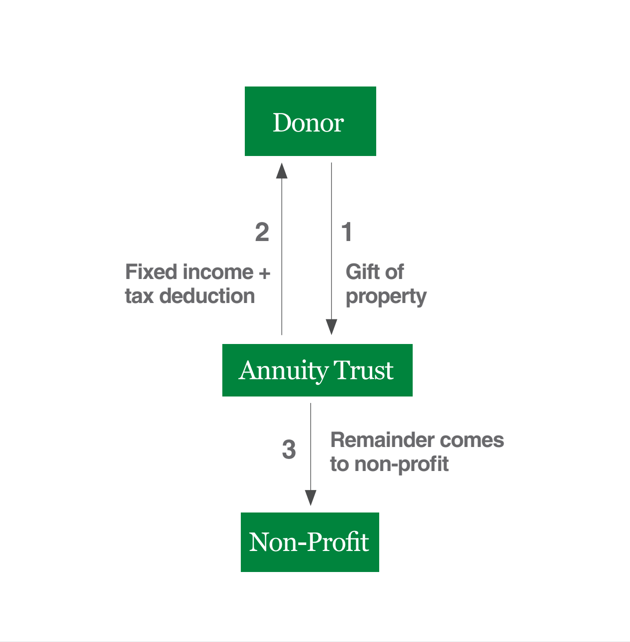
Charitable Remainder Unitrust (CRUT)

- Donor transfers cash, securities or other appreciated property into a CRUT.
- The trust pays income to the donor and/or other beneficiaries for life or a term of years, and then pays the remaining balance to the charity.
- Income is paid to the donor as a fixed percentage of the unitrust's principal value – which is revalued annually. Income and appreciation in excess of the required payments to the beneficiaries are held in the unitrust to allow growth.
- Donor receives an immediate income tax deduction for a portion of the gift.
- Benefactor pays no upfront capital gains tax on appreciated assets that are donated.
- Additional gifts can be made to the trust as circumstances allow for additional income and tax benefits.



Charitable Remainder Annuity Trust (CRAT)

- Donor transfers cash, securities or other appreciated property into a CRAT.
- The trust pays the donor and/or other beneficiaries a fixed dollar amount of income for life or a term of years, and then pays the remaining balance to the charity.
- Donor receives an immediate income tax deduction for a portion of the gift.
- Benefactor pays no upfront capital gains tax on appreciated assets that are donated.
- The trust can be used to meet personal or family needs that are tied to a specific timeframe, such as tuition payments for children or grandchildren.



Charitable Lead Trust

- Donor transfers cash, securities or other appreciated property into a charitable lead trust.
- The trust pays income to a non-profit organization for a term of years or for the lifetime of the donor. When the lead trust terminates, the remaining balance is returned to the donor or to the donor's heirs.
- Donors who arrange their lead trusts to return the assets to themselves may claim a charitable income tax deduction when they make their gift, equal to the present value of the anticipated payments to the charity. The donor is liable for income tax on the lead trust's annual earnings.
- Donors whose lead trusts distribute their remainder to their heirs receive no income tax deduction, but can gain significant gift and estate tax savings.
- All appreciation that takes place in the trust goes tax free to the individuals named in the trust.