PREPARING FOR DONOR CALLS AND MEETINGS

A Staff Guide on
How to Give to IPS

June, 2019

THE UNIVERSITY OF TENNESSEE
INSTITUTE FOR PUBLIC SERVICE

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IPS81 • E13-0110-000-81-19

PREPARING FOR DONOR CALLS AND MEETINGS

The mission of IPS is quite simple - to serve and improve the state of Tennessee. We do so through five agencies, a staff of hard-working and knowledgeable professionals, and with the support of the university and the stakeholders that we serve. Giving to support the agencies and work of IPS is not complicated and should be enjoyable as we work to continue critical services to exceptional employers and agencies. There are many different ways to give to IPS, including through immediate, on-going and delayed gifts to support specific campaigns and areas of importance to the donor.

Gifts already underwrite a small percentage of existing IPS programs. An expanded investment in people, programs and productivity will allow IPS to provide and expand the services critical to these donors and customers within the IPS mission. The key to development is to help donors to identify the programs and services important to them and to help them to connect with and support these needs.

GIVING TO THE UNIVERSITY OF TENNESSEE AND IPS

Compelling reasons to support IPS are drawn from the customer and stakeholder input to the Strategic Plan, with an outline of present and future programs and the plans and needs of the agencies of IPS. These focus on the obvious – supporting the use of technology, creating internships, filling the gaps in staff development and retention, and creating a sustainable funding plan to maintain the future of critical IPS services in a changing environment. Initiatives such as the statewide internship program for public service, the development of additional training facilities, scholarships for law enforcement personnel and the use of endowments to support consulting positions will require support from the private sector, individuals, associations and foundations. Every gift to the Institute for Public Service, no matter the size, makes an impact on the lives of Tennesseans through the institute's programs and centers.

Direct contributions allow a donor to give directly for a specific project or need. Donations can be direct with cash or funding for a program or service, through designation in an estate or will, or through the donation of property. Each of these has advantages to the donor and can be important to the discussion with a potential donor.

DIRECT GIVING

One of the easiest and most common ways to support the University of Tennessee Institute for Public Service is with a financial or property gift. These direct contributions include outright gifts and payable on death (POD) accounts.

Many donors are willing to increase their gift by spreading donations over 5 or more years, and do so with a multi-year pledge.

OUTRIGHT GIFTS

By making a cash gift by check, credit card or money order donors enable IPS to meet urgent needs and carry out the Institute's mission on a daily basis. Donors have the opportunity to see their generosity in use and, for those who itemize, will also receive an immediate federal income tax charitable deduction. The gift may be provided as a memorial or tribute gift, and be used to recognize the work or life of family members and others of love and respect.

ENDOWED GIFTS

Donors interested in establishing a lasting legacy may wish to fund or support and existing endowment. The earnings from endowments support the specific projects and interests of the donor, as spelled out in the gift agreement developed with and approved by the donor. Endowments often support operating expenses for programs and facilities, and support annual grants and scholarships for students and internships.

An endowed fund is one which the original principal is never invaded and the gift exists in perpetuity. Endowments are generally funded within five years of the initial contribution. Income is distributed annually pursuant to spending policies adopted by the University of Tennessee Foundation and no income will be distributed until the endowment is fully funded. There is no limit for donating gifts to already-existing endowments, but the minimum requirement for establishing new endowments is $25,000. Each endowment will be supported by an accompanying fund agreement which is signed by the UT Foundation (UTFI) and the Donor or Donor Representative. All fund agreements explain the gift's purpose and use. Approval by the Vice President for IPS must occur prior to signatures by the UT Foundation and the Donor.

SECURITIES AND MUTUAL FUNDS

Securities and mutual funds that have increased in value and been held for more than one year are one of the most popular assets to use when making a gift to the University of Tennessee. For the donor, donating appreciated securities or mutual funds held for more than one year can reduce or eliminate federal capital gains taxes on the transfer. The donor is also entitled to a federal income tax charitable deduction based on the fair market value of the securities at the time of the transfer.

ESTATE GIFTS

Bequests allow individuals to make larger gifts than they could during their lifetime to support the work of charitable organizations like the University of Tennessee Institute for Public Service. In addition, gifts through a will are flexible – the terms and gifts can be changed as individuals' circumstances in life change.

THE LEGACY SOCIETY

IPS launched the Public Service Legacy Society in 2010 to honor individuals who remember the institute or one of its agencies – CIS, CTAS, LEIC, MTAS or the Naifeh Center for Effective Leadership - in their estate plans. Membership is extended to anyone who includes the institute and its agencies in their will, or makes the institute or agencies the beneficiary or owner of a paid-up insurance policy or retirement plan. Donors who participate in various lifetime income plans the university has available also are eligible for membership.

Membership in the society is permanent; that is, it continues from year to year throughout the member's lifetime. The membership roster is displayed prominently in the institute's annual report with permission granted by the donor and as the Society grows members are treated to special events and gatherings through the year as special guests of the institute.

PUBLIC SERVICE ☆☆☆ LEGACY SOCIETY

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Examples of donor estate plans include:

1. *Making a bequest in a will or living trust.*
2. *Naming the institute as a full or partial beneficiary of a life insurance policy, IRA or other retirement plan, commercial annuity, bank account or brokerage account.*
3. *Creating a life income gift such as a charitable gift annuity or charitable remainder trust.*

THE GIFT OF PROPERTY

Assets such as valuable antiques, stamp, and coin collections, works of art, cars, boats, and other personal property can make suitable charitable gifts immediately or after the donor's lifetime. The financial benefit of the gift to the donor depends on whether the property is related to and can support the mission of the University of Tennessee Institute for Public Service.

Property donated and in direct use to further the mission of UTIPS is deductible for the donor at the full fair market value. Any property is that is determined to support a nonrelated use is limited in value to the lesser of fair market value or the tax basis in the property.

If the federal income tax charitable deduction is sought for a gift of tangible personal property valued at $5,000 or more, the donor will have to obtain appraisals and comply with IRS guidelines and forms for the tax return on which the deduction is claimed.

Property may be donated in many ways, and all have potential tax benefits available under different circumstances:

1. *As an outright gift. The gift may also be provided as a memorial or tribute gift, and be used to recognize the work or life of family members and others of love and respect.*
2. *As a gift in a will or living trust.*
3. *As a bargain sale. Property can be sold to the Foundation for less than the fair market value of the item. For example, if a donor sell the university an antique for $25,000 that is worth $50,000, the donor receives credit for a federal income tax charitable deduction of $25,000 and the payment amount from the Foundation of $25,000. The donor may also receive partial capital gain tax relief.*
4. *A charitable gift annuity. Donors may sometimes use non-income producing property such as valuable stamp and coin collections or works of art in exchange for life payments and a federal income tax charitable deduction. The amount of the charitable deduction depends, in part, on whether the donated items are retained by the charity and used for its tax-exempt purpose.*
5. *A retained life estate. Donors may prefer to continue living in their residence for their lifetime. The donor can donate the home, a vacation home, or farm to UTIPS but keep the right to occupy (or rent out) the home for the remainder of the donor's lifetime. Under this arrangement, the donor continues to pay real estate taxes, maintenance fees, and insurance on the property. The university would not take actual possession of the property during the donor's lifetime but with this irrevocable gift the donor would receive an immediate federal income tax charitable deduction for a portion of the home's value.*

IRA CHARITABLE ROLLOVER

Donors 70 ½ years old or older can take advantage of a simple way to benefit the University of Tennessee Institute of Agriculture and receive tax benefits in return. Donors may give up to $100,000 from their IRA directly to a qualified charity, including UTIPS, without having to pay income taxes on the money.

CHARITABLE ANNUITIES

A charitable gift annuity allows a donor to both support a charity, such as the Foundation, while also guaranteeing income for them or their beneficiary. An annuity involves a simple contract between the donor and the Foundation, and can generate funding for UTIPS and provide a fixed amount each year for the rest of the donor's life to the donor or other named beneficiary.

Funds donated to a charitable gift annuity are separated into two or more portions, with a portion provided to the university and the balance provided to the donor or beneficiary in annuity payments. The structure allows a charitable deduction on federal income taxes that in real terms reduces the gift's net cost to the donor. A donation of appreciated property in lieu of cash may also provide the donor with the additional benefit of a reduction in capital gains taxes at the time of the gift.

CHARITABLE REMAINDER ANNUNITY TRUST

The annuity trust provides for payment of a fixed-dollar amount—annually or at more frequent intervals—to the designated beneficiary(ies). The amount must equal at least 5% of the initial fair-market value of the trust. At the death of the last beneficiary, the trust principal is distributed to UTIA.

In addition to the income you will receive from the trust, you will also be entitled to a charitable income-tax deduction for the value of our remainder interest in the trust assets.

Gift Range: $100,000 or more:

Example: Bill and Carol purchased growth stock for $20,000 ten years ago. It is now valued at $100,000, but the annual dividends are only $1,500. They are both 75, and they would like to increase their retirement income. To do this, they transfer the stock to a charitable remainder annuity trust with a 5% payout rate.

In the first year, they will receive a $5,000 payment—over three times the dividends they have been receiving—and they will continue to receive $5,000 each year for the rest of their lives. Moreover, they avoid tax on their profit in the stock and receive an income-tax deduction of about $37,000. In their 24% tax bracket, this saves them $8,880 in income taxes (24% of $37,000).

When the last beneficiary dies, the annuity trust assets will benefit UTIPS.

CHARITABLE REMAINDER UNITRUST

The unitrust provides for payment of a fixed-rate amount—annually or at more frequent intervals—to the designated beneficiary(ies). The amount must equal at least 5% of the initial fair-market value of the trust. This rate is applied to the market value of the trust revalued annually. This provides the beneficiaries an opportunity for a growing steam of income. At the death of the last beneficiary, the trust principal is distributed to UTIA.

In addition to the income you will receive from the trust, you will also be entitled to a charitable income-tax deduction for the value of our remainder interest in the trust assets.

Gift Range: $100,000 or more

Example: Bill and Carol purchased growth stock for $20,000 ten years ago. It is now valued at $100,000, but the annual dividends are only $1,500. They are both 75, and they would like to increase their retirement income. To do this, they transfer the stock to a charitable remainder annuity trust with a 5% payout rate.

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CHARITABLE LEAD TRUSTS

Donors may also support a trust to provide immediate tax savings while preserving assets for their estate. The donor places assets – including money and property – under the direction of a trustee that holds title and manages the trust with a fiduciary relationship. The trustee has a responsibility to act in good faith and with care, candor, and loyalty meeting in the best interest of the trust and donor, with the donor taking an arms-length role in the management of the assets.

A charitable lead trust provides payments generated from the trust to both the charity – in this case UTIPS – and the donor or donor's beneficiary. The donor may select either fixed income, with a charitable lead annuity trust, or income that varies with the value of the assets with a charitable lead unitrust. The selection of fixed or variable income applies to both UTIPS and to the beneficiary.

BENEFICIARY DESIGNATIONS WITH INSURANCE, RETIREMENT PLANS AND ANNUITIES

Although many consider a will to be the clearest way to transfer assets after their lifetime, a direct beneficiary designation is often the easiest way to direct contributions to the university, other charities and for specific interests. Retirement plans, IRAs, life insurance, and commercial annuities may be directed outside of the will with separate beneficiary forms to name recipients and beneficiaries. The use of beneficiary designations applies as well to Payable on Death accounts.

A beneficiary designation form and sample gift agreement, directing the use of the donation for a specific project or purpose, is available through UTIPS.

Payable on Death (POD) Accounts and Certificates of Deposit
A POD bank account or certificate of deposit is established with a named survivor or beneficiary, with one or more persons or charities as the beneficiary of all funds the donor contributes once the account owner passes away. The beneficiary has no rights to the funds during the donor's lifetime and, until death, the donor remains in control of all funds and is free to use the money in the bank account, change the beneficiary or close the account.

DONER ADVISED FUNDS

A donor advised fund is a donation to a new or existing tax-exempt sponsoring organization, such as a public foundation. Donors typically make a gift to establish their fund and contribute additional funds over time. The donation allows the donor the ability to recommend but not control how the funds are transferred to charities. This allows the donor the ability to donate to a single organization but to benefit multiple charities, without the cost and complexities of managing a private foundation. The donor receives a federal income tax charitable deduction on the contributions.

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