



ST JOHN'S
College

ANNAPOLIS • SANTA FE

CREATING LEGACIES:

Planned Giving at St. John's College





Gifts to St. John's College **nurture** and **sustain** the college's distinctive educational mission. With **planned gifts**, you can make **extraordinary contributions** either **now** or in the **future**, while considering **your family** and **other heirs** at the same time. And you **may** be able to make a **more significant** gift than you thought possible.



The college welcomes gifts of an asset, such as cash, securities, partnership interests, paintings, life insurance policies, and real estate. In addition, a number of planned giving options including bequests and life income gifts may be mutually beneficial: they may provide income to you or your heirs, they may offer you tax advantages, and they will ensure the future of the college.



Assets to Give

Cash

A cash gift maximizes your charitable deduction in the current tax year. Gifts can be made by:

- cash
- personal check or money order
- credit card
- wire transfer

Appreciated Property

You may also give appreciated property to the college. With a transfer of appreciated property, such as stocks, bonds, or mutual fund shares you have owned for at least a year, your gift can benefit the college and offer you tax advantages.

With a gift of appreciated property, benefits include:

- an income-tax deduction for the fair market value of the appreciated property
- no capital gains tax on the transfer

Appreciated Property

EXAMPLE

An alumnus gives the college shares of publicly traded stock he has held for ten years. Their fair market value (the average of high and low trades for the day of the gift multiplied by the number of shares) is \$12,000, and their original cost, \$5,000. The alumnus receives a charitable deduction of \$12,000 and he does not have to pay capital gains tax on the transfer.

Because his marginal federal income tax rate is 28%, the alumnus saves \$3,360 in income tax ($\$12,000 \times 28\% = \$3,360$), and he does not have to pay capital gains tax of \$1,050 ($\$7,000$ long-term capital gain $\times 15\% = \$1,050$). He has received tax advantages of \$4,410 ($\$3,360 + \$1,050$), which nearly equals his net cost.



Retirement Plans

Money held in an employee benefit plan, a traditional IRA, or a tax-sheltered (deferred) annuity can be used as a planned gift to St. John's.



By naming the college as the beneficiary of your retirement plan, your charitable priorities will be honored posthumously. This charitable gift option enables you to:

- continue to withdraw retirement benefits during your lifetime
- eliminate the income and estate taxes levied on the remainder of your retirement account

To name the college as a beneficiary of a retirement plan, designate the college to receive all or a portion of the balance of your plan through your plan administrator. You may revoke the college as the beneficiary if your family's circumstances change.

Life Insurance Policies

A life insurance policy provides a simple way for you to give a significant gift. Naming the college as the beneficiary of your whole life insurance policy may be done several ways, including:

- irrevocably assigning an existing policy to St. John's and deducting the replacement value as a charitable contribution. If you make annual gifts to the college to cover the premiums, those are also considered charitable contributions

- naming St. John’s College as the beneficiary of a paid up policy
- purchasing a new life insurance policy, naming St. John’s College as beneficiary, and deducting the amount of annual premiums paid to the college as charitable contributions

Real Estate

Appreciated real estate assets such as a home, vacation home, or land may also be used for a charitable gift. Gifts of real estate secure a charitable income tax deduction for you, based on the fair market value of the property, with no capital gains liability for the transfer to the college.

With a gift of real estate to St. John’s College, you may:

- earn a charitable deduction for the fair market value, not the original investment, of the property
- reduce the size of your estate
- realize tax savings
- reserve the right to lifetime occupancy for you and your spouse

Real Estate

EXAMPLE

An alumna gives the college a vacation home she no longer uses. It originally cost \$50,000, but is now worth \$150,000. She gets a \$150,000 charitable deduction, which represents a tax savings of \$42,000 in her 28% tax bracket. She avoids tax on the \$100,000 of appreciation. Now she no longer has to maintain the vacation home, and the property won't be taxable in her estate.



Planned Giving Options

Each year, St. John's benefits from the generosity of alumni, parents, and friends who included the college in their estate plans. By naming the college as the beneficiary of part or all of your estate, you are leaving your personal legacy, a legacy that benefits future generations of students.

Bequests

A bequest in your will or revocable living trust may include:

- a specific sum of money, personal property, or share of your estate
- a contingent gift where you provide that the money, property, or share of your estate is bequeathed to an individual if the person survives you; otherwise the gift is distributed to the college
- a charitable remainder trust for a relative, assuring the availability of income for the person, while naming the college as the beneficiary of the remaining principal of your estate

Your gift may be unrestricted and applied to the college's greatest priorities, or you may designate your bequest for a specific purpose or initiative such as financial aid. With a bequest for an endowment, the college will hold and invest the funds permanently and use only the income they generate.

Bequests

EXAMPLES

An alumnus of the college designates the college as a one-fourth beneficiary of his estate, along with his two children and his church.

An alumna of the college leaves a bequest of \$10,000 to the college to establish an endowed scholarship fund to benefit students from California. She names the scholarship fund in memory of her mother.

A friend of the college plans to leave \$250,000 to her niece, and \$250,000 to the college. Among her assets, she owns a \$250,000 IRA. If she leaves the IRA to her niece, it will be subject to estate taxes and income taxes at her niece's marginal rate (25%). Instead, the friend plans to leave the IRA to the college and less tax-burdened assets to her niece. Thanks to the unlimited estate tax charitable deduction, no estate tax will be levied on the IRA.

Life Income Gifts

Life income gifts provide a way to achieve charitable goals without sacrificing income from assets that you need during your lifetime. Each of these options allows you to retain income and realize tax benefits:

- a charitable gift annuity
- a charitable remainder annuity trust
- a charitable remainder unitrust
- a charitable lead trust



Charitable Gift Annuity

A charitable gift annuity pays you a fixed sum each year for life in exchange for your irrevocable gift to St. John's. A charitable gift annuity may also include a second beneficiary, such as a surviving spouse or relative, who will receive the payments for life. Charitable gift annuities may be either immediate or deferred.

With an immediate gift annuity, your payments begin as soon as the contract with the college takes effect.

A deferred gift annuity allows younger donors the option of deferring the start of payments until they retire. As with an immediate payment gift annuity, you can take a charitable deduction in the year you make your gift. Because annuity payment rates vary by age (higher the older you are) and are set when you make the gift, the rates for deferred annuities are generally higher than they would be for the same person considering an immediate annuity. Deferred annuities work best for those between the ages of 40 and 60.

By choosing a charitable gift annuity, you can:

- enjoy a guaranteed fixed income for life partially tax free
- realize a charitable income tax deduction for a portion of your gift
- reduce capital gains tax and estate tax liability

The remainder on an annuity can be directed for a specific purpose at the college, such as an endowed scholarship fund, or it may be unrestricted. St. John's requires a minimum annuity amount of \$10,000. Gift annuities have a guaranteed return and are backed by the assets of the college.

Charitable Gift Annuity

EXAMPLES

An alumna, aged 45, wants to create an annuity for herself and her partner that will begin to pay out when she retires at age 65 and will continue to make payments to her partner after her own death. Her deferred annuity rate will be 5%. She donates \$10,000 now, receives a tax deduction of \$3,400 (the charitable allowance for this kind of gift), and ensures a partially tax-free income stream for herself and then for her partner.

A parent of a former student, aged 75, plans to donate a maturing \$25,000 certificate of deposit. Since she needs continuing income, the parent decides to use the cash for a charitable gift annuity that the college will issue at the suggested rate of 6.3%. Payments will be made annually.

[Please note: Legal requirements for issuing gift annuities vary by state. Gift annuity rates are set according to a national standard determined by the American Council on Gift Annuities.]

Charitable Remainder Annuity Trust

With a charitable remainder annuity trust you can donate money, securities, or other assets to a trust you create that will then pay you an income for life or for a period of years (not to exceed 20). If you wish, the trust also can pay an income to other beneficiaries of your choice. At the death of the last beneficiary, the remaining balance in the trust goes to the college.

First, you decide how much you would like to put into the trust. Second, you determine the income you would like to receive from the trust.

With the establishment of a charitable remainder annuity trust, you may:

- receive a charitable income tax deduction for a portion of your gift
- avoid capital gains tax on any appreciated assets you donate at the time of funding, and, depending on how the trust is invested, much of your income can be treated as capital gains income taxable at the 15% rate
- make additional gifts at any time to receive further charitable deductions and to reduce your estate tax liability

Charitable Remainder Annuity Trust

EXAMPLE

A Board of Visitors and Governors member, aged 75, owns several investments with a market value of \$100,000, but they pay dividends of only \$2,000 a year, or 2% of market value. She decides to transfer these securities to a charitable remainder annuity trust that will pay her \$7,000 a year, increasing her gross income by \$5,000. She designates that the remainder on the trust be used to establish an endowment to benefit St. John's libraries.



Charitable Remainder Unitrust

A charitable remainder unitrust is a separately invested and managed fund that pays a percentage of the principal, re-valued annually, to you, your spouse, or other income beneficiaries for life or for a stated term of no more than 20 years. Almost any asset may fund a unitrust, including cash, publicly traded stocks and bonds, closely held stock, partnership interests, and real estate.

By choosing a charitable remainder unitrust, you may be able to:

- avoid capital gains tax on any appreciated assets you donate
- make additional gifts at any time
- reduce your estate tax liability
- increase your income over time if the underlying investments perform well

Charitable Lead Trust

If your goal is to provide an inheritance for your children but you would also like to make a significant gift through your estate, a charitable lead trust can help you satisfy both objectives. Charitable lead trusts allow you to pass more on to your heirs at a significantly reduced gift or estate cost while providing a stream of income to St. John's for a designated term of years.

Conceptually, a charitable lead trust is the opposite of a charitable remainder trust. The trust pays an annuity or unitrust interest to charity followed by a noncharitable remainder interest.

In lead cases, the donor does not receive an income tax deduction for a gift to a charitable lead trust; however, the donor does receive a gift tax charitable deduction based on the actuarial value of the charitable lead interest to the estate.

By establishing a charitable lead trust, you may:

- create an income stream for the college for a specific period of time
- reduce or eliminate federal gift and estate tax both on the assets transferred to the trust and on the subsequent appreciation of those assets
- transfer a substantial amount to your family members at the termination of the trust, with little or no gift tax cost when the trust is established



**Charitable
Lead
Trust**

EXAMPLE

An alumnus transfers \$1 million to a charitable lead trust. St. John's receives an income for 20 years as either a fixed dollar amount or a percentage of the trust value as it is determined each year. At the end of that time, the assets in the trust, which may or may not have grown in value, are distributed to the donor's designated heirs.



The information provided in this brochure is intended to be a general guide for those who are considering gifts to St. John's College. Because of the complex nature of the federal income, gift, and estate tax laws and the technical requirements for these giving methods, St. John's College advises those considering these options to consult with their own legal and financial advisors before initiating the giving process.

The examples given in this brochure are for illustrative purposes only. St. John's College reserves the right to review and qualify all gifts for their appropriateness to the college's mission.



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For more information and examples, see
“Giving” – “Planned Giving.”





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