Charitable Ways
to Get More Fixed Income

During the roaring ’90s many donors were attracted to life income gift plans, particularly those offering a variable income with potential for growth. Today that is changing. With the market still volatile, more and more donors want the security of a fixed income. Fortunately, there are some life income gift plans that can provide a good and fixed income stream, often substantially higher than CDs or other fixed-income investments. These plans give the donor an opportunity to make a large, meaningful gift to Saint Louis University and experience the joy of lifetime philanthropy.
Certainly there are many reasons why prudent individuals increasingly are coordinating their charitable giving with financial planning. A volatile market does not eliminate the need for such planning. It simply opens the door for new planning opportunities. Here are some timely ideas you may wish to consider as you assess the changing economic climate and your own financial planning needs.

**Increase Retirement Income**

Alice, age 79, is a retired schoolteacher. Having experienced firsthand the Great Depression years, she became a consistent saver, preferring the safety of CDs and money market funds to the risks of the stock market. Her conservative strategy now almost seems progressive to friends who are watching their own stock portfolios shrink in value. But even Alice has not completely weathered the storm of today's down market. She has managed to preserve principal, but declining interest rates have caused her retirement income to drop significantly. She would like to make a gift but would also like to increase her income.

Alice is pleased to learn that she can use one of her $10,000 CDs coming due to fund a charitable gift annuity. This plan will pay her an annual income of $800 (8.0%) for the rest of her life. This income is substantially more than what she can receive with a new CD. And, what's more, $544 (68%) of her payments will be tax-free for several years! Furthermore, she will receive an income tax charitable deduction of $4,617*, which will further help shelter income. She is so pleased with the result that she is now considering using some of her money market funds — plus a matured savings bond — to contribute for two more gift annuities. Adding to her pleasure the knowledge that she can designate the ultimate use of her gift to support a program at the University that is dear to her heart.

**Get More from Bonds**

Harold invested heavily in equities during the '90s, but eased over into bonds when the market began to get choppy late in the decade. Now that the market has gone into a three-year slump, the bonds have appreciated to $300,000. If interest rates go back up — which they ultimately will — the value of the bonds may decline. Yet if he sells the bonds now he will incur a capital gains tax. Is there a way that Harold can unlock the gain without incurring the tax and lock in an even higher rate of return?

After consulting with our staff, Harold decides to use the bonds to fund a charitable remainder annuity trust. In so doing, he avoids any immediate capital gains tax on the transfer to the trust. He selects a fixed payout rate of 7%, matching the payout rate of the bonds, for the lives of he and his wife, both 78. Moreover, he receives an income tax charitable deduction of $107,414*, which can be used to save taxes for the year of the gift and for up to five more years if it exceeds the annual limit on the charitable deduction.

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Harold likes the flexibility of the trust and also appreciates the high fixed income and tax benefits he can enjoy while helping to make a difference at the University. He would have been unable to achieve all of these objectives without the many benefits of the charitable remainder annuity trust.

**Use Low-Dividend, Unappreciated Stock to Diversify**

Like many other couples, George and Susan have watched their portfolio shrink in value. The shrinkage may have been less had they diversified more and not been so top heavy with stocks. They would like to convert some of their stocks — those that have flattened out and have little rebound potential — into a fixed income stream. But with interest rates so low, bonds seem a bit risky now.

After speaking with our staff, Susan learned that it might make sense to use some of their low-dividend stock, which had appreciated very little, to fund a charitable remainder annuity trust. It could be arranged to pay fixed income for their lifetimes, plus help them diversify their portfolio in a tax-efficient way. This generous gift plan allows them an opportunity to significantly support Saint Louis University, which would not be practical without the trust arrangement.

The stock donated to the trust was valued at $80 a share (about what they paid for it, after watching it move up substantially and then come back down). Since the stock has such a poor prognosis for rebounding, George and Susan decided to donate their 2,000 shares to a charitable remainder trust. The couple, both 80 years of age, select an annuity payout rate of 7%, which translates into a fixed income stream of $11,200 per year for the rest of their lives. Moreover, they will be entitled to an immediate income tax charitable deduction of $64,979* that can help shelter their income for up to six years. Ultimately, the gift will support their favorite program at the University.

In brief, George and Susan convert an underperforming asset into an attractive fixed income stream for life and achieve better diversification. They also receive immediate tax relief. And, last but not least, they have the satisfaction of knowing they will ultimately play an important role in helping shape the future of Saint Louis University. Everyone benefits from the arrangement!

*Based on 4.8% AFR. Contact the Office of Planned Giving for the current month’s rate.

**Frequently Asked Questions about Fixed-Income Opportunities in Today’s Market**

- How can I get more fixed income for life without increasing my risk?
- Can I use unappreciated or depreciated stock advantageously to fund a life income gift plan?
- Are there specific assets that are more attractive to give during a down market?
- Can I unlock the gain in appreciated bonds and lock in a high, tax-free retirement income?
Find Out How to Increase Your Fixed Income

If you are looking for more fixed income, the logical starting point might be to consult with your financial advisors to take a closer look at bonds, annuities or stocks that pay good dividends. Obviously, you will need to discuss the tax consequences that may result should you shift assets and your planning strategy.

Those who coordinate charitable giving with financial planning may want to send for our new booklet, *Fixed-Income Opportunities through Charitable Giving*. The booklet contains a brief and timely discussion of bonds and annuities, as well as a review of how to use popular life income gift plans to receive fixed income while reducing your taxes. Also included is information on how to provide fixed income for a disabled or special needs loved one who may need help building a retirement fund.

Once you have had the opportunity to read the booklet, feel free to request an illustration at no obligation that will explain in detail your potential income and tax benefits. Because of the ever-changing interest rates and market conditions, we can help you design a plan to maximize your financial and philanthropic benefits.

We hope some of the ideas we have highlighted will be helpful in your planning. Please feel free to contact us if you have any questions or if we can be of further service to you.

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**IMPORTANT PLANNING TIP**

When you sell a stock, you need to know the cost basis for each share. If you are unable to calculate your basis — a distinct possibility with stocks that have undergone many splits, mergers and spin-offs — the IRS will assume your cost basis is zero. The entire proceeds of a sale would be considered gain. This could translate into an unexpectedly high capital gains tax liability. Such stocks may be an excellent choice for making charitable gifts and simplifying life.

Recently members of the Jesus Church United Church of Christ made a gift to the William E. Jaudes Endowed Scholarship Fund at Saint Louis University School of Law. In 1999, the congregation decided to disband and distribute its remaining funds to 10 charitable organizations. The gift to Saint Louis University was made in memory of William Jaudes, a 1962 graduate of the School of Law. Jaudes, who was the grandson of a former pastor at the Soulard church, provided legal assistance with the dissolution of the church. Pictured (from left) are Martha Philippi; Kathleen Perks; Carolyn Schultheis; Jeffrey Lewis, dean of the School of Law; Carol Jaudes (GRLP '61), wife of the late William Jaudes; and Norman Schultheis.

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**SAINT LOUIS UNIVERSITY**

**Office of Planned Giving**

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The GIFT that GIVES BACK FOUR TIMES a YEAR

The charitable gift annuity is a unique gift arrangement that helps you and Saint Louis University. The annuity provides donors with fixed payments up to four times a year. Here is how a $10,000 gift annuity benefits one or two beneficiaries age 74:

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<tr>
<th></th>
<th>One-life</th>
<th>Two-lives</th>
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<td>Annual lifetime payment</td>
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<td>Tax-free portion of payment</td>
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<tr>
<td>Federal income tax charitable deduction*</td>
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Payout rates for other selected ages

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<tbody>
<tr>
<td>65</td>
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</tr>
<tr>
<td>85</td>
<td>9.7%</td>
<td>8.1%</td>
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</table>

* May vary

To receive more information or a customized gift annuity illustration, call the Office of Planned Giving at (314) 977-2357 or (800) 758-3678, or e-mail us at plannedgiving@slu.edu.

REAL ESTATE: DON’T OVERLOOK ITS POTENTIAL AS A GIFT ASSET

Many individuals have turned recently from stocks to real estate as an investment. Indeed, some financial experts feel that buyers have created a “real estate” bubble in some parts of the country and have recommended the sale of certain properties. One exit strategy that may be particularly appealing is to make a gift of real estate to Saint Louis University. You will receive an income tax charitable deduction and avoid capital gains tax on the transfer. In addition, you can donate real estate to a life income gift plan such as a charitable remainder trust that will sell the property (without payment of capital gains tax) and invest the proceeds to generate a steady income stream for you.

Another gift solution is a charitable gift of a personal residence with a retained life estate. The high income tax charitable deduction — made especially attractive by today’s low interest-rate environment — can dramatically improve your cash flow. You may continue to live in the residence. Thus, you can receive the tax benefit without disrupting your lifestyle.

Please contact the Office of Planned Giving if you would like to further explore one of these opportunities.

Charitable gift annuities are available to residents of most states. Saint Louis University does not render tax, legal, accounting or investment advice. Please consult with your professional advisor to determine if a charitable gift annuity is right for you.
The field of social service embodies the rich tradition of a Jesuit education: unwavering commitment to the pursuit of knowledge and the gift of service to others. Jane Bierdeman-Fike truly exemplifies this tradition through her work.

After graduating from Maryville College of the Sacred Heart with a degree in English literature in 1944, Jane worked in the advertising department of a newspaper as a copy editor. When advancement at the paper no longer appeared promising, she began to look elsewhere for a job. One day she met a Maryville classmate who was working at the St. Louis City Welfare Office. Her friend told her that she really enjoyed her work and that her office was looking for college graduates. Jane applied and was hired. Thus began her career in social work, which has continued for almost 60 years.

Jane spent the early years of her career at the St. Louis City Welfare Office and the Social Planning Council of Greater St. Louis. Her career then branched into the mental health field. She worked as a psychiatric social worker and supervisor at St. Louis State Hospital. In 1962, she was offered and accepted a position as director of psychiatric social work at Fulton State Hospital in Fulton, Missouri.

At Fulton, as in other mental health settings, clinical social workers are important members of treatment teams composed of psychiatrists, psychologists, nurses and other mental health workers. They are responsible for obtaining the life history of each patient, conducting group and individual therapy sessions with patients and their families, preparing patients for discharge back to their communities and arranging for individualized after-care plans. These are essential because a patient's successful return to the community depends upon follow-up psychiatric care, including medication as prescribed by psychiatrists, and psychosocial connections, career plans and family involvement.

"Throughout my early career, I enjoyed working directly with the patients," she said. "However, I found out that I could make a greater impact on the treatment of mental illness by teaching other social workers how to be helping professionals. As an administrator, I tried to develop policies and programs that enabled treatment staff to devote their efforts to the most rewarding aspect of our jobs. This is having the time to spend directly with the patients and persons significant to them."

Jane was director of psychiatric social work at the hospital from 1962 until her retirement in the summer of 2000. For her many years of service to the citizens of Missouri, she received a special gubernatorial proclamation from her friend, the late governor, M. Carnahan.

Jane has received several important honors for her professional contributions. In 1971, she received the Professional Achievement Award from Maryville College. In 1991, she was the recipient of the Alumnae Merit Award from Saint Louis University School of Social Service. In 1995, the Missouri Chapter of the National Association of Social Work named her Social Worker of the Year. In 1997, the National Association honored her as a Social Work Pioneer. From 1974-1990 she was an elected member of the board of trustees of the Missouri State Employees' Retirement System, which represents more than 50,000 active and retired state employees.

Education has always been important to Jane. She has served on the adjunct faculty of several universities. "I have continuously emphasized that the curricula of social work educational institutions should be as meaningful as possible to the everyday concerns of practice," she said. Her insight and dedication to the field were instrumental in the establishment of an accredited undergraduate social work department at William Woods University.

Jane's own formal education in social work started with her enrollment in the master program at Saint Louis University School of Social Service. She received her degree in 1949. "I valued the education that I received at Saint Louis University and especially appreciated the accessibility of the faculty," she said. Jane lists Aloysius Scheller, S.J., M.arian DeVoy, M.S.W., and Dr. Katherine Radke among the faculty who had the greatest influence on her.

Jane's admiration for Saint Louis University led her to establish a series of charitable gift annuities that will benefit the School of Social Service. Her gift annuities have been established in memory of several family members and deceased faculty member Dr. Katherine Radke. "I first became familiar with annuities as a trustee for the Missouri State Employees' Retirement System," she said. "I also received literature on charitable gift annuities from Saint Louis University. The charitable gift annuity allows me to support the University and at the same time receive an attractive level of payments for life."