



**Planned Giving Manager
Mini Manager
Gift Annuity Manager
Windows Version 6.2 Update
June 2009**

Dear PGM Client,

I am delighted to announce the release of **Planned Giving Manager version 6.2**.

In addition to incorporating the new 2000CM mortality table required by the IRS for computing the deduction for split interest gifts, such as gift annuities and charitable remainder unitrusts, made on or after July 1, 2009, PGM 6.2 includes a long list of important enhancements. All enhancements apply to Mini Manager and Gift Annuity Manager, except where noted. Highlights include:

- Calculations for gifts of short term gain, ordinary income, and loss property
- Nine new functions in the Tools menu, including Present Value of Future Bequest, Deduction for Gift Annuity Termination, and Life Expectancy
- Five "optimizer" functions that automate the determination of values, such as the bargain sale price that results in a \$0 net tax and the lead annuity trust payout rate that earns a 100% tax deduction
- A new Summary of Benefits – Numbers Diagram in Basic Gift Illustrations (Program 1)
- The ability to model a testamentary gift annuity funded with retirement plan assets
- A revised approach to entering a percentage cost basis that simplifies the entry of a cost basis that is less than \$100

Please read the brief discussion of each enhancement on the attached pages so that you understand what's new in PGM 6.2.

If you have any questions about the software, please do not hesitate to call us toll free at 888-4PG-CALC (888-474-2252).

We look forward to helping you get the most out of PGM 6.2!

Sincerely,

Gary M. Pforzheimer, President
PG Calc Incorporated

Summary of Enhancements

Tax law changes

- **New 2000CM mortality table**

On April 30, 2009, the IRS announced a new mortality table for computing charitable deductions for split interest gifts, such as gift annuities and charitable remainder trusts. The new table, 2000CM, must be used when computing deductions for gifts made on or after July 1, 2009 and, at the donor's option, may be used with gifts made in May or June 2009 when the IRS discount rate for May or June is also used. We have incorporated the new table and the transition rules into PGM 6.2. If you enter a gift date that is on or after July 1, 2009, PGM will use Table 2000CM to compute the charitable deduction. If you enter a gift date in May or June of 2009 *and also* select the IRS discount rate for May or June, PGM will let you select either Table 2000CM or Table 90CM (the table that 2000CM is replacing) to compute the charitable deduction. If you select the IRS discount rate for March or April for use with a May or June 2009 gift, PGM will use Table 90CM automatically.

- **Updated IRS discount rates**

As we do with every update, we have hard-coded all monthly IRS discount rates through the month of release in order to ensure their accuracy. PGM 6.2 incorporates discount rates through July 2009. We send an eRate e-mail each month with the most current IRS discount rate. If you are not receiving the IRS discount rate this way, but would like to in the future, please visit www.pgcalc.com/support/eratesignup.htm. You will continue to receive our monthly IRS discount rate postcard whether or not you sign up for the eRate.

Enhancements

- **Handling of additional property types**

In addition to performing calculations for gifts of cash and gifts of long term appreciated property, PGM can now perform calculations for short term capital gain property, ordinary income property, and capital loss property. For example, PGM can now compute deductions and gift annuity taxation schedules for all of these property types. PGM's description narratives, such as *Description and/or Example*, also take property type into account. The new *Property type* question is found in the *Principal Value – Cost Basis* window of the Basic Gift Illustrations, First Year Analysis, and Life Income Projections programs (Programs 1, 2, and 3).

- **New “Optimizer” functions** (PGM and Mini only)

PGM 6.2 includes what we are calling “optimizer” functions for five gift plans. With a click of your mouse, you can tell PGM 6.2 to do any of the following calculations:

- Determine the maximum charitable remainder annuity trust payout rate that still passes the 10% remainder value and 5% probability tests. The rate is rounded down to the nearest fourth decimal.
- Determine the maximum charitable remainder unitrust payout rate that still passes the 10% remainder value test. The rate is rounded down to the nearest fourth decimal.
- Determine the bargain sale price at which the donor's income tax savings exactly offsets the capital gains tax the donor will owe on the sale.
- Determine the charitable lead annuity trust payout rate that earns a specific charitable deduction percentage, such as 100%. This function is also available for charitable lead unitrusts (although a 100% deduction is not possible with a lead unitrust). The rate is rounded up to the nearest fourth decimal.
- Determine the amount to sell in a Sell Part and Give Part model such that the donor's income tax savings from the gift exactly offsets the capital gains tax the donor will owe on the sale. (PGM only)

- **New Templates simplify use of "Optimizer" functions** (PGM and Mini only)
To simplify your use of the optimizer functions, we have added five new Templates for applying them. They are all found in the new Optimizer Functions folder under Templates.
- **New "Tools" functions**
We have added nine new functions under the Tools menu to help you perform a variety of helpful calculations.
 - **Life Expectancy** - compute the joint life expectancy for one to ten lives using your choice of six mortality tables, including the gender-specific Annuity 2000 table and the new 2000CM table.
 - **Present Value of Future Bequest** - compute the present value of a bequest intention using your choice of six mortality tables and one or two lives.
 - **Deduction for Gift Annuity Termination** - compute the deduction available to a deceased annuitant's estate for the unrecovered investment in contract or to an annuitant who voluntarily reassigns his or her annuity to your charity. Load the annuity taxation schedule and other values required by the calculation into the data entry window with a single button click.
 - **Income Tax, Capital Gains Tax, Gift Tax, Estate Tax** - use these four tools to compute each of these respective types of tax.
 - **Blended Federal and State Tax Rates** - compute a donor's blended income tax rate, given applicable federal and state income tax rates.
 - **Blended Investment Assumptions** - compute the blended income and capital appreciation rates of a mixed portfolio of stock, bonds, and cash that each carry their own investment assumptions. Apply the blended results to your current projection cases with a single click.
 - **View or print Tools results**
We have added View and Print buttons to each Tool function, giving you the ability to view and print a report of your entries and the results. This reporting feature may be especially useful with the new *Present Value of Future Bequest* and *Deduction for Gift Annuity Termination* functions.
- **Diagram enhancements** (PGM and Mini only)
 - **Enter custom labels for diagram icons**
In the same window where you can pick diagram icons, you can now also replace our standard diagram icon labels, such as "Donor" and "Family," with your own label text, such as "Mr. Smith" and "Gary, Bill, and Allison."
 - **Summary of Benefits – Numbers diagram added to Basic Gift Illustrations**
We have added a Summary of Benefits – Numbers diagram to Basic Gift Illustrations (Program 1). As a result, you now can produce both How It Works and Numbers diagrams in Basic Gift Illustrations, along with all other Basic Gift Illustration presentations.
- **Compute income interest in CRT using payout rate outside normal % limits** (PGM and Mini only)
PGM can compute the deductible value of an income interest in an annuity trust or net income unitrust, even when the payout rate you must use is outside the ordinary 5% and 50% limits. In the case of net income unitrusts, PGM now asks whether you are computing a deduction for the gift of an income interest and, if so, automatically uses the lesser of the IRS discount rate and the unitrust's state payout percentage as the payout percentage for the calculation per PLR 200725044.
- **Model testamentary annuity funded with retirement plan assets** (PGM only)
PGM now can model a testamentary gift annuity funded with retirement plan or other IRD assets, a gift plan approved in PLR 200230018.

PGM has been able to model testamentary charitable remainder annuity trusts and unitrusts funded with this type of asset for a number of years.
- **Improved interpretation of dates with 2-digit years**
With the exception of birth dates, PGM now interprets all dates entered with 2-digit years as 21st Century dates. PGM continues to treat 2-digit birth dates as 20th Century dates.

- **Simplified entry of cost basis that is \$100 or less**
PGM now interprets all cost basis entries as dollar amounts, including those that are 100 or less. If you prefer to enter a cost basis as a percentage, just add a “%” to the end, such as 50%.
- **Improved ability to combine first two gift annuity payments**
 - **Simplified combining of first partial and first regular gift annuity payment**
A new question in the gift annuity follow-up window asks whether you want to combine the first two payments. No more need to manipulate the entry for Date Payment Period Begins.
 - **Annuity payments the same whether or not combined**
In all cases, the total amount of a gift annuity’s first partial payment and first regular payment is the same, whether or not they are combined into a single payment. This was not the case in past versions.
- **Optional reinsurance information added to gift annuity disclosure statement**
We have added language to the gift annuity disclosure statement to accommodate charities that reinsure some or all of its annuity contracts. You can indicate your organization’s policy on reinsuring annuities under Customize – Organization Information.
- **Default payment frequency for lead trusts changed to annual** (PGM and Mini only)
We have changed the default payment frequency for charitable lead trusts from quarterly to annual in Basic Gift Illustrations (Program 1). This default value now matches the payment frequency assumption in Lead Trust Projections (Program 4).
- **Note in Comparison of Benefits chart expanded for flexible gift annuities**
The Comparison of Benefits chart includes a note at the bottom whenever a flexible gift annuity appears on the chart. In addition to the range of possible elective payment start dates, the note now indicates the presumed elected payment start date on which are based the values displayed for the flexible gift annuity.
- **Expanded Online Help**
We have updated PGM’s Online Help system to reflect all changes and new features in PGM 6.2. These changes include the addition of recent tax rulings important to gift planning, such as the IRS sample charitable lead unitrust agreements found in Revenue Procedures 2008-45 and 2008-46.
- **PGM Introductory Guide updated**
You can download the PGM 6.2 Introductory Guide at www.pgcalc.com/pdf/pgm62intro.pdf or copy it from an update CD. The Introductory Guide takes you on a step-by-step interactive tour through all of the basics of the software, making it an ideal introduction to PGM for new staff members and a good refresher for current ones who use PGM infrequently.

Bug Fixes

- **Incorrect citations corrected**
We have corrected two citations. In the warning that appears when a gift annuity earns a deduction of less than 10%, we have changed the citation from Sec. 501(c)(5) to 514(c)(5) and 501(m)(5). On the Actuarial Calculations chart for pooled income funds, we have changed Reg. 1.642(c)-6(e)(2)(ii) to Reg. 1.642(c)-6(c)(2) and 1.642(c)-6(e)(4).
- **Washington State agreement publication date can be saved**
PGM clients who upgraded from PGM 6.0 to PGM 6.1 found that they could not save as a configuration value the Washington State agreement publication date they entered under Customize – Organization Information. PGM 6.2 can save this value in its configuration file, whether you upgrade from PGM 6.1 or PGM 6.0, or install PGM 6.2 as new software.

Appendix: Changes to Gift Annuity Agreement narrative

We have made the following changes to the Gift Annuity Agreement narrative in PGM 6.2:

Change that applies to all agreements

- We have revised the logic of how social security numbers are entered into the Gift Annuity Agreement and Gift Information Summary so that donor social security numbers can be entered just once and populate both documents.

Change that applies to Missouri agreements only

- We have revised the Missouri disclaimer paragraph that appears at the top of the agreement so that it complies with current Missouri requirements.

Changes that apply to New York agreements only

At the request of a New York reviewer, we have made two changes to bracketed text that appears in prototype agreements.

- We have revised the prototype agreement for two lives, successive annuitants, both donors are annuitants, to make [first donor/first annuitant] and [second donor/successor annuitant] explicit in bracketed text throughout the agreement.
- We have changed "[or]" to "[and/or]" in the Transfer of Property paragraph following the words "[cash in the amount of \$[amount]]".

Change that applies to Oregon agreements only

- We have added "charitable gift" to the Oregon disclaimer paragraph that appears at the top of the agreement so that it complies with current Oregon requirements.

Changes that applies to Tennessee agreements only

- Tennessee agreements now show "Tennessee" as the governing law state in all cases, regardless of how your copy of PGM is configured under Customize – Organization Information to set the governing law state.
- With the release of PGM 6.1C in January 2009, Tennessee prototype agreements began using incorrect paragraph number references in the *Irrevocability*; *Non-assignability*; *Termination* and *Power to Revoke* paragraphs. These numbering issues have been corrected.

Tennessee is in the process of creating final regulations related to a new gift annuity statute that went into effect on January 1, 2009. These final regulations are scheduled to be released no later than July 19, 2009. We are following this process closely and will update Tennessee agreements as necessary.