



# Four Ways to Plan Your Gift

## 1. BEQUESTS AND CHARITABLE DESIGNATIONS

### *How it works:*

- You can make bequests through a will or living trust using cash, securities, real estate, or other assets.
- Charitable designations may also be made through a retirement plan (401(k), 403(b), etc.), IRA, or life insurance policy by making Penn State a fractional or total beneficiary, or you may designate Penn State as the owner of a new policy.
- The bequest or charitable designation can be for a specific purpose in a program, college, or campus (e.g., endowed funds, research, scholarships, professorships), or it can be unrestricted (to be directed to the area of greatest need).

### *Key features and benefits:*

- It just takes a simple designation in your will or trust and costs nothing during your lifetime.
- Bequests are revocable and are not payable until death. You have the comfort of knowing that you can amend or revoke a charitable bequest if your circumstances or family needs change.
- Bequests can be combined with lifetime gifts for immediate impact or made “irrevocable” by signing a binding pledge if you would like to be recognized now.

## 2. CHARITABLE GIFT ANNUITIES (Immediate and Deferred)

### *How it works:*

- You contribute cash or securities (\$10,000 minimum gift when you are age 60 or older) to Penn State; in exchange, Penn State pays you and/or another individual (“the annuitants”) a guaranteed fixed annuity (annual payment) for the remainder of your lifetime(s).
- The annuity payout rate is determined by the age(s) of the annuitant(s)—one or two lives.
- You receive a charitable income tax deduction at the time the annuity is established; the deduction is equal to the present value of what is expected to pass to Penn State.
- It is also possible to defer annuity payments until a specific date in the future (\$5,000 minimum gift when you are age 35 or older, with payments beginning when you are age 60 or older).

### *Key features and benefits:*

- A simple agreement that can increase your cash flow, this gift provides guaranteed fixed payments for life.
- Lifetime annuity payments, based on age, may be two or three times higher than your cash return on low-earning securities or CDs.
- If you fund the gift annuity with appreciated securities, no upfront capital gains tax is due on the transfer, and the entire amount of the gift can be put to work to generate the annuity payments.
- You can defer your payments until a future date, such as retirement (minimum one year). Because of the delay of payments, a deferred gift annuity offers donors a higher payout rate and a larger charitable income tax deduction than an immediate-payment gift annuity.

## 3. CHARITABLE REMAINDER TRUSTS (Annuity Trust or Unitrust)

### *How it works:*

- You transfer cash, securities, or real estate (\$100,000 minimum gift) to establish one of two basic types of trusts administered by Penn State. The payout percentage is typically 5–7 percent.
- A charitable remainder annuity trust pays a fixed amount annually for as long as the trust term lasts (lifetime or term of years). The payment must be at least 5 percent of the value of the trust assets when it is established.

- A charitable remainder unitrust differs in that the payments are variable, based on a fixed percentage of the unitrust's assets as revalued each year for as long as the trust term lasts (lifetime or term of years). The payment must be at least 5 percent of the trust's value, revalued annually.
- You receive a charitable income tax deduction at the time the trust is established; the deduction is equal to the present value of the remainder gift to Penn State.
- It is also possible to reinvest payments into the trust or gift them outright to the benefiting program, college, or campus.

*Key features and benefits:*

- These trusts can be a great tool for gifting assets tax-free and receiving income for life; the remaining assets go to Penn State.
- It provides steady cash flow and can be more beneficial than keeping an asset or selling it outright.
- Because unitrust payments are linked to the value of the trust each year, given reasonable investment guidelines and performance, beneficiaries can expect their share in the value of the trust to grow gradually over time.

#### **4. CHARITABLE LEAD TRUSTS**

*How it works:*

- You transfer assets (cash, publicly or privately held securities, business or limited partnerships, or income-producing property) to Penn State as trustee (\$500,000 suggested minimum).
- The trust then makes annual payments to the University for a term of years and/or your lifetime(s).
- At the end of the trust term, the remaining assets in the trust (including investment growth) are distributed to beneficiaries, typically your heirs, with little or no gift or estate tax consequences.

*Key features and benefits:*

- You greatly reduce or avoid estate tax on trust assets passing to family if some trust income goes to Penn State for a few years.
- Your family can often receive more from an estate plan containing a lead trust than they could from an outright bequest from the donor.
- In some cases, the income term can be set long enough and the payout rate set high enough to “zero-out” gift tax.
- The lead trust is an attractive gift vehicle for appreciating assets because the appreciation in value of the trust assets is not subject to estate and gift tax.
- You have the singular opportunity to be involved with the Penn State students and programs benefiting from your gift, and to experience your legacy in action.

#### **CONTACT US**

We invite you to work with us to develop a personalized strategy that will accomplish your financial and philanthropic goals. To learn more, please contact:

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