

Basic Gift Illustrations

**Comparison of Benefits**

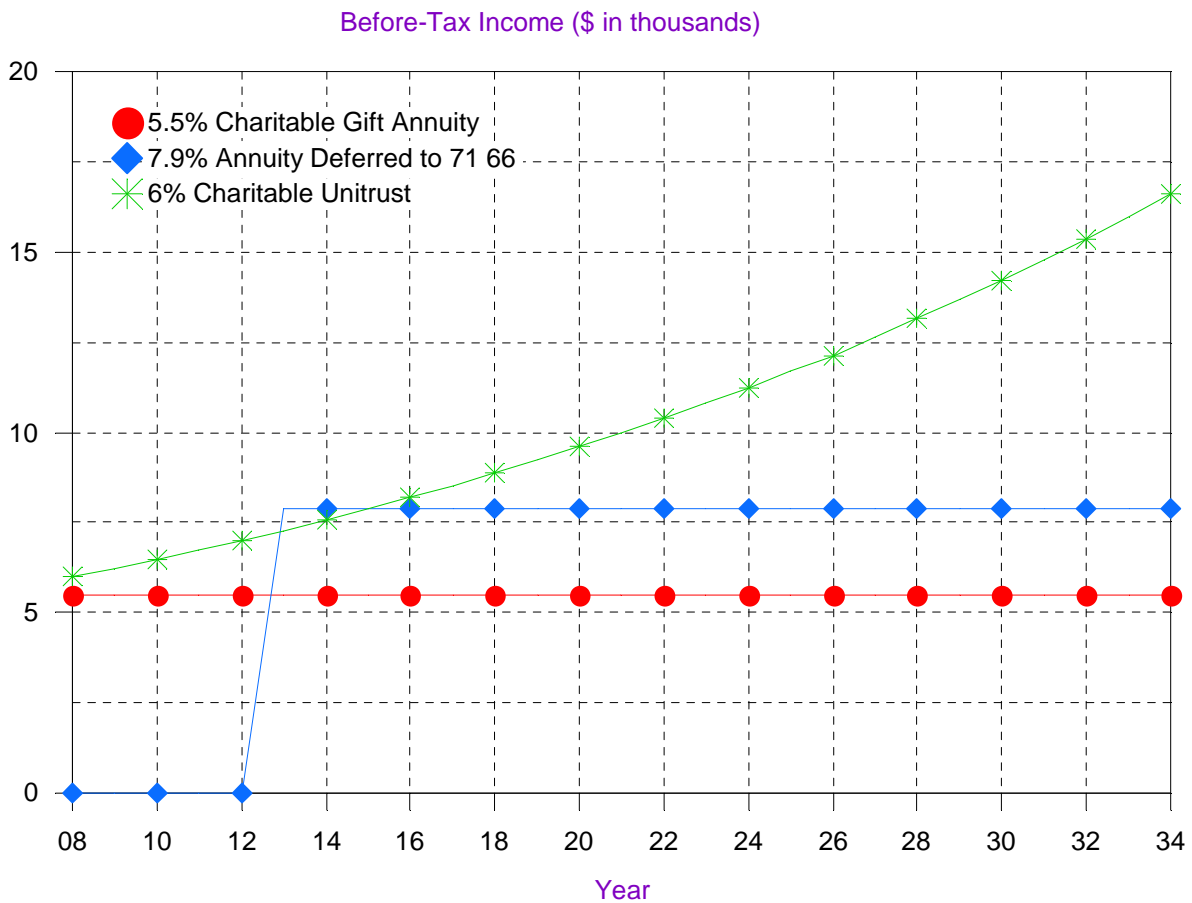
**Sample Illustration**

**ASSUMPTIONS:**

Beneficiary Ages	65 60
Principal Donated	\$100,000.00
Cost Basis of Property	\$50,000.00

**BENEFITS:**

	<b>Charitable Gift Annuity 5.5%</b>	<b>Gift Annuity Deferred to 71 66 7.9%</b>	<b>Charitable Unitrust 6%</b>
Charitable Deduction	\$32,299	\$42,126	\$25,730
Annual Payout	\$5,500 (fixed)	\$7,900 (fixed)	\$6,000 (variable)



# THE ROTARY FOUNDATION OF ROTARY INTERNATIONAL

## WHAT IS A CHARITABLE GIFT ANNUITY?

A charitable gift annuity is a simple contract between you and The Rotary Foundation.

In exchange for your irrevocable gift of cash, securities, or other assets, The Rotary Foundation agrees to pay you or 1-2 other annuitants a fixed sum each year for life. The older your designated annuitants are at the time of the gift, the greater the fixed income The Rotary Foundation can agree to pay. In most cases, part of each payment is tax-free, increasing each payment's after-tax value.

Payments may be made annually, semiannually, or quarterly.

## WHAT IS A DEFERRED GIFT ANNUITY?

A deferred gift annuity is a simple contract between you and The Rotary Foundation.

In exchange for your irrevocable gift of cash, securities, or other assets, The Rotary Foundation agrees to pay you or 1-2 other annuitants a fixed sum each year for life, with payments starting at least one year after your gift. The older your designated annuitants are at the time of your gift and the longer you defer payments, the greater the fixed income The Rotary Foundation can agree to pay. In most cases, part of each payment is tax-free, increasing each payment's after-tax value.

Payments are usually made annually, semiannually, or quarterly.

## WHAT IS A CHARITABLE REMAINDER UNITRUST?

A charitable remainder unitrust ("unitrust") is a gift plan defined by federal tax law that allows you to provide income to yourself or others for life or a term of years while making a generous gift to The Rotary Foundation.

As a unitrust donor, you irrevocably transfer assets, usually cash or securities, to a trustee of your choice (for example, The Rotary Foundation or a bank trust department). During the unitrust's term, the trustee invests the unitrust's assets. Each year, the trustee distributes a fixed percentage of the unitrust's value, as revalued annually, to you or other income beneficiaries named by you. Payments must be at least 5% of the trust's annual value and are made out of trust income, or trust principal if income is not adequate. Payments may be made annually, semiannually, or quarterly.

When the unitrust term ends, the unitrust's principal passes to The Rotary Foundation, to be used for the purpose you designate.

## EXAMPLE:

If you irrevocably transfer \$100,000 in property, with a cost basis of \$50,000,

- to The Rotary Foundation in exchange for a \$5,500 annuity or
- to The Rotary Foundation in exchange for a \$7,900 annuity starting at ages 71 and 66 or
- to a unitrust that pays 6% of its value each year

for the lifetime benefit of individuals, age 65 and 60,

## **BENEFITS INCLUDE:**

### 1) *GENEROUS SUPPORT OF The Rotary Foundation.*

### 2) *A CHARITABLE INCOME TAX DEDUCTION*

#### 5.5% CHARITABLE GIFT ANNUITY

You will qualify for a federal income tax deduction of approximately \$32,299. Your deduction may vary modestly depending on the timing of your gift.

#### 7.9% DEFERRED GIFT ANNUITY

You will qualify for a federal income tax deduction of approximately \$42,126. Your deduction may vary modestly depending on the timing of your gift.

#### 6% CHARITABLE REMAINDER UNITRUST

You will qualify for a federal income tax deduction of approximately \$25,730. Your deduction may vary modestly depending on the timing of your gift.

NOTE: Deductions for this and other gifts of long-term appreciated property will be limited to 30% of your adjusted gross income. You may, if necessary, take unused deductions of this kind on tax returns over the next five years, subject to the same 30% limitation.

### 3) *INCOME FOR LIFE*

#### 5.5% CHARITABLE GIFT ANNUITY

Your designated annuitants will receive fixed payments in quarterly installments totaling \$5,500 each year for life. In addition, \$761.48 of each year's payments will be tax-free for the first 27.5 years.

#### 7.9% DEFERRED GIFT ANNUITY

Your designated annuitants will receive fixed payments in quarterly installments totaling \$7,900 each year, starting at age 71 and 66, for life. In addition, \$713.93 of each year's payments will be tax-free for the first 22.1 years.

#### 6% CHARITABLE REMAINDER UNITRUST

Your designated income beneficiaries will receive payments in quarterly installments for life. In the first year, payments will total approximately \$6,000. Payments in future years will vary with the value of the unitrust.

### 4) *CAPITAL GAINS TAX SAVINGS*

#### 5.5% CHARITABLE GIFT ANNUITY

You will owe no capital gains tax at the time of your gift. Rather, \$1,702.52 of the annual payments from the gift annuity will be taxed as capital gain in each of the first 19.9 years of payments. If you were to sell and reinvest this property yourself, you would owe tax on \$50,000 of capital gain.

#### 7.9% DEFERRED GIFT ANNUITY

You will owe no capital gains tax at the time of your gift. Rather, \$1,900.97 of the annual payments from the gift annuity will be taxed as capital gain in each of the first 15.2 years of payments. If you were to sell and reinvest this property yourself, you would owe tax on \$50,000 of capital gain.

#### 6% CHARITABLE REMAINDER UNITRUST

Your entire gift property will be available for reinvestment, free of capital gains tax. If you were to sell and reinvest this property yourself, you would owe tax on \$50,000 of capital gain.

### 5) *POSSIBLE REDUCTION IN PROBATE COSTS AND ESTATE TAXES*



## The Rotary Foundation Charitable Gift Annuity Disclosure Statement

### Description of a Gift Annuity

A gift annuity is a simple contract between the donor(s) and The Rotary Foundation of Rotary International (hereinafter "the Foundation"). In exchange for the donor's(s') contribution, the Foundation promises to make fixed, guaranteed payments for life to one or two annuitants (usually, but not necessarily, the donor(s)). The amount paid is based on the age of the annuitant(s), in accordance with the Foundation's rate schedule.

### Not a Commercial Investment

The act of establishing a gift annuity with the Foundation is not, and should not be viewed as, an investment. Rather, it is a way to receive annuity payments while making a charitable donation. In this respect, a gift annuity issued by the Foundation is different from a commercial annuity. However, a charitable gift may provide tax benefits, including a current federal income tax charitable deduction (if deductions are itemized), annuity payments that are partially tax-free, and future estate tax savings.

### Gift Annuity Rates

Generally, the gift annuity rates paid by the Foundation are those suggested by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a significant portion of the contribution remaining for the charity. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

### Assets Backing Annuity

The annuity payments are a general obligation of the Foundation, and are backed by the Foundation's assets (subject to security interests). On 30 June 2004 the Foundation's total net assets exceeded \$570.5 million. Assets received by the Foundation for gift annuities are externally managed in a conservative and disciplined manner by qualified investment professionals. If the Foundation should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of the Foundation.

Responsibility for governing the Foundation, which was established in 1917, is vested in a Board of Trustees comprised of 15 persons. Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this letter is provided to you in accordance with the requirements of that Act.

### Points to Remember

A contribution for a gift annuity is irrevocable and the principal you contribute cannot be returned to you. The right to annuity payments may not be assigned to any person or organization, other than the Foundation. The gift date is the date when you actually transfer assets. In the case of cash, it is the postmark date or the delivery date of the check (do not mail cash). In the case of an electronic transfer of securities, it is the date they are received into the account of the Foundation. If you have certificates, it is the date they are properly endorsed and mailed or delivered. Applicable state laws govern the gift annuity.

### For More Information

This disclosure statement is intended to provide basic information regarding the gift annuities issued by the Foundation. If you have additional questions concerning the Foundation's charitable gift annuity program, please call or write Karena J. Bierman, J.D., Planned Giving Officer, 1560 Sherman Avenue, Evanston, Illinois 60202, (847) 866-3100, BiermanK@rotaryintl.org.