BLUEFIELD
COLLEGE

AN INTRODUCTION TO THE USES AND BENEFITS OF A PLANNED GIFT TO BLUEFIELD COLLEGE

This document is designed to give Bluefield College donors the opportunity to examine the basic information on the different types of planned giving options available to them. With this information, donors can make informed decisions about their philanthropic goals and establish the type of planned gift that benefits them and Bluefield College now and in the future.

WHY CONSIDER A PLANNED GIFT TO BLUEFIELD COLLEGE?

People familiar with philanthropy often use the term "planned giving" when speaking of the types of gifts outlined in this document. These gifts certainly require a good deal of planning and consideration – they are typically more complex than a simple contribution made by a personal check or credit card. In that sense, it is appropriate to refer to this type of activity as "planned giving." But while the use of the term "planned giving" is accurate given the detailed nature of these gifts, it does not capture a key dimension of these types of gifts – sentiment. Certainly the financial benefits of giving to Bluefield College are important to donors and quite attractive in their own right. But if financial benefits were the sole motivation for making a gift of this type, Bluefield wouldn't stand apart from any other philanthropic organization.

A planned gift to Bluefield College, then, is a planned gift that is created not solely for its financial benefits; it also allows the donor the unique opportunity to add a personal story to the Bluefield community. Whether the story is in memory of a loved one, honors a family name or a favorite mentor, or is a remembrance of a special time, a planned gift to the college is an ideal way to connect the past, present and future of the school. Some donors might shy away from the thought of leaving a legacy, thinking it too boastful or too showy. In those cases, a planned gift can help perpetuate not an individual legacy, but the legacy of Bluefield College itself. The college has a rich history and is the source of pride for many who have been a part of it. A planned gift to Bluefield College helps ensure that its greatest qualities touch future generations of students.

STARTING WITH A PLANNED GIFT

What is a "planned" gift?

- A gift that combines your personal, financial, and estate planning goals with your lifetime or testamentary philanthropy goals.
- An opportunity to realize additional tangible benefits of charitable giving such as lifetime income, asset conversion and family protection.

How does a planned gift differ from an annual gift?

Planned Gift	Annual Gift
Lesser known way to give	Traditional way to give
Usually a one-time event	Recurring request for gift
Can range from simple to complex	Limited paperwork
Can be a current or deferred gift	Is a current gift
Flexible gift plan design	Less flexibility for gift design
Many uses and benefits	Limited uses and benefits
Gift serves the needs of donor as well as institution	Gift serves the needs of the institution

What are the common types of planned gifts?

- Bequest
- Charitable Gift Annuity (CGA)
- Charitable Remainder Trust (CRT)
- Charitable Lead Trust (CLT)
- Life Estate Reserved (Gift of Remainder)
- Bargain Sale

BEQUEST

A bequest is a gift made to Bluefield College at the time of the donor's death through the use of an estate planning document such as a will or a trust. This is the most straight-forward type of planned gift and one of the easiest to implement.

The Need

Many people desire to help Bluefield College, but are unable to donate property to the college while they are alive. For example, you may have property, such as an investment account or a house or vacation home, that is needed during your life to cover living expenses or that you want to continue using.

A Solution

A donor can retain ownership and use of property during their lifetime and still benefit Bluefield College by leaving the property to the college upon their death.

The Benefits

- Gift to Bluefield College: The college receives cash or property to be used to advance the mission of providing a Christ-centered liberal arts education.
- Estate tax deduction: The amount given to Bluefield College is not subject to federal estate tax or state estate/inheritance tax. Your estate gets a deduction for the amount or value of the property left to Bluefield College and can actually reduce your potential death tax liability to zero.
- Preserves lifetime flexibility: You are able to use and control property during your lifetime.

The Details

You can leave property to Bluefield College by including a bequest in your will or trust or in the case of property that passes by beneficiary designation (such as individual retirement accounts or a life insurance policy) by designating Bluefield College as the beneficiary.

Suggested Provisions to Include in a Will or Trust

1. Unrestricted Bequest of Cash

   "I give to Bluefield College, a non-profit organization located in Bluefield, Virginia, the sum of $___________ to be used as determined by the Board of Trustees of Bluefield College."

2. Bequest of Cash with Restriction (e.g., a purpose)
"I give to Bluefield College, a non-profit organization located in Bluefield, Virginia, the sum of $______________ to be used for the purpose of [insert restriction]."

Please note: If you would like to consider the establishment of scholarship fund or any other type of restricted use fund with the proceeds from your bequest, we would be glad to develop a non-binding fund description agreement for you prior to the completion of your estate planning document that details the use and application of the distributions from the fund you wish to create.

3. Unrestricted Bequest of Balance of Estate
"I give to Bluefield College, a non-profit organization located in Bluefield, Virginia, the rest, residue and remainder of my estate, both personal and real, wherever located at the time of my death, to be used as determined by the Board of Trustees of Bluefield College."

4. Bequest of Balance of Estate with Restriction (e.g., a purpose)
"I give to Bluefield College, a non-profit organization located in Bluefield, Virginia, the rest, residue and remainder of my estate, both personal and real, wherever located at the time of my death, to be used for the purpose of [insert restriction]."

5. Bequest of Real Estate
"I give to Bluefield College, a non-profit organization located in Bluefield, Virginia, the following parcel(s) of real estate located in [Name] County, [State] and legally described as follows:
[LEGAL DESCRIPTION(S) HERE]

Suggested Language for Beneficiary Designation
"Bluefield College, a non-profit organization located in Bluefield, Virginia, the amount of
$____________ or ____________%."

CHARITABLE GIFT ANNUITY (CGA)

In exchange for a gift of cash or property, Bluefield College agrees to make fixed, equal payments for life.

The Need
A donor wants to make a gift to Bluefield College, but needs regular interest payments to supplement income.

A Solution
The donor and Bluefield College enter into a charitable gift annuity agreement.

The Benefits

- Fixed payments for life: a gift annuity contract provides fixed payments to one or two individuals for life
- Partly Tax-Free Payments: a portion of each gift annuity payment to the donor is tax-free (i.e., not subject to income tax)
- Rates by Age: annual gift annuity payouts are based on the donor's age (rates are usually higher than prevailing interest rates on certificates of deposit and are even higher for older donors)
- Tax deduction: the donor receives a current federal income tax deduction for a portion of the cash or property used in making the gift to Bluefield College.

Who Benefits?
Bluefield College alumni and friends who desire fixed payments for life or who have cash (e.g., certificates of deposit or money market accounts) or appreciated property (stocks, real estate) that produces little or no income.

The Details
A charitable gift annuity (CGA) is a contract between a donor and Bluefield College.

1. Duration
   A donor gives cash or appreciated property to Bluefield College. In exchange, the college makes fixed payments for the lifetimes of one or two individuals.
2. Payout Rate
   Gift annuity payments are not dependent upon the investment rate of return earned by Bluefield College. Instead, the payments are based on a rate schedule. Like many charities, Bluefield College uses a rate schedule set by the American Council on Gift Annuities (ACGA). Under the ACGA's rate schedule, the older a person receiving the gift annuity payments, the higher the fixed rate.
3. Taxation of Payments
   A pre-determined portion of each gift annuity payment is tax-free and the remaining amount of each payment is taxable (at either ordinary and/or capital gain rates).
4. Timing
   A gift annuity contract can begin making payments immediately (a "current gift annuity") or defer payments for at least one year (a "deferred gift annuity").

CHARITABLE REMAINDER TRUST (CRT)

A trust that receives cash or property from a donor, makes payments of income to one or more individuals during their lifetimes or for a term of years, and then distributes the remaining cash or property to Bluefield College.

The Need
A donor wants to turn appreciated property that produces little or no income into a productive asset without paying capital gains tax on the sale of the property.

A Solution
A donor contributes the appreciated property to a charitable remainder trust that will sell the property tax-free and then make payments to the donor or other named individual(s) for life or for a term of years.

The Benefits

- Bypass gain: trust sells property tax-free
- Increased Income: trust pays a percentage of its value to the trust beneficiary
- Charitable tax deduction: donor receives a current federal income tax deduction

Who Benefits?
Bluefield College alumni and friends with cash or appreciated property of significant value who want increased income.

The Details
The college's or the donor's attorney drafts a charitable remainder trust, also known as a CRT. Once the

CRT is created, the donor transfers cash or appreciated property to the CRT. The CRT is a tax-exempt trust that can sell the appreciated property without paying capital gains tax.

1. Duration
   A CRT can last for the lifetimes of one or more beneficiaries or for a specific term of years.
2. Annuity vs. Unitrust Payout
   Each year, a CRT pays either an annuity amount or unitrust amount to its beneficiaries. A charitable remainder annuity trust (CRAT) pays a fixed dollar amount each year. By contrast, a charitable remainder unitrust (CRUT) pays a different amount each year in most cases. This amount is equal to a fixed percentage of the trust value at the beginning of the year in which the payment is made.
3. Taxation of Payouts
   CRT payouts are taxed to the beneficiary as ordinary income, capital gain, tax-free income and/or return of principal (the initial money or property contributed to the trust). Most CRT payouts are taxed to the beneficiary as ordinary income and/or capital gain. It is rare for a CRT beneficiary to receive tax-free income or return of principal.
4. Payout Flexibility
   An annuity trust, or CRAT, offers no flexibility in determining the payout amount after the donor selects what the initial payout amount will be. For example, a CRAT establishing a 6% payout on an initial funding amount of $100,000 will payout $6,000 per year for the term of the trust. A fixed percentage of the initial CRT value must be distributed each year. A unitrust, or CRUT, on the other hand, offers four flexible payout options. A standard CRUT pays a fixed percentage of the trust value at the beginning of the year in which the payment is made. A net income trust (NICRUT) pays the lesser of the trust's net income for the year or the standard payout amount. A net income with makeup trust (NIMCRUT) is like a NICRUT, but in some cases can make additional distributions. Finally, a FLIP trust pays like a NIMCRUT until a certain date or event and then "flips" to pay like a standard CRUT.

CHARITABLE LEAD TRUST (CLT)

A trust that receives cash or property from a donor, makes payments to Bluefield College for a specified period and, at the end of the period, distributes the trust property to a specified beneficiary, usually family.

The Need

A donor wants to give property to his family and pay as little gift or estate tax as possible.

A Solution

A donor contributes property to a trust that will make distributions to Bluefield College for a specified term and ultimately distribute the property to the donor's family.

The Benefits

- Pass appreciation to family: donor gives property to a lead trust and that property plus growth passes to his or her family with no additional tax.
- Gift or estate tax deduction: donor receives a current federal gift or estate tax deduction for the present value of the payments that will go to Bluefield College.

Who Benefits?

Bluefield College alumni and friends who want to pass specific property that is expected to grow substantially to family at low gift or estate tax cost. A lead trust is ideal for persons with estates of three million or more.

The Details

An attorney drafts a charitable lead trust (CLT). Once the CLT is created, the donor transfers cash or property to the CLT. Unlike a CRT, a CLT is a taxable trust. Every year of the trust term, the CLT will report its income and then take a deduction for the amount that it distributes to Bluefield College; any excess is subject to tax.

1. Duration

   A CLT can last for the lifetimes of one or more beneficiaries or for a specific term of years.

2. Annuity vs. Unitrust Payout

   Each year, a CLT pays either an annuity amount or unitrust amount to Bluefield College. A charitable lead annuity trust (CLAT) pays a fixed dollar amount to the college each year. By contrast, in most cases a charitable lead unitrust (CLUT) pays a different amount each year to Bluefield College. This amount is equal to a fixed percentage of the trust value at the beginning of the year in which the payment is made.

3. Lead Trust Types

   There are two basic types of CLTs: a family CLT and a grantor CLT. A family CLT, described above, receives property and, ultimately, distributes it to someone other than the donor. No income tax deduction is available to a donor who creates a CLT. A grantor CLT, not described above, receives property and, ultimately, returns it to the donor. The donor gets an income tax deduction when he creates the trust. When the trust calculates its income each year, however, the donor has to report this income on his or her personal income tax return even though he or she did not receive any of the income. The benefit of a grantor CLT is a large current income tax deduction, which can offset a donor's high income in the year the trust is created.

LIFE ESTATE RESERVED

Bluefield College accepts a gift of real property – either a personal residence or farm – and the donor retains the right to use the property for his or her lifetime.

The Need

A person may desire to leave his or her house or farm to Bluefield College at death, but would like a current tax benefit.

A Solution

Donors can deed a house or farm to Bluefield College, but keep the right to use the house or farm for their remaining lifetime.

The Benefits

- Tax deduction: donor receives a current federal income tax deduction for the remainder value of the home or farm
- Preserves lifetime use: donor is able to use and control the home or farm while alive

Who Benefits?

Bluefield College alumni and friends who have enough liquid assets available for living expenses and who desire a current income tax deduction.

The Details

A donor executes a deed transferring a house or farm to Bluefield College. In the deed, the donor retains a “life estate,” which is the right to live in the home and use it for life. At the time of the gift, the donor and Bluefield College also enter into a maintenance, insurance and taxes agreement (MIT) specifying the donor’s responsibilities with respect to the home, including the payment of maintenance, insurance and taxes.

BARGAIN SALE

Bluefield College purchases property for less than fair market value or accepts a gift of mortgaged property.

The Need

Many people desire to benefit Bluefield College, but cannot afford to give an entire property to the college.

A Solution

Bluefield College can buy the property at a bargain price.

The Benefits

- Immediate benefit to donor: donor gets cash payment and relief from managing the property.
- Bypass gain: donor avoids gain on the part of the property that is a gift.
- Tax deduction: donor receives a current federal income tax deduction for the part of the property given to Bluefield College.

Who Benefits?

Bluefield College alumni and friends who own appreciated property and want to benefit Bluefield College, but who need a benefit in return (e.g., cash or management relief).

The Details

A bargain sale works just like any other sale except that the sale price is a bargain (less than the property is worth). A donor sells the property to Bluefield College and receives a cash payment. The donor gets the cash he needs, and Bluefield College gets a valuable property for less than full price. The difference between the sale price and the appraised value of the property is a gift to Bluefield College.

FOR MORE INFORMATION ABOUT A HERITAGE GIFT OR OTHER PLANNED GIVING OPPORTUNITIES WITH BLUEFIELD COLLEGE, CONTACT

HAL KEENE
DIRECTOR OF PLANNED GIVING AND MAJOR GIFTS
VKEENE@BLUEFIELD.EDU
276.326.4209

BLUEFIELD
COLLEGE

BLUEFIELD.EDU/PLANNED-GIVING