

# Partners Through Giving

NEWS FROM YALE'S OFFICE OF PLANNED GIVING

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## From the Director

Few individuals or institutions have been unaffected by the current economic turmoil. As you are probably aware, in his December and February messages to alumni, President Levin announced that the Yale Endowment is expected to lose as much as 25% of its value during the current fiscal year. Already the University is taking a hard look at how to close an expected budget shortfall without affecting its core mission. Overall, however, the University continues to maintain its strong financial position, thanks in large part to the continued support of our loyal alumni, families, and friends.

In uncertain times like these, a charitable gift annuity offers an excellent way to secure a steady income stream for you, while strengthening the future of Yale. Charitable gift



The Planned Giving team (l to r): Mary Beth Congdon, Eileen Donahue, Ellen Hope-Ross, Carrie Lovelace, Betsy Gorecki, and Angie Tapia Ko

annuities have been a part of Yale's tradition since 1831 when patriot-artist John Trumbull donated his paintings to the University in exchange for a series of lifetime annual payments. Since then, generations of alumni and friends have established charitable gift annuities with Yale.

If a predictable fixed income, tax savings, and the satisfaction of benefitting yourself, your family, and Yale are among your goals, please contact me or my colleagues in the Office of Planned Giving. We would be pleased to answer your questions or prepare an illustration of the benefits of a gift annuity tailored to your specific circumstances.

I would also like to take this opportunity to introduce the newest members of our Planned Giving team, Carrie Lovelace and Angie Tapia Ko. I hope many of you will have a chance to work with them during the coming year.

With warm regards,

Eileen B. Donahue

University Director of Planned Giving

## Why I Give to Yale:

Dorothy McCluskey '73 MFS



Dorothy McCluskey (right) and Wangari Maathai, the 2002 McCluskey Visiting Fellow for Conservation and a 2004 Nobel Peace Prize recipient

My time at the Yale School of Forestry and Environmental Studies (F&ES) impressed upon me a passion for environmental planning through leadership and civil service. I established the Dorothy McCluskey Visiting Fellowship at F&ES to support leaders in conservation. The caliber of leaders that F&ES recruited, and the excitement of students and faculty, convinced me that I should continue the program for generations. So, I funded several charitable gift annuities to be added to the fellowship, expanding its breadth for the future. In the meantime, I enjoy immediate tax advantages and income for my lifetime.

I am so proud that the McCluskey Fellows have included two Nobel Peace Prize winners and many other talented individuals. Knowing that this conservation program will continue at F&ES brings me enormous satisfaction.

“Gift annuities offer me the chance to provide for my own financial security and at the same time, make a commitment to provide scholarships for Yale students... a double blessing.” *Read more on page 2.*

# Gift Strategies for a Challenging Economic Climate

*“A charitable gift annuity—fixed payments each year for life, a portion of the payments tax-free, and an immediate income tax charitable deduction—is particularly appealing to me in times like these, when the stock market is so volatile and interest rates so low.”*

## CHARITABLE GIFT ANNUITIES OFFER SIGNIFICANT BENEFITS

Simple, stable, and secure, a Yale gift annuity offers you the peace of mind of guaranteed payments for life and the opportunity to make a significant contribution to Yale’s future. Here’s how it works: a charitable gift annuity is a simple contract between you and Yale. In exchange for your contribution to the University, Yale promises to make fixed payments for life to you or to one or two individuals you select. The amount paid is based, in part, on the age of the beneficiaries when payments begin. Upon the death of the beneficiaries, the remainder is directed to the support of Yale.

In addition to lifetime payments, a Yale charitable gift annuity provides other benefits, including a charitable income tax deduction, partially tax-free payments, reduced capital gains tax when a gift annuity is funded with appreciated property, and, most importantly, the satisfaction that comes from securing your own future and at the same time, strengthening the Yale of tomorrow.

As shown [at right], gift annuity rates can be especially appealing in today’s economic climate. The payout rate on most gift annuities exceeds the yield on CDs, treasury notes and bills, and money market funds. In many cases, you can immediately increase your cash flow by establishing a gift annuity.

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**Consider this example:** Bob, age 79, has stock currently worth \$120,000 which he inherited many years ago. The stock is paying very little in dividends, and although he would like to sell it and invest in something with higher returns, he is reluctant, as he would have to pay capital gains tax on the \$100,000 difference between his cost basis and the present fair market value.

He decides to give his stock to Yale in exchange for a charitable gift annuity which pays him an annuity rate of 7% (more than twice as much as he was receiving in dividends) or \$8,400 each year for the rest of his life. Of his \$8,400 annual payment, about \$1,890 is taxed as ordinary income, \$5,425 is taxed at the more favorable capital gains tax rate, and \$1,085 is tax-free for many years. Bob can also claim a charitable contribution deduction of \$55,519 this year, which helps to reduce his federal income tax.

Bob receives more annual income than he would have received if he had held on to his stock. He saves on income taxes as a result of his charitable deduction and the favorably taxed payments he receives from his gift annuity. Most importantly, his gift annuity not only provides Bob with income and tax benefits, but also the satisfaction that comes from continuing the excellence of Yale’s educational programs. An engineer, Bob is directing his gift to Yale’s School of Engineering & Applied Science.

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A gift annuity may also help you to accomplish other goals such as providing secure payments for elderly parents, helping to pay college tuition for children or grandchildren, supplementing your retirement income, diversifying your portfolio, and relieving investment management responsibilities.

## Rate Information for Immediate and Deferred Gift Annuities

### Immediate Gift Annuity

Age	70	75	80	85	90
Rate	4.5%	5.5%	7.5%	9.5%	13%

### Deferred Gift Annuity

(for payments beginning in 5–15 years)

Age	Deferred 5 years	Deferred 10 years	Deferred 15 years
55	4%	5.5%	8.5%
60	4.5%	7%	11.5%
65	5.5%	9.5%	15%
70	7.5%	14%	15%

Minimum gift annuity is \$10,000. These rates are for illustration purposes and may vary depending on the timing of your gift. Annuity rates for two individuals are also available.

### Did you know?

If you are unsure when you would like your gift annuity payments to begin, you may select a window of possible start dates and decide at a later time.



### John Trumbull, Yale's First Gift Annuity Donor

Yale's first charitable gift annuity dates back to 1831 when John Trumbull, who painted the famous *Declaration of Independence, July 4, 1776* (above), gave nearly 100 paintings to the University. The gift annuity funded the Trumbull Gallery, the original University Art Gallery. The Trumbull Gallery, designed by its namesake, was the first museum on any campus in the United States. The gallery was located on what is now Yale's Old Campus and housed fifty-five of his artistic works.

Whether you want payments to begin immediately, or would like to defer receipt of payments for a period of time, a Yale gift annuity can help you achieve your objectives.

A deferred payment gift annuity allows you to postpone payments until a time when you are in a lower tax bracket or may need supplemental retirement income. The longer the deferral period, the higher the payout you can expect to receive.

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**Consider this example:** Jacqueline, age 55, is looking forward to her 35th Yale College reunion. She hopes to mark the occasion with a special reunion and Yale Tomorrow campaign gift, but also needs to consider her present and future financial situation. She is in a 35% income tax bracket and would welcome an additional deduction this year, but is not certain she can afford an outright gift. She hopes to retire in about fifteen years, and is interested in adding a fixed income component to supplement her retirement portfolio.

Jacqueline establishes a deferred payment gift annuity with a cash gift of \$50,000. She locks in a rate of 8.5%, or \$4,250 annually, for her lifetime. Her fixed annuity payments will begin when she reaches age 70. Of the \$4,250 she will receive, \$1,704 will be tax-free for many years. Her charitable deduction of \$22,564 will save her \$7,897 in federal income taxes this year.

In fact, when she considers her current income tax savings combined with her future tax-free income, she realizes that the effective rate of return on her gift is considerably higher than 8.5%. She is also pleased to learn that she can earmark her contribution to help support biochemical research at Yale, an area in which she has a particular interest.

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There are no management fees or investment concerns associated with a Yale gift annuity as your payment rate is fixed when you make your gift. Your payments are secured by the total assets of the University and are unaffected by investment performance.

Today, Yale administers nearly 1,000 gift annuities. Although the income and tax benefits are clearly attractive, most donors say that the primary reason for establishing a gift annuity is the opportunity to strengthen the University and leave a meaningful legacy. Whether you direct your gift to financial aid, outstanding teaching, the arts, scientific research, or any other area of the University, a charitable gift annuity allows you to make a positive and lasting impact on Yale's future.

*“My husband and I saw our gift annuities as part of our overall financial planning. By making gifts that gave payments back to us, we were able to make much larger gifts than we ever thought possible.”*

*“I had hoped to be more affluent this year, but alas, like many others, my assets have gone decidedly down. Charitable Gift Annuities, with their reliable income, do have a special appeal.”*



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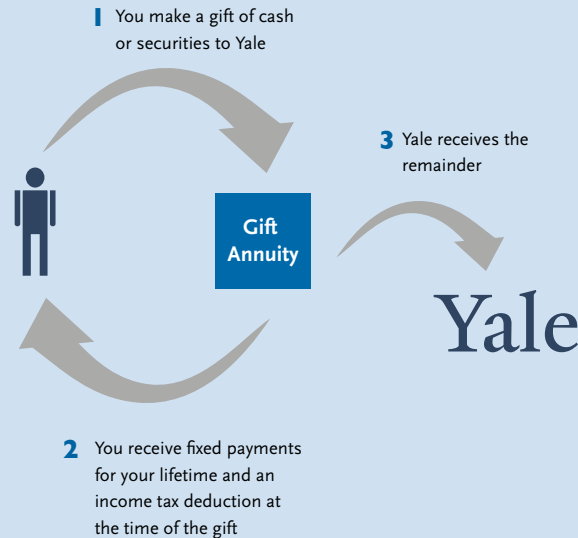
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## Upcoming Events

- > May 1, 2009  
Yale Legacy Partners annual  
gathering on campus in New Haven

*Partners Through Giving* is published by the Yale Office of Planned Giving. Please direct any comments to Mary Beth Congdon, editor, at [marybeth.congdon@yale.edu](mailto:marybeth.congdon@yale.edu)

## Yale Gift Annuities: *How they work*



You may be interested in learning more about a Yale gift annuity if:

- > You desire the security of predictable payments, or wish to provide a steady stream of income to a parent or other loved one.
- > You want to supplement your retirement income, could benefit from a tax deduction now, but don't need payments until later.
- > You would like a convenient and tax efficient way to help your grandchildren with tuition expenses.
- > You are relying on income from bonds or CDs and would like to receive higher payments.
- > You would like the satisfaction of making a gift which benefits you now and Yale later.

Photo credits: Michael Marsland, Dorothy McCluskey, Yale University Art Gallery



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