



Planned Giving Manager Suite
Planned Giving Manager/Mini Manager/Gift Annuity Manager
Windows Version 6.4 Update
February 2011

Dear PGM Client,

I am pleased to announce the release of **Planned Giving Manager version 6.4**.

PGM 6.4 includes:

- * Updated gift, estate, and generation skipping tax schedules and exclusions to match those created in the tax law enacted on December 17, 2010
- * Handling of the new portable deceased spousal unused exclusion for gift and estate tax
- * Automatic adjustment of gift annuity rates to meet the 10% deduction requirement
- * A trust income tax table that reflects 2011 indexing
- * IRS discount rates updated through February 2011
- * Minor modifications to several Narratives
- * Online Help updated to reflect all of these revisions

These changes are detailed on the following page. Please review them so that you understand them before you use your updated software.

If you have any questions about the software, please do not hesitate to call Client Services toll free at 888-4PG-CALC (888-474-2252). We look forward to helping you get the most out of PGM 6.4.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Pforzheimer".

Gary M. Pforzheimer

Summary of Enhancements

Tax Law Changes

- **Gift, estate, and generation skipping tax rules for 2011 and 2012 accommodated**

Changes in gift, estate, and generation skipping tax rules were put into effect for 2011 and 2012 by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 that was signed into law on December 17, 2010. For this year and next, federal gift and estate taxes will be unified with the same rate schedule (top rate 35%) and lifetime exclusion amount (\$5 million per taxpayer, \$10 million per married couple). The generation skipping tax will share the same top rate, 35%, and exclusion, \$5 million per taxpayer.

These changes are reflected in PGM and will affect calculations for non-grantor lead trusts in Basic Gift Illustrations, for the gift tax, testamentary, and estate plan models in Life Income Projections, for all gift options in Lead Trust Projections, and for the Estate Tax and Gift Tax functions in the Tools menu.

In addition to handling the new rate schedules and exclusion amounts, PGM 6.4 also accounts for the new portability of a deceased spouse's unused gift and estate tax exclusion to the surviving spouse. Only the exclusion of spouses who die in 2011 or 2012 is eligible for this treatment.

- **Tax Transition Rules updated to reflect new sunset provisions**

Absent new tax legislation from Congress, the provisions of the new tax act will expire at the end of 2012, after which rates and exclusion amounts will return to their levels under the law prior to 2001 – a 55% top bracket and a \$1 million gift and estate tax exclusion. We have updated PGM's options for how to apply gift, estate, and generation skipping tax (GST) to transfers projected to occur in 2013 or later. These options will allow you great flexibility in predicting the future benefit of the gift plans you propose. The three options are:

1. Sunset in 2013 and return to the tax rates under law before 2001
2. Repeal of estate tax and generation skipping tax in 2013
3. Continue 2012 tax rates in 2013 and future years

- **Indexed trust and estate income tax schedules applied in Lead Trust Projections**

Lead Trust Projections uses the federal income tax table for estates and trusts when it computes the income tax on a lead trust's or regular irrevocable trust's taxable income. PGM 6.4 incorporates for this purpose the federal income tax schedule for estates and trusts for 2011.

- **IRS discount rates updated through February 2011**

As with every update, we have included all monthly IRS discount rates up to the month of release in order to ensure their accuracy. PGM 6.4 incorporates discount rates through February 2011.

Other Enhancements

- **Automatic adjustment of annuity rate to pass 10% deduction requirement**

For many years, PGM has issued a warning message on screen whenever the deduction computed for a gift annuity of any type was 10% or less of the funding amount. We have now added a question inside this warning message that asks whether you wish to reduce the annuity rate so that the charitable portion of the gift exceeds 10% of the gift amount. If you click "Yes," PGM determines the annuity rate that yields a deduction of just over 10% and uses this rate in its calculations.

For gift annuities, deferred gift annuities (DGAs), and commuted payment gift annuities (CPGAs) this rate replaces the original annuity rate entry. For flexible gift annuities (FGAs), the deduction rate that just passes the 10% test is computed, as needed, for each elective start date and presentation values reflect these revised rates. Unlike the other gift annuity types, however, the revised rates used in computations do not replace the original annuity rate entries in the Gift Options window for the FGA.

- **Online Help updated with tax law changes**

We have updated PGM's Online Help with all tax schedules and exclusions related to the new tax law, as well as with 2011 values for all tax items that are indexed for inflation, such as the standard deduction and the personal exemption.

- **Narrative changes**

We have made minor text changes to many of PGM's narratives. Among the more interesting of these changes are the following:

Acknowledgment Letter/Gift Summary: Made revisions so that the Gift Summary produced for retained life estates and bargain sales includes all relevant facts and excludes all irrelevant facts.

Annuity Agreement: Removed all text related to the Nebraska tax credit, which expired on 12/31/09.

Comparative Description, Gift Description, Proposal Letter, Long Description: Clarified the meaning of long term appreciated property and short term appreciated property in the Example description. Also, changed "income" to "payments" where appropriate and deleted "income" where appropriate.

- **Terminology improvements**

Expanding on a change that we made to diagrams in PGM 6.3, we have changed "income" to "payments" where appropriate on all charts. We have also changed "undepreciable" to "nondepreciable" on actuarial charts for retained life estates and "percentage" to "fixed percentage" in the Summary of Benefits - How It Works diagram for remainder unitrusts and lead unitrusts.

- **Default rates lowered for generic pooled income fund**

We have lowered the initial defaults in the Pooled Income Fund gift option for the highest return of the last 3 years and current rate to quote to 3%.