

# focus on the future

A PLANNED GIVING PUBLICATION FOR **NEW HAMPSHIRE PUBLIC TELEVISION** • SPRING 2008



Peter A. Frid  
CEO and General Manager

## Inside

- The Secret Benefits of the Gift Annuity
- Send for our complimentary booklet, *12 Ways a Charitable Gift Annuity May Benefit You*



## “Philanthropy Is a Spiritual Act”

I'm pleased to welcome you to the third issue of New Hampshire Public Television's planned giving newsletter, *Focus on the Future*. The intent of *Focus* is to help you navigate through both traditional and lesser-known financial and charitable planning opportunities. In this issue, we'll outline the basics of the charitable gift annuity. We'll explore uses for this popular gift that you may or may not have considered, as well as unusual ideas for funding it.

Did you know that a charitable gift annuity is a convenient way to make a personal contribution while ensuring a fixed annual income? It has multiple uses, and you can fund it with a variety of assets. You may wish to designate your contribution to one of NHPTV's four funds: the Future Fund, the Programming Fund, the Education Fund, or the New Technologies Fund. In this way, you can achieve your financial and philanthropic goals while directing support to your areas of special interest within public television.

I hope you'll find useful ideas in this newsletter to identify ways to give a gift that is most beneficial to you and will have an important impact on the future of New Hampshire Public Television. Your legacy gift to NHPTV will continue a fifty-year tradition and will be greatly appreciated by so many.

*“The act of philanthropy is a spiritual act, an expression of caring for one's fellow human beings. It is a belief in the future and that the future can be good. It is investing in that future. It is helping to make the dream come true.”*

– Arthur Frantzreb, philanthropic leader

Thank you so very much for supporting New Hampshire Public Television, our traditions, dreams, and future.

With warm regards,

Peter A. Frid  
CEO and General Manager

# The Secret Benefits of the Gift Annuity

In this issue of *Focus on the Future* we would like to cover the essentials of charitable gift annuities and then explore them in more depth:

- You transfer assets (usually cash or publicly traded securities) to a charity.
- One or two beneficiaries receive income for life, the amount depending on the beneficiaries' ages at the time you establish the annuity.
- A portion of each income payment is usually tax-free.

- You receive a charitable deduction that can reduce your current taxes.
- There are potential gift and estate tax savings.
- You make a valuable charitable gift of whatever remains after the payment obligation is satisfied.

What you may not realize is that a gift annuity has multiple uses and that you may fund it with a variety of assets. Read on to learn many little-known uses, applications, and funding ideas.

*Your gift annuity with NHPTV can provide security for your elderly parent, a spouse, or another family member.*

## Have You Heard? A Gift Annuity Can...

The typical gift annuity agreement is established with income beginning immediately, either by a single donor who is also the beneficiary or by a couple who are joint and survivor beneficiaries. Surprisingly, there are many other applications.

### Support an elderly parent with additional income

Roger's 82-year-old mother lives in a retirement home, and Roger has been supplementing her income

with a monthly stipend of \$675. In his 35% bracket, he must earn \$1,038 to pay the \$675 subsidy.

To provide for his mother in a more tax-efficient manner and to support New Hampshire Public Television, his mother's favorite charity, he decides to contribute appreciated stock worth \$100,000 for a gift annuity, naming his mother as beneficiary. She receives \$708 per month, and her after-tax income is essentially the same as the amount Roger had been giving her.

Roger pays taxes at the time of the contribution on some of the gain in the stock because he is not a beneficiary but still realizes net tax savings generated by the charitable deduction. He also makes a taxable gift to his mother but pays no gift tax because of his lifetime exemption.

### Support other people you care about

Consider establishing a gift annuity to provide assistance for a sibling or non-family members, such as a friend, or retirement income to an employee.

### Supplement your future retirement income

Joan, 50, would like to supplement her retirement income. She contributes stock valued at \$50,000 for a deferred gift annuity with payments to begin when she turns 65. She receives a current tax



Take the **LiveFIT Challenge!** The NHPTV **LiveFIT NH** community engagement project encourages healthy eating and physical activity in children and adults.

deduction of \$17,390 and can count on payments of \$6,400 per year when she turns 65. She plans to establish additional gift annuities in upcoming years.

### *Establishing a gift annuity with NHPTV can provide assistance for a sibling or non-family member.*

#### Provide income for you – “just in case”

Louise has considered making a \$100,000 outright gift to NHPTV, but worries that her circumstances could change. “Just in case,” she arranges a deferred gift annuity with a flexible beginning payment date and elects to begin receiving income only if she needs it.

**Little-known applications:** Louise might start her payments now and then contribute them back to NHPTV until she needs them; or if she determines that her other income will always be sufficient, she could assign her future right to payments to us and get another charitable deduction.

### Turn These Assets Into Income

From an income standpoint, appreciated assets that are not generating current income are “idle assets.” You may be better served by converting such assets to a stream of income that can both



*Nature* chronicles African elephants' families in “Unforgettable Elephants.”

supplement your retirement income with payments for life and benefit NHPTV. Here are a few examples.

#### A paid-up life insurance policy

John, 74, no longer needs his life insurance policy with a face value of \$100,000. The cash value is \$40,000, and the adjusted cost basis is \$22,000. He decides to transfer ownership of the policy to New Hampshire Public Television for a gift annuity that pays him \$2,760 annually for life. A portion of his payments will be tax-free for the duration of his life expectancy, and he will receive a charitable deduction of \$16,688. Had John surrendered the policy for cash, the gain (\$18,000) would have been taxed as ordinary income.

#### A deferred variable annuity

Margaret, 79, paid \$50,000 to an insurance company for a deferred

variable annuity that now has a cash value of \$80,000. She could surrender the contract and pay taxes on her \$30,000 gain, or she could have the company pay her an annuity for life. Since she would like to make a gift and could also use some extra money now, she surrenders the contract and contributes the proceeds for a gift annuity with NHPTV. She will receive \$6,240 per year for life and will pay no taxes on more than 69% of her payments during her life expectancy. The taxable gain in the variable annuity will be more than offset by a charitable deduction of \$37,117, and she will realize some tax savings.

#### Series EE savings bonds

Robert and Linda, 76 and 75, made purchases of Series EE savings bonds totaling \$40,000. Their value

*continued on page 4*

continued from page 3

has grown to \$66,000. To receive income and also make a gift to NHPTV, they surrender the bonds and contribute the proceeds for a gift annuity. **Results:** Their annual income payments will be \$4,224; more than half of the income will be tax-free for the duration of their life expectancy. They also receive a charitable deduction of \$22,478, offsetting the tax on the gain. Had they invested the proceeds, there would have been no deduction offsetting the gain and they would have paid several thousand dollars in taxes.

### Real estate and collectibles

While non-cash assets such as publicly traded stocks, bonds, and mutual funds are always acceptable for a gift annuity, so are assets like those in the above examples that can readily be converted to cash. We are happy to evaluate less-liquid assets such as real estate and collectibles, taking into consideration marketability and probable selling costs. Allow us to advise you regarding their acceptability and the size of the annuity that we can offer you.

### IRA assets

Sue is 73 and is required to take \$40,000 from her IRA this year. She requests her mandatory distribution: 20% of it is withheld for income tax, and the net amount she receives is \$32,000. Then Sue contributes the \$32,000 for a gift annuity that will pay her \$2,112 each year for life.

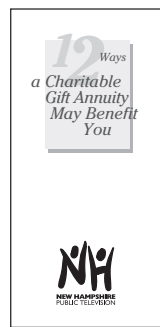
The charitable deduction reduces the tax she would otherwise owe on the distribution, and the \$8,000

withheld should cover the tax. If she had not established the gift annuity, she probably would have paid several thousand dollars of additional tax on the distribution.

## Putting an “idle asset” to work can benefit your family and NHPTV.

**Little-known application:** Sue could name NHPTV as beneficiary of all or a portion of assets remaining in her IRA at the end of her life, with the agreement that the amount we receive will fund an annuity for her nephew Joe. Thereby, she provides fixed payments to him and eliminates investment risk. **Pointer:** If Joe instead received payments from her IRA, the payments would escalate with age and could be exhausted with longevity and/or poor investment performance. A charitable gift annuity ensures a stable stream of payments for life, along with your charitable gift to NHPTV.

### For More Information



To learn more about gift annuities and their creative uses, please request our complimentary booklet, *12 Ways a Charitable Gift Annuity May Benefit You*, by returning the

enclosed response card and visiting our website.

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.



**Masterpiece** presents all six of Jane Austen's novels, including the classic *Pride and Prejudice* and a new biopic about the author's life.

## Contact Me to Learn More



Shelley Mitchell, M.B.A.  
Manager of Major and  
Planned Giving  
NHPTV  
268 Mast Road  
Durham, NH 03824-9987  
(603) 868-4397  
(603) 868-7552 fax  
smitchell@nhptv.org  
www.nhptv.org/plannedgiving

