



Planned Giving Manager Suite

Planned Giving Manager/Mini Manager/Gift Annuity Manager

Windows Version 6.6 Update

May 2012

Dear PGM Client,

I am pleased to announce the release of **Planned Giving Manager version 6.6**.

PGM 6.6 includes:

- * Presentations for bequests to charity
- * Automatic updating of monthly IRS discount rates via the internet
- * Projections for grantor and super-grantor charitable lead trusts
- * Projections for step and balloon payment ("shark fin") lead trusts
- * Diagrams for outright gifts, bargain sales, and retained life estates
- * A new Windows 7 compatible Online Help format
- * Tax tables updated for 2012 indexing for inflation
- * Miscellaneous additional enhancements

These enhancements are detailed on the following pages. Please review 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 888-474-2252. We look forward to helping you get the most out of PGM 6.6.

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 rule exemption for 2012 accommodated**

The exemption for gift, estate, and generation skipping tax put into effect by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was \$5 million in 2011. This amount is indexed for inflation in 2012 and is now \$5,120,000. We have updated PGM with the indexed amount for 2012.

This change is reflected in PGM and will affect the following calculations:

- Non-grantor lead trusts in Basic Gift Illustrations
- Gift tax, testamentary, and estate plan models in Life Income Projections
- All gift options (except grantor trusts) in Lead Trust Projections
- Estate Tax and Gift Tax functions in the Tools menu.

- **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 6.6 incorporates for this purpose the federal income tax schedule for estates and trusts for 2012.

- **IRS discount rates updated through June 2012**

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 6.6 incorporates discount rates through June 2012. See the "Other Enhancements" section for information on PGM's new automatic IRS discount rate updating feature.

Other Enhancements

- **Presentations for bequests to charity**

PGM 6.6 includes a new “Bequest to charity” gift option in Basic Gift Illustrations and Life Income Projections. Choose this option to illustrate the benefits of a bequest with charts, diagrams, or narratives. Compare a bequest to other planned gifts, if you wish.

In addition, we have added fields under Customize – Organization Information to support this new feature. Using the information entered into these fields, the Proposal Letter, Description and/or Example, and Long Description and/or Example narratives can include your organization’s sample bequest language and specific instructions on how your organization should be identified in a donor’s bequest.

- **IRS discount rate updated automatically via the internet**

PGM 6.6 updates the monthly IRS discount rate automatically. Each time you launch PGM after the 14th of the month, it looks for the next month’s rate on PG Calc’s website. If it finds it, it imports it automatically. If you go several months between launches, PGM imports all of the IRS discount rates published since your copy of PGM was last launched. If this automatic feature causes problems for some reason, you can turn it off under Customize – Setup - General and maintain your rates manually as before. See “IRS discount rate – Maintaining in PGM” in the PGM Help Index for more details on this feature.

- **Greatly expanded lead trust calculations**

The persistently low IRS discount rate, including June’s record low of 1.2%, has sparked great interest in charitable lead trusts. PGM 6.6 accommodates this increased demand in the following new ways:

Grantor lead trust projections

Lead Trust Projections can perform projections for grantor lead trusts, including the income tax savings from the initial transfer, the estimated income taxes payable by the donor on income earned during the trust term, and the projected remainder that will be returned to the donor on termination of the trust.

Super grantor lead trust projections

Lead Trust Projections can perform projections for super grantor (“defective”) lead trusts. This type of lead trust is structured in such a way that it is treated as a grantor lead trust for income tax purposes (it earns an income tax deduction and trust income is taxable to the donor), but as a non-grantor lead trust for gift tax purposes (it earns a gift tax deduction and trust assets are outside of the donor’s estate).

Step payment lead annuity trust projections

Lead Trust Projections can illustrate a lead annuity trust whose payments increase over the term of the trust. For example, you can illustrate a lead trust that makes a \$50,000 payment in its first year and then increases its payment by 10% each year thereafter. An optimizer feature enables PGM to compute for you the initial payment amount that will yield a target deduction percentage, such as 100%. In addition, the Proposal Letter, Description and/or Example, and Long Description and/or Example narratives in Basic Gift Illustrations can describe the step payment lead trust.

Balloon payment (“shark fin”) lead annuity trust projections

Lead Trust Projections can illustrate a lead annuity trust whose payments are small for all but the final year or final few years of the trust, then become very large in the final year or final few years of the trust. For example, you can illustrate a lead trust that makes a \$1,000 payment in each of its first 19 years and then a \$1 million payment in its 20th and final year. An optimizer feature enables PGM to compute for you the balloon payment amount that will yield a target deduction percentage, such as 100%. In addition, the Proposal Letter, Description and/or Example, and Long Description and/or Example narratives in Basic Gift Illustrations can describe the balloon payment lead trust.

- **New DemoClip on illustrating step and balloon payment lead annuity trusts**

We've created a new DemoClip to guide you on how to get PGM to illustrate step payment lead annuity trusts and balloon payment lead annuity trusts.

- **Benefits and Tax Consequences chart simplified**

We have simplified the Benefits and Tax Consequences chart produced by Lead Trust Projections to make it easier to follow as you read down the page.

- **Default changed for handling of transfer tax and principal**

We have changed the default choice for the handling of transfer tax and principal in Lead Trust Projections from *Deduct transfer tax from original principal* to *Pay transfer tax from other funds*. This means that when there is transfer tax to pay, by default each gift option illustrated will be funded with principal amount you've entered rather than the principal amount minus the transfer tax owed.

- **CLAT payout rate default reduced from 7% to 5%**

Recognizing that with the monthly IRS discount rate at rock bottom lead annuity trust payout rates have tended to decline, we have reduced the default payout rate for these trusts from 7% to 5%.

- **Expanded ability to illustrate outright gifts**

Outright gift diagrams are now available in Basic Gift Illustrations. In addition, you can now illustrate outright gifts in Life Income Projections, including in an estate plan or testamentary plan model. While an outright gift typically is not considered a planned gift, these enhancements will facilitate comparisons of outright gifts with the many types of planned gifts that PGM has long illustrated.

As part of expanding outright gift capabilities, we have eliminated the option in Basic Gift Illustrations to donate less than 100% of the gift amount. You can accomplish the same goal by choosing to compare different principal amounts in the Principal Value – Cost Basis window.

- **Expanded ability to illustrate bargain sales**

Bargain sale diagrams are now available in Basic Gift Illustrations.

- **Expanded ability to illustrate retained life estates**

Retained life estate diagrams are now available in Basic Gift Illustrations. In addition, you can now illustrate retained life estates in Life Income Projections. An additional refinement is that you can specify in the retained life estate follow-up window under Gift Options whether

the gift will be funded with a home or a farm. Your choice determines the text that appears on presentations.

- **Online Help Format Windows 7 compatible**

PGM 6.6 uses a new format for its Online Help. While the new format looks a little different from the old one, topics are organized the same as before and context-sensitive help is just as robust. A significant advantage of the new format is that it runs seamlessly in Windows 7 and Windows Vista, as well as in Windows XP and 2000. Unlike with previous versions of PGM, there is no need to download a patch of any kind for Windows 7 or Windows Vista.

- **Updated Help content**

We have updated PGM Online Help to reflect all changes in the software. We also have updated all tax tables with schedules for the 2012 tax year.

- **Revised standard disclaimer text**

We have revised the standard disclaimer text that appears at the bottom of each presentation to indicate that the illustrated benefits “may vary depending on several factors, including the timing of your gift,” rather than on just “the timing of your gift.” If your disclaimer previously matched the old default text, it will be changed to the new default. Otherwise, your disclaimer text will be left unchanged.

- **Actuarial Calculations chart includes cost basis in investment in contract**

We have added a line to the Actuarial Calculations chart for gift annuities that displays the donor’s cost basis in the investment in contract (the non-charitable portion of the annuity). This value must be reported by gift annuity donors who must report all reportable capital gain in the year of their gift. Typically, this occurs because the donor is not the annuitant.

- **Add disclaimer language to Acknowledgement Letter**

We’ve added the following disclaimer language to the Acknowledgement Letter: “Please consult with your tax advisor before claiming a charitable deduction for your gift.”

- **“Invested by managers of endowment” benefit optional**

The following benefit found in the Proposal Letter, Description and/or Example, and Long Description and/or Example narratives for remainder trusts, pooled income fund gifts, and lead trusts is now optional: “Your gift will benefit from expert asset management, provided by the same professionals who manage [Charity]’s endowment”. You can opt in or out by answering a new question in the Narrative Follow-Up Questions window.

- **Reference name optional in gift annuity disclosure statements**

You now can choose to use your charity’s legal name throughout gift annuity disclosure statements or to substitute a reference name after the first appearance of the legal name. Previously, PGM always substituted a reference name after the first appearance of the legal name. Go to the second editing window in Customize – Organization Information to make this choice. As described in the Gift Annuity Agreement Changes section below, you can make a similar choice for gift annuity agreements.

- **Templates revised to keep deduction amounts sensible**

We have raised the beneficiary age in several of the templates that include a charitable remainder annuity trust (CRAT) so that the CRAT does not fail the 5% probability of exhaustion test, which would disqualify the trust and negate the charitable deduction.

Conversely, we have reduced the payout rate in several of the templates that include a charitable lead annuity trust (CLAT) so that the value of the CLAT payments to charity does not exceed the funding amount of the trust.

- **Templates added to simplify use of new lead trust and bequest features**

We have added templates to the Lead Trusts template folder that will give you a head start in illustrating step lead trusts, balloon lead trusts, grantor lead trusts, and super grantor lead trusts. We've also added a template to the Other Gift Plans template folder that will help you illustrate bequests.

- **Export to PowerPoint default color scheme changed to dark on light background**

You can set up specific formatting for exporting PGM graphs and diagrams to PowerPoint, including the color scheme. We have changed the default for this color scheme from light on dark background to dark on light background.

Gift Annuity Agreement Changes

Caution: If you change your selection for any of the options described below, you should re-file prototypes of your gift annuity agreements with every state for which your charity's agreements are affected by your change(s) and that has your charity's agreements on file.

- **New Customize question allows one or two signing officers for agreements**

You now can indicate under Customize – Organization Information that your gift annuity agreements should have one signer, one signer plus an “Attest” line, or two signers for the charity. If you choose two signers, you can enter a name and title for the second signer as well as the first, if you wish. Previously, PGM supported only one signer or one signer plus an “Attest” line. PGM's agreements have been revised to support these expanded signing options.

- **NY agreements can include "Attest" signature or not**

Regulators in New York have indicated recently that they will no longer approve prototype gift annuity agreements that include a second charity signature line with “Attest” above it. Instead, a charity that wants to have two signature lines must include the name and title of the second signer under the second signature line and “Attest” must not appear above it. That all said, charities that use agreements with an “Attest” line that were approved by New York in years past can continue to use them, and, in fact, must re-file their agreements with New York if they wish to change to the two signature format that New York now accepts.

We have revised the agreements and added options under Customize – Organization Information so that you can include either an “Attest” line or a second officer signature line on New York agreements while including an “Attest” line on agreements for all other states.

- **Reference name now optional in gift annuity agreements**

You now can choose to use your charity's legal name throughout gift annuity agreements or to substitute a reference name after the first appearance of the legal name. Previously, PGM always substituted a reference name after the first appearance of the legal name. As noted earlier, you can make a similar choice for gift annuity disclosure statements. Go to the second editing window in Customize – Organization Information to make these choices.

Bug Fixes

Detailed Cash Flow Analysis chart could show “Sale” when it shouldn’t have

The Detailed Cash Flow Analysis chart produced by Life Income Projections and Lead Trust Projections would show "Sale" above each year in which investment assumptions changed, including years for which capital gain was explicitly not recognized ("Recognize capital gain in [year]" was answered "No"). The Detailed Cash Flow Analysis chart no longer displays “Sale” in this situation.

Default for DGA date of first payment with 2/29 gift date is incorrectly 2/28

If it was a leap year and you entered a 2/29 gift date for a deferred gift annuity, the default date of first payment was set to 2/28 of the following year if the annuitant’s age on the date of gift was 64 or older. However, because 2/28 of the following year was less than one full year after the date of gift, you would get an error message telling you that the deferred annuity must be deferred until at least 2/29 of the year. Of course, 2/29 was an invalid date in the year after a leap year. PGM now defaults the date of first payment to 3/1 of the following year in this rare situation.