


# Creating a Life Income Gift

Take care of yourself *and*  
take care of Stanford

Stanford  
University





# You can take care of yourself and take care of Stanford with a life income gift.

A life income gift is an arrangement that **provides you or others with income and leaves a gift for charity in the future**. Creating a charitable remainder trust, charitable gift annuity, or other life income gift at Stanford is a great way to support the university while also taking care of yourself or loved ones. In addition, a life income gift may entitle you to **tax savings**. Making a future gift to Stanford can give you the satisfaction of knowing that **your legacy will support generations** of outstanding students and faculty.

## How Does It Work?

- 1 You give assets**—such as securities, real estate, or cash—to fund a life income gift.
- 2 You (or your loved ones) receive an income stream**. You may also be entitled to tax benefits, such as an income tax deduction and savings on capital gains tax.
- 3 When your life income gift matures**, the remainder will be used at Stanford to support the purposes you have chosen.

## Types of Life Income Gifts

**CHOOSING THE RIGHT PLANNED GIFT DEPENDS ON YOUR PERSONAL CIRCUMSTANCES** and financial goals. There are several kinds of life income gifts available at Stanford:

**Charitable Gift Annuity** | In exchange for an outright gift, Stanford agrees by contract to pay a **fixed dollar amount** each year to you and/or another beneficiary for life. The gift to Stanford can be designated for a specific purpose.

**Charitable Remainder Annuity Trust** | You establish a trust from which you and/or other beneficiaries receive annual payments of a **fixed dollar amount** for life and/or a term of years, after which the remainder of the trust assets passes to Stanford for the purposes you designate.

**Charitable Remainder Unitrust** | You establish a trust from which you and/or other beneficiaries receive **variable annual payments** for life and/or a term of years. At the end of the term, the remainder of the trust assets is distributed to Stanford for the purposes you designate.

**Pooled Income Fund** | Your gift goes into an investment pool that functions like a mutual fund. Investment returns are paid to you and/or other beneficiaries for life, after which your gift is withdrawn and used to support your designated purpose at Stanford.



Life income gifts can support Stanford students, faculty, and research. Some possibilities include:

- Undergraduate scholarships
- Graduate fellowships
- Professorships
- Research and teaching in specific areas
- University schools, departments, and other programs, such as those in the arts, athletics, and medicine



**IF YOU DETERMINE A LIFE INCOME GIFT IS APPROPRIATE FOR YOU, YOU CAN CHOOSE** how your gift will ultimately benefit Stanford. You may wish to **designate** it to a specific school or purpose meaningful to you. Or you may prefer to make your gift **unrestricted** so the university can use the funds according to its greatest needs. Depending on the amount of the gift, you may be able to specify whether you would like it to be an **expendable fund** (for current use) or an **endowed fund** (to last in perpetuity). You can ask that your name or the name of someone you wish to honor be associated with the gift.



## Compare Life Income Gifts

TYPE OF GIFT	MINIMUM GIFT	GENERALLY ACCEPTED ASSETS
Charitable Gift Annuity	\$20,000	cash or securities
Deferred Charitable Gift Annuity	\$20,000	cash or securities
Charitable Remainder Annuity Trust	\$200,000*	cash or securities
Charitable Remainder Unitrust	\$200,000*	cash, securities, or real estate
Pooled Income Fund	\$20,000	cash or securities (except for tax-exempt bonds)

More information and examples of all life income gifts can be found at [plannedgiving.stanford.edu](https://plannedgiving.stanford.edu).

## INCOME TO BENEFICIARY

- Fixed annuity amount for life paid by Stanford
- Annuity amount based on ages and number of beneficiaries (maximum of 2)
- Fixed annuity amount for life, beginning at an agreed upon future date, paid by Stanford
- Annuity amount based on ages and number of beneficiaries as well as length of deferral period (maximum of 2 beneficiaries)
- Fixed annuity amount for life or term of years, based on initial value of gift multiplied by an agreed upon payout rate (minimum annuity is 5% of gift value)
- Variable annual payout based on January 1 value of trust assets multiplied by an agreed upon payout rate (minimum rate is 5%) for life or term of years
- Variable annual payout of net income for life

## TAX CONSIDERATIONS

- Tax deduction for the present value of the charitable gift
- Reduced and deferred capital gains tax for gifts of appreciated securities
- May help to minimize gift and/or estate taxes
- Substantial portion of the annuity payment may be tax exempt, depending on gift asset
- Tax deduction for the present value of the charitable gift
- No capital gains tax on transfer or sale of gift assets
- May help to minimize gift and/or estate taxes
- All or a significant portion of the payment will likely be taxable as income to beneficiary(ies)
- Tax deduction for the present value of the charitable gift
- No capital gains tax on transfer or sale of gift assets
- May help to minimize gift and/or estate taxes
- Entire payout is taxable

\*Additional requirements may apply. The minimum amount may be higher, depending on the ages of beneficiaries and other factors.

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## Charitable Gift Annuity

**IN EXCHANGE FOR A GIFT, STANFORD AGREES BY CONTRACT TO PAY A FIXED AMOUNT** each year to one or two beneficiaries (the annuitants) for life.

The amount of the annuity payment will depend on the ages of the annuitants and the value of the assets donated. Stanford offers the rates that are suggested by the American Council on Gift Annuities, a national organization. Upon establishing a charitable gift annuity, you are entitled to a current charitable income tax deduction for a portion of the value of the assets given to fund the charitable gift annuity.



You may also create a **deferred charitable gift annuity**, taking a tax deduction in the year of the gift but delaying the first annuity payment for one or more years. This approach can offer dependable retirement income beginning at a future date. The annuity rates are based on several factors, including the ages of the annuitants and length of the deferral period.

Charitable gift annuities provide the assurance of a fixed payment for life, a portion of which may be partially tax free. You can designate how you would like Stanford to use the remaining value of the annuity when the annuity ends.

Please note that regulations prevent Stanford from offering gift annuities to residents of certain states, including Florida, Hawaii, Maryland, New Jersey, New York, and Washington.

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## Charitable Remainder Annuity Trust

**YOU ESTABLISH A CHARITABLE REMAINDER ANNUITY TRUST BY IRREVOCABLY** transferring assets to a trustee, which could be Stanford, who then makes fixed annual payments to you and/or other beneficiaries. At the end of the trust term, the remaining assets are distributed to Stanford for the purpose you designate.

When you establish a charitable remainder annuity trust, you and the trustee agree to the amount of the annual payment, which must be at least 5 percent of the trust assets' initial fair market value and is generally taxable to the beneficiaries.

This type of trust may appeal to older beneficiaries who appreciate knowing exactly how much they will receive each year and are not as concerned about the effects of inflation over time.



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## Charitable Remainder Unitrust

**YOU ESTABLISH A CHARITABLE REMAINDER UNITRUST BY IRREVOCABLY TRANSFERRING** assets to a trustee, which could be Stanford, who then invests the trust assets and pays you and/or other beneficiaries an annual variable income. At the end of the trust term, the assets remaining in the trust are distributed to Stanford for the purpose you designate. Stanford has various options for how it invests the trust assets, including, in many cases, investing the assets with the Stanford University endowment.

**YOU CAN NAME YOURSELF AND/OR OTHER BENEFICIARIES TO RECEIVE INCOME FOR LIFE** and/or for a term of up to 20 years. The amount of the annual payout depends in part on the type of unitrust.

**Standard unitrusts** are the most common. They provide an income based on a fixed percentage (at least 5 percent) determined at the time the trust is created. The percentage is multiplied by the fair market value of the trust assets at the beginning of each year to determine the payout to beneficiaries for that year. A standard unitrust provides the most investment flexibility and is usually invested for a total maximum return.

**A net income unitrust** provides annual payments in the lesser of two amounts: 1) the fixed percentage of the trust's annual value described above, or 2) the net income of the trust. Younger donors who are not seeking large payments immediately but want to build a fund for potentially higher payments in the future may find this type of trust appealing.

**A combination or "flip" unitrust** is a good option when an illiquid, non-income producing asset, such as real estate or closely held stock, is used to fund a charitable remainder unitrust. The trust begins as a net income unitrust, paying the lesser of the selected payout rate or the actual earnings (for example, rents from real estate) to the income beneficiaries. As of the January 1 after the date of the sale of the assets used to fund the trust, the trust "flips" to a standard unitrust. A flip unitrust can also help you plan for retirement, because the flip date may be set for a date when you expect to retire.



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## Pooled Income Fund

**YOUR GIFT WILL PURCHASE SHARES OF AN INVESTMENT POOL THAT FUNCTIONS LIKE** a mutual fund. All of the fund's annual income is allocated proportionately between the pooled income fund participants, depending on the number of shares they hold. You can name yourself and/or other beneficiaries to receive the income from the shares for life. You can designate a purpose for the value of the shares to support upon the death of the income beneficiaries of your pooled income gift.

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## The Charitable Trust Program

**STANFORD UNIVERSITY HAS ONE OF THE LARGEST CHARITABLE TRUST PROGRAMS** among all U.S. colleges and universities, with current assets under management of more than \$700 million. The Charitable Trust Program is managed by the Stanford Management Company (SMC), the division of the university that also invests Stanford's endowment. Some charitable remainder unitrusts are eligible to be invested in the Stanford endowment. Others are invested in one of several portfolios of mutual funds managed by Kaspick & Company with oversight by SMC. The Stanford Charitable Trust Program provides the following advantages:

- Strong **investment management expertise** and disciplined investment strategies to achieve long-term, risk-adjusted returns
- An option to invest assets in the Stanford endowment, as well as unique access to a set of **investment options** specifically designed for life income gifts
- Professional and customized **service and attention** to each donor's gift
- Reliable and comprehensive **trust administration** with timely payments and tax information

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## Contact Us

**IF YOU ARE INTERESTED IN CREATING A STANFORD LIFE INCOME GIFT, PLEASE CONTACT** us. The Office of Planned Giving can help you explore options. To learn more, please call or email us, or visit our website, [plannedgiving.stanford.edu](http://plannedgiving.stanford.edu).

Those considering a planned gift should consult their own legal and tax advisors. The staff in the Office of Planned Giving are happy to speak with advisors as well.

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## Let Us Thank You

**WHEN YOU ESTABLISH A LIFE INCOME GIFT AT STANFORD, YOU WILL BE INVITED TO** become a member of the **Founding Grant Society**. By joining others who have made provisions for Stanford through their life income gifts, wills, trusts, or other planned gifts, you can take satisfaction from knowing that you are part of **an important legacy**.



Members are invited to periodic special events, including student performances and lectures delivered by the university's top scholars. The university publicly recognizes Founding Grant Society members who have expressly given permission to list their names. Stanford honors all requests for anonymity.



For more information, please contact:

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