



**FINANCIAL SERVICES
FOR THE GREATER GOOD®**

Take Care of Everyone

You can provide for charities and your family simultaneously.

As part of your estate planning, you might be thinking of leaving a gift to a university or favorite charity you're connected to — as an alumnus or perhaps a faculty or staff member. Yet how can you do so and still provide for your loved ones?

The answer: Through certain kinds of charitable gifts, you can keep the right to receive lifetime benefits from the assets you donate. Known as “split-interest” gifts, they enable you to divide the interest in the donation between yourself (or other individual beneficiaries) and the charity, such as a university.

Split-interest gifts include gift annuities, pooled income funds and various forms of trusts, the most common of which is a charitable remainder trust.

Gift Annuities

A charitable gift annuity (CGA) is a contract between you and a charity through which the charity promises to make an annual payment to you (or someone else you select) for your lifetime or that of your beneficiary. In exchange, you contribute cash or other property to the charity. A portion of each payment you receive will be exempt from federal income tax because it's treated as a return of your initial contribution and the balance will be taxed.

You can take a charitable deduction on your 1040 tax form for the year in which the CGA is established. A CGA can make sense when you're looking for a guaranteed stream of payments for the remainder of your lifetime, you'd like the charity to keep the assets following your death, and you don't need control of the asset(s) during your lifetime.

Pooled Income Funds

A pooled income fund (PIF) is maintained by a charity to receive gifts from many donors. All the gifts are held in a single investment pool, and each year contributors receive a pro rata share of the fund's net income. For smaller gifts, the PIF can be an ideal way to donate today and receive, for yourself or your designated beneficiary, a stream of investment income each year. A PIF can make sense when you're comfortable letting the charity invest the funds as part of its pool, you don't mind receiving (or having a beneficiary receive) a stream of payments equal to the charity's net investment income from the pool, and you'd like the assets to go to the charity following your (or your beneficiary's) death.

Charitable Remainder Trusts

For greater flexibility or control, particularly with larger gifts, consider a charitable remainder trust (CRT). This irrevocable trust provides the initial interest to you or other individual beneficiaries through annual payments. Payments can continue for a set term of up to 20 years or for the lifetime of your noncharitable beneficiaries. At the end of this period or at the death of the last surviving beneficiary, the balance of the trust will go to a charity you select. There are two basic types of CRTs: a charitable remainder annuity trust and a charitable remainder unitrust. They vary in how the annual payment is determined and either form of trust may be created during your lifetime or at your death.

Because this article covers complex topics, it should not be viewed as specific tax or legal advice. Before making any changes to your own planning, you should consult with your accountant and/or attorney.

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