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Dear PG Calc Client,

I am very pleased to announce the release of ***Planned Giving Manager version 7.0***.

PGM 7.0 features several great enhancements. Highlights include:

- * Option to add an organization logo or other custom image to presentation headings
- * Easy 3-step process to use .jpg, .gif, and other image files as charity icons in diagrams (and headings, too)
- * Automatic selection of the correct ACGA rate table based on date of gift
- * Ability to export donor and beneficiary information to *GiftWrap*
- * Illustrations for a retained life estate combined with a gift annuity
- * Illustrations for an installment bargain sale
- * Explanation of deferred annuity rate calculation
- * Changing principal value no longer resets cost basis
- * ...and more!

Learn more about all of *PGM 7.0*'s new features and improvements on the following pages. I think you will agree the update continues PG Calc's proud tradition of leadership in gift planning software.

As always, our Client Services team stands ready to answer your questions about using the new features and the software in general. Call Client Services toll free at 888-474-2252. We look forward to helping you use *PGM 7.0* to support your donors and further your mission

Sincerely,

Gary M. Pforzheimer

Summary of Enhancements

Tax Law Changes

- **IRS discount rates updated through December 2013**

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 7.0* incorporates discount rates through December 2013.

Other Enhancements

Use of charity logos and other custom images

- **Easy 3-step conversion of your images for use in diagrams and headings**

Planned Giving Manager (PGM) users can now insert custom bitmap images (.bmp) in addition to Windows metafile (.wmf) images. This change makes it much easier for users to create custom image files from .jpg, .gif, and other image formats for use as charity icons in diagrams. Use the new option to add your branding in presentation headings, too (see the next item). Note: bitmap format works best in Windows 7 and higher.

- **Optional logo or other custom image in presentation headings**

You can include a custom image, such as your organization's logo or seal, in the upper left corner of presentation headings. You can include the image either in addition to or in place of the organization name. The image may be in bitmap (.bmp) or Windows Metafile (.wmf) format. Bitmap format works best when you run *PGM* in Windows 7 and higher.

See the Help Index and search on "Custom image" for detailed information on how to:

- 1) Convert an image file to .bmp format;
- 2) Install the image file for use by *PGM*; and
- 3) Setup *PGM* to use the custom image in headings and/or diagrams.

Exporting *PGM* information to other software

- **Ability to export donor and beneficiary information to *GiftWrap***

Clients who use *GiftWrap* (PG Calc's planned gift administration software) can now export donor and beneficiary information, in addition to gift information, from *PGM* to *GiftWrap*. *GiftWrap*'s new *Add Gift/Person from a File* function can import name, address, and other donor and/or beneficiary information entered to create a gift annuity agreement, gift information summary, or acknowledgment letter in *PGM*.

If you wish, you can exclude social security numbers and/or dates of birth from the donor and beneficiary information that *PGM* exports. You might want to do this for security reasons. Change these settings under Customize – Setup – Gift Information File Options.

- **Expanded options for exporting gift information**

PGM lets you produce *GiftWrap* gift information files for *GiftWrap 4.x* only (Customize – Setup – Gift Information File Options). Previous versions also created export files for *GiftWrap 3.6* and other legacy versions at the same time.

Another option in the same window lets you select gift information file formats for Blackbaud's The Raiser's Edge 7 and Enterprise CRM.

- **Asset info added to .gftx file**

We have added asset information to the file used to export gift information to web-based *GiftWrap* (.gftx) when you have entered asset information in the Gift Information Summary.

New calculations

- **Illustration of a retained life estate funded combined with a gift annuity**

PGM has new gift options that let you illustrate an immediate payment gift annuity or deferred gift annuity that is funded with the remainder value of a retained life estate (RLE + Charitable Gift Annuity and RLE + Deferred Gift Annuity gift options).

- **Illustration of an installment bargain sale**

We have expanded the capabilities of PGM's bargain sale gift option so that you can illustrate a bargain sale where the charity pays the donor in installments rather than in a lump sum. The installment bargain sale can be an attractive arrangement for certain gifts of real estate or tangible property.

- **New options for commuted payment gift annuities**

Previously, PGM has assumed that the payments made by a commuted payment gift annuity would cease if the final annuitant died prior to receiving the final commuted payments. PGM now lets you choose between this "shorter of fixed term or lives" approach and a simple "fixed term," where all commuted payments are made, no matter what. The correct choice will depend on how the annuity contract is written. Choosing "fixed term" results in a lower commuted payment amount and is now the default choice.

Also, PGM now allows you to indicate whether or not the donor of a commuted annuity is also the annuitant. Previously, PGM assumed the donor was not the annuitant and that therefore any reportable capital gain had to be reported in the year of the gift. Now, where appropriate, PGM can show this capital gain being reported over the duration of the commuted payments.

- **Automatic selection of correct ACGA rate table based on date of gift**

You can now set up PGM under Customize – Gift Annuity Rate Tables to always draw default annuity rates from the American Council on Gift Annuities rate table that was in force on the date of the gift. This will make it especially easy to recreate old gift annuity calculations. When you select this option, the rate table used is identified on charts. This will be your default setup if you have been using the current ACGA rate table (ACGA 2012) prior to updating to PGM 7.0.

- **Medicare surtax no longer applied in Testamentary IRA model**

The 3.8% Medicare surtax does not apply to IRA distributions. *PGM's* Testamentary Gift of Retirement Plan or IRD model now reflects this fact when you indicate that the planned gift is being funded with IRA assets.

Improvements to charts and narratives

- **Explanation of deferred annuity rate calculation**

Whenever you produce an Actuarial Calculations chart for a deferred gift annuity, the chart now includes a section at the end that explains step-by-step how the deferred annuity rate was determined.

- **Total benefit line added to Lead Trust Projections charts**

We have added a total benefit line to the bottom of the Benefits and Tax Consequences chart in Lead Trust Projections. This line shows the sum of the projected benefits to the charity and the heirs of the trust. It is analogous to the line with the same name that appears on the Summary of Benefits chart in Life Income Projections.

- **Payment amount added to Life Income Projections charts**

The Summary of Benefits chart in Life Income Projections now includes the annual payment amount of each gift shown. For gifts where payments may vary from year to year, the projected average annual payment is shown.

- **Taxation of annuity in final year added to Gift Annuity Termination tool**

The chart produced by the Deduction for Gift Annuity Termination tool now includes the taxable character of the final year's payments as well as the deduction available because of the termination. These new figures are the amounts that will need to be reported on the final 1099-R for the annuity.

- **Acknowledgment Letter handles gifts of less common property types better**

The acknowledgment letter does a better job of explaining the deduction and any reportable capital gain that result from funding a gift with short term gain property, ordinary income property, or multiple property types.

Miscellaneous additional enhancements

- **Change in principal value doesn't reset cost basis**

We have revised *PGM* so that it does not reset the cost basis when you revise the principal value for a gift of appreciated property. Previously, *PGM* would reset the cost basis to equal the new principal value. This change will make it easier to revise illustrations as the value of a particular gift asset being considered for funding a planned gift, such as a specific block of stock, fluctuates in value.

- **"How to report gain" default for 2-life gift annuity changed to "joint and survivor"**

When a gift annuity is funded by a married couple with jointly-held appreciated property, and the couple names themselves as beneficiaries – a common set of facts when a gift annuity has two annuitants – the resulting reportable capital gain may be reported over the joint life expectancy of the two spouses. This "joint and survivor" reporting of capital gain is now the

default selection when the term of a gift annuity is based on two ages or birthdates. Previously, the default selection in this situation was to report the capital gain over the life expectancy of the first age or birthdate entered.

The “How to report gain” question is found in the gift annuity follow-up window under Gift Options when the property type is *Long term gain property*, *Short term gain property*, *Ordinary income property*, or *Multiple property types*.

- **Montana tax credit**

Montana requires a deferred gift annuity to have a payout rate of at least 5% in order for the donor to be eligible for a Montana tax credit. We have added an option under Customize – Organization Information that allows you to set up *PGM* to warn you whenever a deferred gift annuity payout rate is less than 5%. This warning is only relevant to Montana charities with Montana donors.

- **Heading changed to Organization**

You might not even notice, but we have changed the label for the list of available organizations that appears in the Personalization – Icons window from “Heading” to “Organization.” This menu appears only if you have more than one organization set up in *PGM*.

Gift Annuity Agreement Changes

- **Donor state of legal residence defaults to charity state**

The default donor state of legal residence now matches the state selected as the charity state under Customize – Organization Information, not Alaska as in the past. This is an important change, as the donor state of legal residence determines the state requirements with which the text of the gift annuity agreement complies. This change also affects the Gift Annuity Disclosure Statement.

Bug Fixes

- **Expected return calculation for commuted payment gift annuities**

The calculation of the expected return multiple for a commuted payment gift annuity could differ slightly from the values found in Table VIII of Treas. Reg. 1.72-9. The variation tended to be greater for older annuitants than younger annuitants and could not exceed 0.5. For annuitants young enough to benefit from a so-called “College Annuity,” the variation typically was 0. We have revised *PGM*’s algorithm for computing expected return multiples to eliminate this variation at all annuitant ages.

The expected return multiple affects the amount of the tax-free portion and, where applicable, capital gain income distributed in each year of annuity payments.

- **[0d] line references on Actuarial Chart for Commuted Payment Gift Annuity**

The equation shown in parentheses below “Value of \$1 for Commuted Payment . . .” on the Actuarial Calculations chart included a reference to line [0d]. Similarly, the line “Expected Return per \$1 . . .” referenced [0d]. In both cases, the reference has been changed to line [1d].

- ***PGM* unable to read .inp files from *PGM* 3.0, 3.1, and 3.2**

The previous version of *PGM* could not read input files created in *PGM* 3.0 (released 5/1993), 3.1 (released 9/1993), or 3.2 (released 11/1993). *PGM* can now read these input files.

- ***PGM* may crash when Tool report is exported to Word or Excel**

If you chose one of the functions from the Tools menu (Present Value, Future Value, etc.), viewed the results, and then chose to export the results to Word or Excel, you could get the following error, after which *PGM* would close:

"Pgmw32 has stopped working"

This bug occurred if you ran the Tools function immediately after launching *PGM*, while the optional "What do you want to do?" menu was still open. Now, *PGM* does not allow you to run a Tools function until you have moved beyond the "What do you want to do?" menu.