

# MANLEY SOCIETY

Ensuring a St. Lawrence University Education for Future Laurentians

## Create Your Own Good News in Troubled Financial Times

### 7 Charitable Year-End Strategies

In the newspaper, on television, on the Internet—stories about the challenges facing the American economy are everywhere.

We have been buffeted about on the waves of rising gasoline prices and falling returns on income-producing investments. We have been bounced through the crests and troughs of an up-and-down stock market. Most of us are ready for some good news.

In the midst of these economic challenges, charitably minded people have ample reason to take heart. While you are unable to control the stock market, there are strategies to brighten your own personal economic forecast—

strategies that can even take advantage of some of the current economic challenges.

In essence, you can create your own good news—if you incorporate the right strategies into your year-end tax planning.

In this issue of the *Manley Society* newsletter we examine seven of the most powerful and most creative strategies that you can use before year-end.



*Your planned gift could support enriching and educational activities for St. Lawrence students.*

#### 1. Cut Your 2008 Tax Bill While Supporting St. Lawrence.

A gift to St. Lawrence by December 31 will not only enable you to make an investment in our mission, it can also allow you to slash your federal tax obligation this year. If you itemize your deductions for federal tax purposes, the amount you save will depend on your marginal federal income-tax bracket.

**Example:** *Joe and Donna T expect to have taxable income of about \$250,000 in 2008, which puts them in the 33% federal tax bracket. They decide to make an unrestricted gift of \$20,000 to St. Lawrence this year.*



**Result:** This gift saves Joe and Donna \$6,600 in federal income tax (\$20,000 × 33%). **Note:** They may be able to save state income tax as well.

She is allowed a deduction for the stock's full \$50,000 value, which saves her \$16,500 in her 33% bracket. In addition, Karen avoids \$5,700 in capital-gain tax that she would have owed had she sold the stock. **Total savings:** \$22,200.

2008 Federal Income-Tax Rate Schedule		
Rate	Taxable Income	
	Single Taxpayers	Married, Filing Jointly
10%	\$0 - 8,025	\$0 - 16,050
15%	\$8,026 - 32,550	\$16,051 - 65,100
25%	\$32,551 - 78,850	\$65,101 - 131,450
28%	\$78,851 - 164,550	\$131,451 - 200,300
33%	\$164,551 - 357,700	\$200,301 - 357,700
35%	\$357,701+	\$357,701+

## 2. Plan Your Charitable Gift to Do Double Duty—Give Appreciated Assets

In most cases, if you give appreciated assets that you have held for more than one year you can deduct the full fair-market value and avoid capital-gain tax.

**Example:** Karen B makes a gift to St. Lawrence of stock worth \$50,000 purchased seven years ago for \$12,000.

## 3. Make a Gift, Recoup Your Investment, and Save Taxes

In some cases it may be more convenient or beneficial to use a noncash asset to fund your gift, but you may not want to part with its entire value. One strategy to reach your giving goal is simply to sell the asset to St. Lawrence at a bargain price.

**Example:** Frank J wants to make a gift of a parcel of undeveloped real estate worth \$300,000 to St. Lawrence. He sells the land to us for \$100,000 to recover his original investment.

**Results:** Frank can claim a charitable deduction for the difference between the full fair-market value of the land and the amount he receives

in payment (\$300,000 - \$100,000). This \$200,000 deduction saves Frank \$70,000 in his 35% tax bracket.

Frank will have to report a capital gain of \$66,667 (one-third of the \$200,000 gain) and pay capital-gain tax of \$10,000. But he will avoid tax on the other two-thirds of his gain, saving \$20,000 in capital-gain tax.

There are special rules that apply to certain types of property. Be sure to check with your tax advisor as you plan your year-end giving.

#### 4. Fund Future Gifts with Your “Deduction Chain”

Did you know that it is possible to use the tax savings from your initial gift as your source of funds for future gifts to St. Lawrence? You can actually avoid future out-of-pocket cost and increase your giving potential by 50% simply by “regifting” your tax savings.

Chain Funding a Gift		
Year	Gift	Tax Savings
1	\$100,000	\$ 35,000
2	\$ 35,000	\$ 12,250
3	\$ 12,250	\$ 4,288
4	\$ 4,288	\$ 1,500
TOTAL GIFT		\$151,538

For instance, if you make an initial \$100,000 contribution and are in the 35% federal

tax bracket, your gift can compound into more than \$150,000 of benefit to St. Lawrence in just four years. How? Each year, you simply use the previous year’s tax savings to fund the next year’s gift.

#### 5. Increase Your Cash Flow

With the current low interest rates on traditional investments, you may find that this is a perfect time to consider creative charitable planning strategies that allow you to make a gift, generate a charitable deduction,

and receive payments based on the value of your contribution.

Collectively these are called life-income gifts. There are various options available to generate income for life; one of the most popular and versatile is the charitable gift annuity.

The amount of income from a gift annuity depends on the amount of the contribution and the age(s) of the beneficiary(ies).

Benefits of a \$100,000 Charitable Gift Annuity				
Beneficiary(ies) Age(s)	Rate	Annual Payment	Tax-Free Amount	Charitable Deduction
65	5.7%	\$ 5,700	\$3,289	\$34,546
70	6.1%	\$ 6,100	\$3,782	\$39,880
75	6.7%	\$ 6,700	\$4,449	\$44,840
80	7.6%	\$ 7,600	\$5,358	\$49,611
85	8.9%	\$ 8,900	\$6,755	\$54,085
90	10.5%	\$10,500	\$8,316	\$59,254
65-65	5.4%	\$ 5,400	\$3,056	\$23,897
70-70	5.6%	\$ 5,600	\$3,388	\$30,518
75-75	6.0%	\$ 6,000	\$3,888	\$36,246
80-80	6.6%	\$ 6,600	\$4,567	\$42,018
85-85	7.4%	\$ 7,400	\$5,461	\$48,135
90-90	8.7%	\$ 8,700	\$6,716	\$52,997

\* Based on 4.2% IRS discount rate (announced monthly)

#### 6. Trade Your “Income Interest” for a Major Deduction

If you have already funded a life-income gift with us and find you no longer need the additional income, this may be an opportune time to give up that life-income interest and generate another charitable deduction. **Reason:** The value of an income interest goes up when the IRS discount rate is down.

Relinquishing an Annuity		
Beneficiary's Current Age	Annual Annuity	Charitable Deduction
75	\$7,000	\$57,630
80	\$7,600	\$50,389
85	\$8,400	\$43,336

**Example:** Several years ago when the IRS discount rate was 6.2%, Robert took out a \$100,000 gift annuity with St. Lawrence and we promised to pay him \$7,000 annually for his lifetime. He also received a charitable deduction of \$36,519 and saved \$14,279 in taxes at that time.

Robert is now 75 years old and no longer needs the annuity income we are paying him. He wishes to give up his right to receive the payments and inquires about the tax consequences.

At an IRS discount rate of 4.2%, the present value of his right to receive \$7,000 a year from St. Lawrence is \$57,630. Had the discount rate stayed at 6.2%, the value would have been \$51,187—substantially less.

By giving up the annuity income, Robert will be entitled to an equivalent charitable deduction of \$57,630 that will save him \$20,171 in taxes this year. This means Robert is able to make a \$100,000 gift to us at a cost of only \$16,550 (\$100,000 less [\$34,450 total tax

savings + \$49,000 income over the last seven years] = \$16,550). And we will be able to use the released funds immediately.

## 7. Make a Significant Gift Without Leaving Home

A special tax-law provision gives you a significant deduction for making a gift of your home to St. Lawrence—yet allows you to continue living there for the rest of your life. You keep what is known as a “life estate” and transfer what is known as the “remainder interest” to us.

This is a potent planning strategy at any time; but, as with a gift of an income interest, it is even more valuable when the IRS discount rate is low.

**Example:** Dave and Sharon, both 72, are entitled to a deduction for 2008 of more than \$214,000 for a gift of a remainder interest in their \$500,000 home at the IRS 4.2% discount rate. In their 35% tax bracket, this saves them more than \$75,000; and they are able to remain in their home for the rest of their lives.

### Make Your Moves Now

The remaining days of 2008 may pass quickly. We encourage you to get started on the year-end strategies that best fit your situation right away. Just return the attached card or call our office for more information.

Anne Sibley

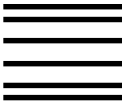
Jodi Revill

Director of Planned Giving Associate Director of Planned Giving

800-379-9541

manleysociety@stlawu.edu

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



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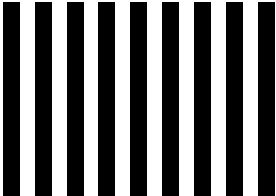
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**Please send me the following:**

- 12 Ways a Charitable Gift Annuity May Benefit You*
- Philanthropic Planner*
- Estate-Planning Organizer*
- Will a Gift-with-Income Plan Work for Me?*
- Suggested language to name St. Lawrence in my will or living trust

**Please send me information on:**

- St. Lawrence charitable gift annuities
- Charitable remainder trusts
- St. Lawrence Pooled Income Fund
- Retirement plan gifts
- Deferred gift annuities
- Gifts of life insurance
- Retained life estates

**Please send me a gift annuity illustration based on the following:**

Amount of gift: \$ \_\_\_\_\_

Cash    Stock   Original cost \$ \_\_\_\_\_

First-income recipient name:  
\_\_\_\_\_

First-income recipient date of birth: \_\_\_\_\_

Relationship:  Me    Spouse    Other: \_\_\_\_\_

Second-income recipient name:  
\_\_\_\_\_

Second-income recipient date of birth: \_\_\_\_\_

Relationship:  Spouse    Other: \_\_\_\_\_

**I have made a provision for St. Lawrence in my estate plan. Please enroll me in the G. Atwood Manley Society.**

**Although not required for membership in the Society, I would like to document confidentially the following information:**

The value of my provision is: \$ \_\_\_\_\_

Additional information regarding my provision:  
\_\_\_\_\_  
\_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Home telephone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Please contact me; I have questions.**

*Please fold and tape closed before mailing.*

## Student Research Endowment Honors Sullivan Presidency

As President Daniel F. Sullivan and his wife, Ann, conclude their leadership of St. Lawrence upon their retirement in 2009, alumni who wish to express their appreciation through a special gift can support the Sullivan Research Endowment Fund. The endowment will fund collaborative student-faculty research, supporting as many as 50 student fellows each year. More information on this initiative can be found at [www.stlawu.edu/sef](http://www.stlawu.edu/sef).

Planned gifts, in addition to outright gifts, can support the Sullivan Research Endowment. For instance, a charitable gift annuity or charitable trust established now could specify that its remainder will support the Sullivan Research Endowment. Likewise, a bequest could also be directed to this purpose. If you are interested in establishing a gift plan in honor of the Sullivan presidency, please contact Anne Sibley or Jodi Revill in the Planned Giving office.



### MANLEY SOCIETY

*Ensuring a St. Lawrence University Education for Future Laurentians*

St. Lawrence established the Manley Society on June 1, 1990, to carry forward G. Atwood Manley's passionate commitment to his alma mater. The mission of the Manley Society is to ensure a St. Lawrence education for future Laurentians through deferred gift plans. The Society recognizes and thanks those alumni, parents, and friends who have planned a deferred gift for St. Lawrence, and encourages others to consider similar plans.

# We Have Some Good News for You

The Tax-Free IRA Charitable Rollover Is Back! The special opportunity that expired at the end of 2007 has been extended to December 31, 2009.

Under this new extension legislation, such gifts can:

1. Count toward your required minimum distributions **and**
2. Be excluded from your gross income: a **tax-free rollover**.

## To qualify for benefits under the extension:

- You must be 70½ or older at the time of the gift
- Transfers must go directly from the IRA to this institution
- Your total IRA gift(s) cannot exceed \$100,000 per year
- Gift(s) must be outright

Please allow us to help you plan your gifts to St. Lawrence in a way that will best allow you to make a difference for the University and improve your financial outlook. Return the attached response card for information on particular gift planning strategies or an illustration of how such a gift would work for you. We also invite you to call or e-mail our office to let us know how we can help.

**manleysociety@stlawu.edu • 800-379-9541**



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## MANLEY SOCIETY

Ensuring a St. Lawrence education for future generations

**Please visit our Web site to learn more!**

# www.stlawu.edu/manleysociety

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