

Please tell me more about the Pooled Income Fund

- Send me further disclosure information and documents for making a transfer to The Rotary Foundation's Pooled Income Fund.
- Please call me to discuss my particular situation and the gift I am considering to benefit the Foundation's Permanent Fund.
- I am interested in an illustration of the U.S. federal income tax consequences of a pooled income gift transfer of \$ _____ .
(If you do not specify an exact dollar amount, we will base our illustration on a gift of US\$25,000.) I understand all information below will be evaluated without any cost or obligation on my part.

My birthday is / / . The birthday of the second income beneficiary (if applicable) is / / .
mo. day year mo. day year

Yes, the concept of life income gifts to Rotary's Permanent Fund interests me. Please send me information on other types of life income gifts.

Name _____

Address _____

City _____

State _____

Postal Code _____

Telephone _____

Rotary Club _____

District _____

The information in this brochure does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice. The Rotary Foundation encourages you to seek professional legal, estate planning, and financial advice before deciding on a course of action. The example in this leaflet is based on a representative discount rate.

Putting it all together

One donor's case: a gift of stock

Glenn Waters, age 65, owns shares of stock worth US\$20,000 for which he paid \$5,000 some years ago. He has considered selling the stock, which pays only \$600 per year in dividends, but he hesitates to do so because he would pay \$4,200 tax on the capital gain (28 percent of \$15,000), leaving him only \$15,800 to reinvest.

Instead, he contributes the stock to The Rotary Foundation Pooled Income Fund. He pays no tax on the capital gain and receives an income tax charitable deduction of \$10,792 which, in his 31 percent bracket, results in tax savings of \$3,345.

The Fund's current donor income return is approximately 4 percent, so his annual income would be about \$800, a \$200 increase over the dividend yield. Since the Fund is invested for long-term growth as well as present income, the value of his units, and consequently the payments he receives, may increase over time. If such growth occurs, he will have the satisfaction of making an even larger future gift to Rotary. The Fund's total rate of return has exceeded 10 percent on a regular basis.

Because Mr. Waters contributed appreciated property to the Fund, the amount of his deduction that he may report is limited to 30 percent of his adjusted gross income (AGI). For a cash contribution, the deduction limit would be 50 percent of AGI. In either case, the excess deduction may be carried forward as many as five additional tax years.

The charitable deduction will be smaller when two income beneficiaries are named, because of the longer joint life expectancy. For example, if Mr. Waters had included his wife, also age 65, as a joint and survivor beneficiary, his deduction would be \$8,438.

For more information

A disclosure statement, describing in more detail the operation of the Fund and its investment objectives, is available from our office. Also, we would be pleased to prepare for you a personalized illustration showing the amount of your deduction and the current return you would receive from a contribution. This is provided without obligation on your part.



If you would like to know more about ways to give, please contact:

Planned Giving Supervisor
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Fax: (847) 328-5260
E-mail: plannedgiving@rotaryintl.org
www.rotary.org

*“W*e wanted to make a gift that would do the most good — that's why we chose The Rotary Foundation.

The Late James R. Rash Jr.,
Rotary Club of Henderson, Kentucky, USA,
donor of a named fund to support the
Group Study Exchange program

*...a gift that would do
the most good...*



Gifts and Income



The Rotary Foundation

The visionaries who began Rotary had the foresight — and the desire — to imagine a better world.

Chances are, you're already among those who have discovered the benefits of investing in mutual funds: simplicity, diversification, and professional fund management. We want you to know about a U.S. charitable giving arrangement that combines those same benefits with the satisfaction of making a tax-deductible gift to The Rotary Foundation.

It's The Rotary Foundation Pooled Income Fund, a trust in which the contributions of many separate donors are "pooled" and invested under professional management. Each contribution purchases "units" in the Fund at their current value, and the donor (and/or other income beneficiaries named by the donor) receives a regular share of the Fund's net income in proportion to the number of units owned. When an income interest terminates (at the death of all named beneficiaries), that portion of the Fund's assets are distributed to the Foundation where they are placed in the Permanent Fund. The principal of your gift will remain in this endowment and a portion of the earnings will be spent each year.

Joining the Fund

What to do

To participate in the Pooled Income Fund, you simply fill out and sign an Instrument of Transfer and make a gift of at least US\$5,000 (the minimum initially required to join the Fund). Additional contributions of \$1,000 or more may be made at any time — just like purchasing additional shares in a mutual fund. However, because the primary purpose of participating in this Fund — unlike a mutual fund — is to make a charitable gift, you may not redeem your units and recover your principal.

Your options

In the gift agreement, you indicate whether you are making your gift as an individual or jointly with your spouse or another adult, and whether the income beneficiaries will be the donors (the most common arrangement) or one or more other persons. The income benefit may be paid to the beneficiaries jointly (to both together and then to the survivor) or successively (first to one and then to another). Income checks are mailed to the beneficiaries after the end of each calendar quarter; if necessary, an additional adjustment check may be sent after the end of the fiscal year. The rate of return to participants will fluctuate over time, depending on the performance of the Fund.

Giving cash or securities

Contributions to the Fund may be in cash or readily marketable securities or a combination of the two. By law, a pooled income fund cannot receive tax-exempt securities such as municipal bonds.

Tax benefits of giving

Income tax benefits

Because your contribution to the Fund entails an irrevocable charitable gift, it yields important tax benefits. First, you receive an income tax charitable contribution in the year of your initial contribution or any subsequent contribution. The amount of your deduction is determined by the size of your gift, the number and ages of the income beneficiaries, and the Fund's top rate of return for the past three years.

Capital gains benefits

When you contribute appreciated securities to the Fund, you receive a second tax benefit: you pay no tax on the capital gains. This makes a pooled income fund gift an effective way to escape a "locked-in" position if you have a highly appreciated but low-yielding stock. Giving such an asset to the Fund may increase your cash flow over time.

Federal gift and estate tax impact

Besides reducing your income tax, you may also reduce your federal gift and estate tax. No estate tax will be payable on assets contributed to the Fund when you, or you and your spouse, are the only beneficiaries. If you name someone else as a beneficiary, a gift or estate tax deduction will be allowed for a portion of the contributed assets.

As the assumptions in the example included in this brochure may not apply to every donor and his or her beneficiaries with equal benefits, we strongly recommend that you discuss your interest in the Pooled Income Fund with your own advisers before making a gift to the Fund.

Planned Giving Supervisor
Fund Development Department
The Rotary Foundation
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THE ROTARY FOUNDATION POOLED INCOME FUND — IT COMBINES A *wise*
INVESTMENT FOR YOU AND A GENEROUS *gift* TO A *cause* YOU BELIEVE IN!

Please
place
stamp
here