If you have been thinking about making a substantial gift to The Rotary Foundation, but are waiting because you depend on the income from your assets, here is some good news.

Through a life income gift, you can make that substantial gift to The Rotary Foundation today and continue to receive payments from the assets you contribute. In fact, you may even be able to improve your cash flow and make a tax-deductible gift at the same time.

This brochure briefly describes three ways of giving that can provide lifetime income. It outlines the advantages a life income gift can have for you as a donor, as well as for The Rotary Foundation. All three ways of giving can be funded with cash or appreciated securities. So if you have a highly appreciated but low-yielding asset such as stock, you may be able to increase your cash flow by making a gift!

Gift Annuities — *secure income*

A charitable gift annuity is the oldest, simplest, and most popular life income gift. With a gift annuity, a donor makes a charitable gift to The Rotary Foundation in exchange for fixed, guaranteed annuity payments for the life of the donor and/or another beneficiary. The amount of the payments depends on the number and ages of the beneficiaries. The older the beneficiary(ies) at the time the annuity is arranged, the larger the payments.

If you choose a gift annuity, you can claim a current charitable deduction for the portion of the asset that represents the charitable gift. There is a second tax benefit: as with other types of annuities, a portion of each annuity payment is entirely free of income tax for the life expectancy of the annuitant. Gift annuity rates are generally lower than rates offered by insurance companies and other financial institutions, because a portion of your contribution will remain with the Foundation's Permanent Fund.

Example:

Robert Green, age 75, contributes US$10,000 cash to the Foundation and receives a lifetime annuity of $710 (7.1 percent annuity rate), of which $460 is tax-free for the first 12.4 years. He also receives an income tax deduction of approximately $4,300, which results in income tax savings when he claims the deduction. (Please note that the amount of the tax-free portion may vary if funded with appreciated securities. Also note that the charitable deduction and annuity rate may vary depending on the timing of the gift.)

Pooled Income Funds — *easy to join*

People who have discovered the benefits of investing in mutual funds will find that The Rotary Foundation Pooled Income Fund offers many of the same advantages — with the added bonus of helping to secure the future of the Foundation's programs.

You can participate in The Rotary Foundation Pooled Income Fund with an initial gift of only US$5,000, and you can make additional contributions of $1,000 or more at any time. The contributions of many individuals are "pooled" and invested under professional management. Each contribution purchases "units" in the fund at their current value and the donor — or other income beneficiary(ies) — receives a proportional share of the fund's net income. Unlike a mutual fund, however, the donor cannot redeem the units and recover the principal.

Benefits to you include an income tax charitable deduction for each contribution. If you contribute appreciated securities, you will pay no tax on the capital gain as you would if you sold the securities. A disclosure statement providing a more detailed description of the fund and its investment objectives is available from the Foundation. After the death of the named beneficiary(ies), the donor's portion of the fund's assets go to The Rotary Foundation's Permanent Fund, which is then used to support Rotary's programs.

Charitable Trusts — *flexible*

A charitable remainder trust is a gift arrangement in which assets are transferred to a trustee who manages the assets and pays income to the donor and/or other beneficiaries either for life or a term of years. When the trust terminates, the remaining principal passes to The Rotary Foundation's Permanent Fund.

If you own highly appreciated securities or real estate with a low current return, and you feel "locked-in" because a sale would result in a large capital gains tax, a charitable remainder trust may allow you to "unlock" your gains while providing a gift to Rotary.

There are two kinds of charitable remainder trusts: one that pays a fixed income and one that pays a variable income. A charitable remainder annuity trust pays a fixed amount based on a percentage of the initial fair market value of the gift in trust. A charitable remainder unitrust pays a variable income, equal to a fixed percentage of the net fair market value of the assets as valued annually. In either case, the payout rate must be at least 5 percent.

An annuity trust generally is better for those who want the security of predictable income, while a unitrust is better for those who want the potential for income growth.

Example:

Jane Ellis, age 69, wants to endow a fund in her husband's memory, but she needs the income from all her assets. She transfers stock valued at US$100,000 with a cost basis of $30,000 that

THE *visionaries* WHO BEGAN ROTARY HAD THE *foresight* — AND THE *desire* — TO *imagine* A BETTER WORLD. THE ROTARY FOUNDATION HELPS TURN THAT *dream* INTO A REALITY.

pays dividends equivalent to a 4 percent return. She selects a 6 percent payout rate from the trust. Her income increases to $6,000 per year, and she qualifies for a charitable deduction of approximately $41,000, which generates tax savings of approximately $15,000.

If Mrs. Ellis chooses a unitrust rather than an annuity trust, and keeps the 6 percent payout rate, her income for the first year will be the same: $6,000 (6 percent of $100,000). The second year she will receive 6 percent of the value of the trust assets. If they have grown to $110,000, her income would be $6,600. Conversely, if they have dropped to $90,000, her income would be $5,400.

If you establish a charitable remainder trust, which is an irrevocable agreement, you will receive an income tax charitable deduction based on the present value of the estimated remainder that will pass to The Rotary Foundation when the trust terminates. Another great benefit is avoiding tax on the capital gain when appreciated property is placed in the trust. Because the entire asset can be reinvested to meet the trust's income and/or growth objectives, the payments to beneficiaries and the eventual gift to The Rotary Foundation may be larger than they would be without the trust.

…WHAT A *privilege* TO *provide*.

The Rotary Foundation Life Income Gifts — *Combining a wise investment for you and a generous gift to help Rotary improve our world!*

The Rotary Foundation can help you do more than you ever thought possible to enrich and improve the lives of people in need. We would be pleased to provide you with more information about gifts that pay lifetime income, and to prepare a personalized illustration reflecting the potential benefits of your gift for you and The Rotary Foundation. This information is provided without any cost or obligation to you.

The information in this brochure does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice. The Rotary Foundation encourages you to seek professional legal, estate planning, and financial advice before deciding on a course of action.

"Winners all:
Donors, Recipients, Awardees,
Grantees, the people of the world...
What a privilege to provide."

Clinton H. and Anna Lee Rogier
Past District Governor
Rotary Club of Edwardsville, Illinois, USA

...a privilege to provide.

...a privilege to provide.

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Life Income Gifts

Gifts That Give Back

The Rotary Foundation