

Planned Giving Manager Mini Manager and Gift Annuity Manager Windows Version 6.0 Update April 2006

Dear PGM Client,

I am delighted to announce the release of **Planned Giving Manager version 6.0**, our most significant upgrade of PGM capabilities since we added gift annuity agreements five years ago.

PGM 6.0 includes these great new features to make your work easier:

- Side-by-side gift amount comparisons
- Enhanced look and feel
- Initial menu to help get you started
- Prototype gift annuity agreements
- DemoClip demonstration slideshows
- ACGA rates that will go into effect on July 1, 2006
- IRS sample remainder trust instruments
- Present value and future value calculations
- Button to look up or download IRS discount rates
- Expanded integration with Blackbaud's The Raiser's Edge®

Please read the brief discussion of each enhancement on the attached pages so that you understand what's new in PGM 6.0 and can take full advantage of its new features.

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 6.0!

Sincerely,



Gary M. Pforzheimer

Summary of Enhancements

Enhancements

- **Compare different gift amounts side-by-side**

Now, you can compare different gift amounts and cost bases side-by-side! For example, you can compare three identical gift annuities funded with \$10,000, \$25,000, and \$50,000. Or, you can compare two identical CRUs, one funded with \$100,000 cash and the other with \$100,000 in stock with a \$20,000 cost basis. You can also compare a \$10,000 gift annuity with a \$100,000 CRAT. The combinations are entirely up to you. Every chart, graph, and diagram that can compare more than one gift on a page has been adapted to take advantage of this new feature. Enter the amounts you wish to compare in the Principal Values – Cost Basis window. We have implemented this feature in Programs 1-3.

We have also added a new Templates folder named Gift Amount Comparisons. This folder holds Templates that will give you a head start on comparing gift amounts. Choose File – Templates and open Gift Amount Comparisons to see what's available.

- **Enhanced look and feel**

When you launch PGM, it opens a new initial menu that makes it easy to choose what to do. We have also implemented display resolution control, which allows for larger windows and a larger display font to make PGM screens more legible. This improved look will be especially important when running PGM in front of a prospect or advisor. If you do not like the display that PGM selects for you automatically, you can adjust PGM's display resolution under Customize – Setup – Display Type and Colors. In addition, we have moved some seldom-used options to windows where they are apt to cause less confusion. See *Seldom-used options moved out of routine windows* later in this update summary for details.

- **Prototype gift annuity agreements for state filings and advisor education**

Now, you can create the prototype gift annuity agreements needed to fulfill state registration requirements with a click of your mouse. These agreements contain bracketed generic language wherever donor-specific information will appear in actual agreements. These prototype agreements are also ideal educational aids to provide to prospects or advisors during the gift solicitation process. See *Gift annuity agreements - Creating prototype agreements for state registration* in the Online Help Index for guidance on submitting prototype agreements to the states that require them.

- **Gift annuity agreements updated to comply with all current state requirements**

In early January we made PGM 5.4A available, which brought PGM's gift annuity agreements into compliance with new requirements in Oregon and California that went into effect on January 1, 2006. Now, we have updated the agreements again to comply with changes in requirements in New York, North Dakota, and Nebraska, as well. We have also made a number of other improvements, which are described in detail in the Gift Annuity Agreement Changes appendix at the end of this document.

- **DemoClip demonstration slideshows make learning easy**

DemoClip demonstration slideshows use Flash® animation to provide a completely new and engaging way to learn how to perform selected tasks in PGM. DemoClip topics cover all basic aspects of software operation and many popular presentation choices. To see a DemoClip for yourself, click the new DemoClips button in the PGM Toolbar and then run the DemoClip of your choice.



DemoClip button

- **IRS sample remainder trust instruments**


PGM now includes the sample lifetime and testamentary 1-life and 2-life, and term-of-years charitable remainder unitrust instruments released by the IRS in 2005. Contained in Revenue Procedures 2005-52 through 2005-59, you will find these sample unitrust instruments in PGM's Online Help Contents under *Reference Information – IRS sample gift agreements – Charitable remainder unitrusts*. These sample instruments can be very useful for sending to a prospect's attorney. PGM also includes the sample lifetime and testamentary 1-life and 2-life, and term-of-years charitable remainder annuity trust instruments published previously by the IRS in Revenue Procedures 2003-53 through 2003-60.

- **Present value and future value calculations in the new Tools menu**

We have added a new Tools menu to the PGM Menu Bar. This menu is designed to offer functions for performing quick calculations that are not specific to gift planning but often are of interest to gift planners. In PGM 6.0, the Tools menu contains functions for computing present values and future values. We expect to add more calculation functions to this menu in future releases.

- **Expanded integration with Blackbaud's The Raiser's Edge[®]**

We took initial steps toward enabling PGM and Blackbaud's The Raiser's Edge (RE) to share information in PGM 5.4. Working with Blackbaud, we've taken additional steps in PGM 6.0 that improve the integration of our two products in several important ways. New integration features include:

- You can click a *Save The Raiser's Edge Gift Information File* button on the PGM Toolbar to begin the process of saving PGM information in an RE constituent record.
-  *Save The Raiser's Edge Gift Information File* button
- You can revise a PGM presentation by opening a PGM input file that has been saved in an RE constituent record.
- You can save PGM presentations and documents in an RE constituent record for permanent reference.
- You can import PGM gift information on a completed gift into an RE constituent record with the click of a button (RE PlannedGiftTracker 7.8 required).
- You can populate a PGM pick list with RE Fund IDs automatically, greatly simplifying the process of importing PGM gift information into RE.

To learn more about these features, view the *Ways that PGM and The Raiser's Edge Can Work Together* DemoClip. See the *The Raiser's Edge* book in the PGM Online Help Contents tab for complete documentation of all these features.

- **"Get Rates" button makes updating IRS Discount Rate even easier**

PGM opens a window for entering the latest IRS Discount Rate whenever you launch it for the first time in a new month. This window now includes a Get Rates button. This button opens a window from which you can look up the latest rates, look up all historical rates since they began changing monthly, or download all rates needed to bring PGM's rates up to date. Even if you misplace our monthly postcard or eRate, getting the new IRS Discount Rate is still just a few clicks away.

- **Non-Charitable Interest charts improved**

The Non-Charitable Interest Actuarials chart is designed to value the portion of a planned gift that isn't designated for charity at the time the gift is established. This value can be useful for determining, (1) the taxable gift to an income beneficiary who isn't the donor, or (2) the charitable deduction resulting from a beneficiary's assignment of income to charity. For gift annuities, this life interest value is now displayed more prominently on the chart and numerous extraneous lines have been removed. We have also improved the terminology used in both the Non-Charitable Interest Dollars and Non-Charitable Interest Actuarials charts to be more appropriate to valuations of income interests and taxable gifts.

- **Gift annuity partial payment can be based on 365.25-day year**
PGM has always computed a gift annuity's partial payment by dividing the number of days credited to the annuity during the first payment period by the total number of days in that period. The result was then multiplied by the regular payment amount per period. We are aware that another widely-used approach to this calculation is to divide the number of days credited to the annuity during the first payment period by 365.25 and then multiply the result by the annual annuity amount. The .25 is to account for leap years. The resulting partial payment varies slightly from one determined using PGM's longstanding approach. You may find the 365.25-day approach helpful when trying to match the partial payment computed by PGM to the partial payment computed using other software. You can now choose the approach you prefer to use under Customize – Calculation Options – Gift Annuities.
- **California RCVs still computed for gifts made prior to 1/1/2006**
Effective 1/1/2006, California no longer requires the reasonable commensurate value (RCV) to appear in gift annuity agreements or in a charity's annuity filings with the state. In response, we have modified PGM so that it will perform this calculation only for gift annuities made prior to 1/1/2006. This way, you can still use PGM 6.0 to check the RCV for an old gift annuity whenever you need to. Note that, as in previous versions, the gift date must also be on or after 1/1/1992 and PGM must be set up to compute California RCVs under Customize – Calculation Options – Gift Annuities.
- **Seldom-used options moved out of routine windows**
As part of our effort to simplify your routine use of PGM, we have relocated, and in two cases reworded, several seldom-used options to windows where they are more directly relevant and less likely to cause confusion.
 - **Life Income Projections:** We have moved the *Current income from funding asset* and *Current capital appreciation rate of funding asset* questions from the Principal Value – Cost Basis window to the Wealth Replacement window under *Current return from funding asset*. In addition, we have moved the *Original principal equals* question to the Type of Plan to Model window, where it appears as *Increase principal by tax savings from charitable deduction* for the relevant plans only.
 - **Lead Trust Projections:** We have moved the *Pay gift tax with* and *Original principal equals* questions from the Principal Value – Cost Basis window to the Estate Information window. The wording of *Pay gift tax with* is unchanged. The *Original principal equals* question, however, has been reworded to read *Handling of transfer tax and principal*.
- **Online Help updated**
We have updated PGM's Online Help system to reflect all changes and new features in PGM 6.0.
- **PGM Introductory Guide updated**
You can download the PGM 6.0 Introductory Guide at www.pgcalc.com/pdf/pgm60intro.pdf or copy it from your 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 only infrequently.

Tax law and ACGA rate changes

- **New ACGA recommended annuity rates added**

The American Council on Gift Annuities (ACGA) announced new recommended gift annuity rates at the American Conference on Gift Annuities in San Francisco on April 6, 2006. The new rates apply to gift annuities made on or after July 1, 2006. The rates for immediate payment gift annuities will not change from the current rates, which have been in effect since July 1, 2003. The ACGA has increased the compound interest factor for computing deferred gift annuity rates by 0.25%, from 5.0% to 5.25%, for all deferral periods, resulting in a modest increase in deferred annuity rates under the new tables. Go to www.pgcalc.com/client/acga200607.htm for an analysis of the changes.

PGM 6.0 will continue to use your currently selected ACGA rate table through the end of June. The first time you run PGM 6.0 on July 1 or later, you will be presented with a configuration window where you will be told that a new gift annuity rate table is available and that you must choose a gift annuity rate table to use going forward. The new ACGA rate table will be the default choice unless your organization uses a custom rate table, in which case the custom table will be the default. You can choose the new rate table prior to July 1, if you wish, by opening Customize – Gift Annuity Rate Tables and choosing *ACGA Rates Effective 7/1/2006* at the top of the list.

- **2006 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 6.0 incorporates for this purpose the federal income tax schedule for estates and trusts for 2006.

- **10% penalty tax warning added for commuted payment gift annuities with young annuitants**

The taxable portion of term payments from a commuted payment gift annuity (CPGA) to an annuitant who is younger than 59½ years old may be subject to IRC Sec. 72(q), which imposes a 10% penalty tax on premature distributions from annuity contracts. Gift annuity distributions ordinarily qualify under the exemption from this tax for substantially equal periodic payments for life or life expectancy. So, if the annuitant doesn't commute payments and instead receives fixed payments for life starting on the date of first payment, the penalty tax would not apply, regardless of the annuitant's age at the time of distribution. The concern is that if payments are commuted to a term that is shorter than life expectancy with payments to be made before age 59½, they would not fall into any of the statutory exemptions. PGM now warns of this issue when you compute a CPGA for an annuitant who will be younger than 59½ years old on the date of first payment.

- **Online Help contains federal tax tables for 2006**

The Online Help in PGM 6.0 for Windows contains all of the pertinent tax tables for 2006. It also contains federal tax tables for past years and, where known, for 2006-2010. See the *Tables – Federal income tax* and *Tables – Gift and estate tax* sections in the Contents tab.

- **Updated IRS discount rates**

As we do with every update, we have hard-coded all monthly IRS discount rates up to the month of release in order to ensure their accuracy. PGM 6.0 incorporates discount rates through April 2006. 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, please visit www.pgcalc.com and click "Sign Up for the eRate!" You will continue to receive our monthly IRS discount rate postcard whether or not you sign up for the eRate. Also, the new *Get Rates* button discussed under *Enhancements* above makes it simple to download all the rates if you get behind.

Bugs

- **All clients can now launch PGM from an .inp attached to an e-mail**

In prior versions, some clients couldn't launch PGM by double-clicking a PGM input file (*.inp) directly, whether the file was in a list of files in Windows Explorer or attached to an e-mail or some other media. This problem made sharing PGM cases with colleagues more cumbersome for these clients. We have made a change in PGM that we believe will eliminate this problem for all clients who were having it. PGM 6.0 must be installed in the location where PGM is registered on your computer for the fix to work. This registration should happen automatically if you install PGM 6.0 in the same folder where your copy of PGM 5.4 or PGM 5.4A is installed.

- **Flexible gift annuity payout rates reset correctly after elective start date is changed**

In prior versions of PGM, changing the *Payment start date to show as elected by the annuitant* could result in PGM holding base annuity rates that were applicable to annuitants who were one year younger than appropriate. In other words, the rates could be slightly lower than they should have been. PGM 6.0 now resets the base annuity rates to remain correct whenever you change the *Payment start date to show as elected by the annuitant*.

Appendix: Changes to Gift Annuity Agreement narrative

We have made the following changes to the Gift Annuity Agreement narrative in PGM 6.0:

Agreement changes that are not state-specific

1. Added prototype versions of agreements for state registration.
2. Added optional donor Social Security #s under signature lines.
3. Added warning that agreement language for 2-life CPGAs is not fully implemented. Call PG Calc.
4. Added option to allow power to revoke during life or at death, or at death only. New York agreements continue to allow the power to revoke at death only.
5. Added logic to exclude reference to guardian from Paragraph b of the *Irrevocability* paragraph for 1-life CPGAs for donor who is also the annuitant.
6. Added "DCommuted-" to form number when CPGA is selected. Appears in standard and prototype agreements.
7. Fixed quote mark formatting in Hawaii disclosure statement so that the quote marks export to Word correctly.

New York agreement changes

1. Made partial payment language permanent.
2. Added required sentence to *Uses and Purposes* paragraph when gift is for a restricted purpose.
3. Added warning regarding New York issues with revocation language in certain agreements.
4. Changed "one-half" to "proportional" in *Power to Revoke* paragraph.
5. Split first sentence in *Irrevocability* paragraph into two sentences.
6. Added warning that if share noted in *Power to Revoke* paragraph is not a 1/2 share, annuity amounts in that paragraph must be edited.

7. Added single *Irrevocability* paragraph for prototype agreements (no alternative paragraph as for other states).

North Dakota agreement changes

1. Inserted optional language in *Irrevocability* paragraph to qualify for North Dakota income tax credit. Language is identical to Montana language.
2. Added warning that for donor of North Dakota agreement to qualify for tax credit, payments must start within life expectancy of annuitant(s) at time of gift.

Nebraska agreement changes

1. Inserted optional language in *Irrevocability* paragraph to qualify for Nebraska income tax credit. Language is identical to Montana language.
2. Added warning for deferred annuities that for donor to qualify for Nebraska tax credit, payments must start within life expectancy of annuitant(s) at time of gift.

California agreement changes (these changes were also released in PGM 5.4A)

1. Moved revised California disclosure language to above signature lines and made it mandatory (as opposed to optional), per state requirements effective 1/1/2006.
2. Deleted *Reasonable Value of Benefits* paragraph per state requirements effective 1/1/2006.
3. Removed California RCV question that appeared when PGM couldn't compute California RCV.

Oregon agreement changes

1. Revised Oregon disclosure language that appears at the top of the agreement, per state requirements effective 1/1/2006. (This change was also released in PGM 5.4A.)
2. Deleted *Reasonable Value of Benefits* paragraph. No longer required, per state requirements effective 1/1/2006.
3. Removed "The annuity payment is based on the selected commencement date for the first payment." for CPGAs and DGAs.
4. Removed "There is no cash value created under this Agreement." from *Irrevocability* paragraph.
5. Removed Oregon from list of states requiring donor signature. Donor signature lines, asking for donor SS#s, the "This agreement..." opening paragraph, and name and address information in the *Transfer of Property* paragraph no longer appear automatically. They now depend on whether the donor signature option is selected under Customize-Organization.