

# Fontbonne Academy



## Planned Giving Guide

# GENERAL INFORMATION

## INTRODUCTION

We have our own personal reasons for wanting to make a planned gift to Fontbonne Academy and to support the school and mission that is meaningful to us. The information in this brochure describes the different ways you can accomplish this through immediate, deferred or life income gifts. It is provided to give you a basic understanding of planned giving options, not as a complete reference for all the options available.

*Be assured that this booklet serves as a guide. You just need to know whom to call. The Planned Giving Officer and Financial Advisors at Fontbonne Academy and will assist you in every way possible.*

## PRIVACY NOTICE

Fontbonne Academy is committed to full legal compliance with respect to protecting the privacy of the information that you have entrusted to us. We collect nonpublic personal, financial and statistical information about you from the following sources:

- Application or other forms you complete and give to us
- Transactions you make with us, our agents and sub-agents

We do not disclose any nonpublic, personal, financial information about you to anyone, except as required by law. We restrict access to nonpublic, personal, financial information about you to those employees who need to know that information in order to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal and state regulations to guard your nonpublic personal information.

## IMMEDIATE GIFTS

The assets described here may be used to fund both immediate gifts and life-income gifts. The procedures refer only to immediate gifts.

### CASH

Gifts of cash are routinely used to pay pledges and make special (capital) gifts. Procedure: Make a check payable to the official corporate name of the school: Fontbonne Academy, 930 Brook Road, Milton, Massachusetts 02186.

The date of the gift is the date of the US Postal Service postmark on the envelope in which you sent the check. If another carrier is used, it is the date on which the school received the package.

### APPRECIATED SECURITIES

Many donors use stocks, bonds, or mutual funds to make gifts. If they have increased in value since you obtained them, there can be significant tax advantages:

- Your income tax deduction is usually based on the full market value of the securities on the date of the transfer.
- You can usually avoid paying capital gains taxes that would have been due if securities had been sold.
- If you wish to donate securities that have diminished in value since you obtained them, it is wiser to sell the stock, claim the capital loss as a tax deduction, and donate the resulting cash.

**Procedure:** If the securities are held in an account at a financial institution but accounted for as belonging to you, instruct your broker by letter to transfer xxx shares of your stock to an account in the name of Fontbonne Academy. The date of a gift of securities is the date on which the transfer of ownership took place.

- If you have the actual certificate for the stock, bond, or mutual fund, mail it to Fontbonne Academy in one envelope. To ensure security, do not sign the stock certificate. In a separate envelope, enclose a signed stock power guaranteed by a bank officer. Once again, for security in shipment, do not complete the description of the securities.
- The date of the gift is the date of the postmark on the envelope containing the stock power. If another carrier is used, it is the date on which the school received the package.

**Valuation:** The IRS calculates the value of the gift as the average of the highest and lowest selling prices of the securities on the gift date.

## REAL ESTATE

You may have a second or, even, a third home. Your primary residence may no longer be practical. Giving real estate to a private school is a time-honored way of making a substantial gift with an asset, usually highly appreciated, that might otherwise be underutilized.

**Procedure:** To make a gift of real estate, whether or not it includes a dwelling or other buildings, the property should be free of financial encumbrances such as mortgages or liens. It should be readily marketable, and you should be aware that the school may sell the property after it is given.

The school will want to conduct an environmental assessment to insure that there are no hazardous waste conditions at the site that could become a liability to the new owner.

The donor usually pays for a property survey, appraisal, the environmental assessment, and the preparation of the deed transferring the property.

The gift date is the date of the closing.

## PERSONAL PROPERTY

You may donate assets such as jewelry, automobiles, paintings, and antiques as immediate gifts, or they can be used to fund life income gifts. As with real estate, you will need to pay for a bona-fide appraisal of the item by a qualified appraiser.

**Procedure:** Your lawyer creates a deed of gift, and a closing takes place at which the item is delivered and the documents are executed. The gift date is the date on which this closing takes place.

**Valuation:** For your tax deduction to be based on the appraised market value of the item, the item must have a particular usefulness to the school. That is, the item must be related to the charity's purposes. For instance, the value of a classical painting donated to an art museum is appropriate to the museum's mission. It would be deductible at fair

market value. But it would not be applicable to declare that the same painting is compatible with the mission of a symphony orchestra. The tax deduction for a gift of personal property that is not related to the charity's mission is deductible at cost basis only. You should consult with your tax advisors for the appropriate evaluation and reporting requirements.

## BARGAIN SALE

A bargain sale is an arrangement by which a donor sells a portion and gives a portion of personal property or real estate to a charity.

## RETIREMENT ASSETS

Retirement funds are an increasingly valuable asset to many people—an asset often overlooked as a source of charitable gifts. Giving from an IRA, a 401K, or 403B plan can provide you with important tax advantages. Since the money that has accumulated in these plans has never been taxed, the IRS levies heavy taxes on any distribution, unless that distribution is to a charity.

By naming the charity as beneficiary of the remaining retirement fund assets, you can avoid a tax pitfall. Your retirement fund could be subject to income tax plus estate taxes, considerably diminishing its value before being passed on to heirs. Give other assets to family members and other heirs.

### Procedures:

After a fair market value is determined based on a true appraisal by a qualified appraiser, the property is deeded to the charity. You may take a tax deduction for a contribution of any portion of the value of the property for which the charity does not compensate you. For example, you make a bargain sale of your \$100,000 house to your school for \$50,000. The school pays you \$50,000. You may take a tax deduction for the \$50,000 donated portion. The gift date is the date the property changes hands.

## GIFTS OF LIFE INSURANCE

You may find that you have some life insurance that you no longer need. “Whole” or “universal” life insurance has cash value and can be donated to Fontbonne Academy

You would receive a tax deduction for the replacement cost of the paid-up policy at the time of your donation, not the face value of the life insurance.

If the policy requires continuing premium payments, you can continue paying those premiums and get a tax deduction for each one if it is done in the following way: the policy must be “owned” by Fontbonne Academy and it must pay the premiums on it. You make a contribution to the school each year in an amount that approximates the premium, and the school pays the premium. You may also designate Fontbonne Academy as a full or partial beneficiary of any policy.

*For more information about donating life insurance contact Fontbonne Academy’s Planned Giving Officer.*

## DEFERRED GIFTS

### WILLS AND BEQUESTS

Fontbonne Academy has had an impact on the lives of young women since 1954. Many of you grew, developed, were educated and nurtured by the mission of Fontbonne Academy. It is only natural that you would want to help continue its work by providing a gift through your estate planning.

**Procedure:** You should always make your estate plan with the assistance of an attorney. The money spent is minimal compared to the savings in taxes, and the reduction in complications and confusion.

You can also make charitable gifts through

A bequest through a will is the simplest and most common planned gift. It can be an outright monetary bequest, a percentage of your estate, a percentage of the “rest, residue, and remainder” of your estate after a number of other bequests have been fulfilled, or a specific asset such as personal or real property. It could also be a contingent bequest, to be exercised only if some other intention is unable to be fulfilled (such as a named heir predeceasing you). You can have charitable bequests given for general purposes or to support specific programs at Fontbonne Academy. Examples of bequest language are: “I give, devise, and bequeath to Fontbonne Academy, Inc. whose address is 930 Brook Road, Milton, Massachusetts 02186, the sum of \$\_\_\_\_\_, to be used for its general purposes.”

OR

“I give, devise, and bequeath 10% of the rest, residue, and remainder of my estate Fontbonne Academy, Inc. whose address is 930 Brook Road, Milton, Massachusetts 02186 to be used for general purposes”

a codicil to your will, or refer to an instruction letter in the will itself. The instruction letter can be changed from time to time without the trouble and expense of rewriting the will.

Your bequest to support Fontbonne Academy, Inc. is a living tribute to your intention to support the school’s work by giving away assets after you no longer need them. Having made that decision, you may wonder if there might be advantages to giving away assets before you die, but you may be worried that you need the income in your retirement.

## LIFE INCOME GIFTS

A life income gift enables you to make the gift but keep the income for the rest of your life. Growing out of the 1969 tax act, life income gifts became a way for people to make substantial charitable gifts from their assets, yet still keep—and live on—the income. Several types of life income gifts work the same way: assets are transferred to a charity or to a trust that will eventually benefit a charity. The charity invests the assets and produces income, which is paid to the donor and/or spouse, or another person if desired. The income can be paid for the duration of their lives or, in some cases, for a specified number of years. Creating a life income gift entitles you to a tax deduction for what's called the "Present Value of the Remainder Interest." This is the amount that the charity is expected to receive when you pass away, discounted for present-dollar value. The value of the income beneficiary's right to receive income is called the "Present Value of the Income Interest," sometimes needed to calculate possible gift or inheritance taxes. Life income gifts are also called "split-interest" gifts, because assets are being managed by a trustee for the interests of both the income beneficiary (whose objective is to receive income) and the charitable beneficiary.

## CHARITABLE REMAINDER TRUSTS

For contributions of \$100,000 or more, the charitable remainder trust is a flexible and creative life income gift vehicle. It can provide you and your family a number of benefits, while providing a substantial gift to support Fontbonne Academy. A trust is created by a written agreement that designates a trustee and provides for income payments to named income beneficiaries (usually you and/or your spouse).

**Procedure:** Assets are transferred to fund the trust, and you receive a tax deduction equivalent to the present value of the remainder interest. Trust income amounts are paid quarterly to the income beneficiaries, in an amount equal to the unitrust or annuity amount that is determined when the trust is set up.

At the death of the last income beneficiary, the

trustee releases the funds to the charitable organization(s) named in the trust.

Income from a charitable remainder trust is taxed advantageously, through a tiered process that is explained in the disclosure statements available in Fontbonne Academy's Charitable Remainder Trust booklet. Appreciated securities, real estate, or cash can be used to fund charitable remainder trusts. Income from a charitable remainder trust is taxed advantageously, through a tiered process that is explained in the disclosure statements available. Appreciated securities, real estate, or cash can be used to fund charitable remainder trusts. We can supply forms which, when completed, give the school enough information to run an illustration of a gift that you might be considering. Draft trust documents and language can be drawn up by Fontbonne Academy's attorney for review by your attorney.

A charitable remainder unitrust has a stated payout rate, say 5% or 6%, which is applied against the market value of the trust assets, as valued annually. If the assets have increased in value during the preceding year, the payout will be higher, still at the same percentage, but now of a larger value. A charitable remainder annuity trust also has a stated payout rate, but it is based on the initial value of the trust assets. Its quarterly payments do not change, whether the underlying assets of the trust increase or decrease in value. Fontbonne Academy, can be trustees of charitable remainder trusts for the lifetime of the trust. The Trustee calculates values, makes the income payments, manages the investments, handles custody of the securities, files tax returns, and makes reports.

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Fontbonne Academy

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