

BE PREPARED

BOY SCOUTS OF AMERICA



EASY GIFTS, EASY INCOME

You've undoubtedly heard the old saying "easy come, easy go." Most charitable donors are the antithesis of that phrase: they have worked hard for their resources, and want their gifts to work as hard as they do, both for themselves and for the charity of their choice.

They know that charitable gifts create tax benefits for donors. They have heard presentations on the income that can be created with a charitable remainder trust. But did you know that many of the same benefits are available to Scouters through gift arrangements that are much easier to create and administer?

The basic idea of an income-producing charitable gift is simple: in return for a current gift, a charity promises to pay an amount to the donor.

The simple truth is that most folks who want to make an income-producing gift don't need or want all the complexity or management responsibility that comes with a charitable remainder trust. Fortunately, Scouting has two programs that meet the needs of those donors perfectly: the BSA Charitable Gift Annuity and the BSA Heritage Pooled Income Fund. They are simple to set up, and once created, all you have to do is get the check from the mailbox each quarter. So, to turn that phrase around, it's not "easy come, easy go," it's "easy gift, easy income."



INSIDE

*Easy
Income-producing
Gifts*





EXAMPLE

Don wants to do something to help the council. He's 55, and is contemplating a gift of stock worth \$50,000, for which he paid \$40,000.

If he chooses to receive payments immediately, the annuity will pay 5.5%, producing annual income of \$2,750 for life (\$1,199 of which will be tax-free). He receives a charitable income tax deduction of \$7,293.

If he chooses to create a deferred gift annuity, he would make a current gift of \$50,000 and request that his annual payments begin in 10 years. This year, he can claim an income tax deduction of about \$13,467. Then, after ten years, at age 65 he will receive approximately \$4,850 each year (paid quarterly).

The following table illustrates the financial difference between an immediate and a deferred charitable gift annuity:

	Payable now	Deferred 10 years
Annuity Rate	5.5%	9.7%
Tax deduction	\$7,293	\$13,467
Annual amount	\$2,750	\$4,850



THE BSA CHARITABLE GIFT ANNUITY

The BSA Charitable Gift Annuity is a contractual arrangement with Scouting. In return for a donor's gift of cash or marketable securities, one or two people (called the "annuitants"), who are chosen by the donor, receive a fixed income payment for life.

The donor can name anyone as annuitants, but generally, the annuitants are the donor and his spouse. If the annuitant is not the donor or his spouse, there may be gift tax consequences.

Payment rates are determined by the annuitants' age at the time the gift is made. Different rate tables are available for one-life and two-life annuities which begin immediately, and also for one- and two-life agreements with deferred payment dates.

The donor claims a charitable deduction for the present value of what will eventually go to Scouting. If the gift annuity is created with a gift of cash, much of each payment will likely be tax-free, with the rest being taxable ordinary income. If the gift included appreciated securities, a portion of each payment will include capital gains.

After both annuitants have died, the council's endowment receives the remainder of the gift.

To participate, gifts must be of at least \$2,500 and the annuitant must be 50 years old when payments begin.

THE BSA HERITAGE POOLED INCOME FUND

The BSA Heritage Pooled Income Fund is a special trust, established according to the Internal Revenue Code, that behaves much like a charitable remainder trust. A donor transfers money or securities to the fund and designates up to two people to receive the income from the gift.

Usually, these “life income beneficiaries” are the donor and his spouse. If not, the designation is a taxable gift, so additional tax planning will be necessary.

As the name suggests, the gifts are “pooled” with other gifts to form a single fund for investment purposes. Each quarter, the Fund’s income is divided and distributed pro rata to the life income beneficiaries. All capital growth remains in the fund to provide more income for the beneficiaries. At the end of the beneficiaries’ lives, the gift is separated from the fund and transferred to the council’s endowment.

The donor may receive a current charitable income tax deduction which is actuarially calculated and represents the present value of what the council endowment will eventually receive.

The minimum gift is \$5,000, and life income beneficiaries must be at least 40 years old when the gift is made.



EXAMPLE

Here’s what would happen if Don opts to participate in the BSA Heritage Pooled Fund. Remember, he’s 55, and is contemplating a gift of stock worth \$50,000, for which he paid \$40,000.

Because the Pooled Income Fund by nature produces variable income stream, we can’t say for sure what his income will be in the future. During the three years from 2000-2002, the BSA Heritage Pooled Income Fund averaged a 5.57% annual return.

Additionally, Don would have received an initial tax deduction of about \$14,000.

At his death, the council is projected to receive slightly more than \$50,000.





FOR MORE INFORMATION

Thank you for your interest and continuing support of Scouting. We would be pleased to visit with you or your advisors about charitable gift annuities or pooled fund gifts, as well as other gift ideas. If you'd prefer exploring gift options on your own, you'll find some great resources on the internet at www.bsagiftplan.org.

You may also want more information about what Scouting and the council are doing for our youth and community. Feel free to contact us as follows:

