


# The Northern Lights Society

 COLLEGE OF THE ATLANTIC



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AT COLLEGE OF THE ATLANTIC

As College of the Atlantic embraces the changes and challenges of the future, we know the generosity of our friends will make all the difference.

At the same time, we want to make sure you know how planned gifts to the College can provide benefits to you.

## *How?*

There is, of course, the satisfaction that comes from knowing you've made a positive impact in the lives of faculty and students — sometimes in perpetuity. In addition, a deferred or planned gift can improve a donor's financial and tax circumstances, now or in later years.

Some benefits to you as a donor can include a current income tax deduction, possible minimization or elimination of long-term capital gains tax, an increase in income, an effective rate of return from poorly performing assets, and a reduction in estate and gift taxes.

There are many ways your philanthropic goals can merge with your financial needs and tax planning. This booklet will show you the possibilities and opportunities to make a planned gift.

We hope you will consider becoming a member of the Northern Lights Society as one of the College's planned gift donors.

*College of the Atlantic recommends that you seek the counsel of an attorney who specializes in estate planning to design a gift that benefits the people and organizations you care about most. COA's development office can work with your advisors to help you plan for tomorrow and receive maximum benefits today.*

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# What to Give

## *Cash, Stocks & Securities, Tangible Goods*

Any type of asset you irrevocably donate to College of the Atlantic results in a current income tax deduction. But there may be other tax benefits as well!

Giving cash to COA is the simplest method. However, if you contribute long-term appreciated securities (held at least 1 year), you have the added benefit of owing no tax on their appreciation, thus avoiding long-term capital gains taxes.

You can also give tangible personal property (such as art objects, prized collections, or antiques), and take a tax deduction for the full fair market value if the gift is related to our exempt policy.

Benefits:

- You receive a current income tax deduction.
- You receive relief from capital gains tax.
- Donations of personal property allow for meaningful gifts to both you and the College.
- All contributions from your gift are used to help fulfill COA's mission.

These are but three of the types of assets you can donate outright from which College of the Atlantic can immediately benefit.

## Life Insurance

If you're thinking about a contribution to College of the Atlantic, a gift of life insurance could be a sensible and generous course of action. In fact, insurance can be a good way to leverage affordable premium payments into a substantial future donation. There are several different ways you can give your life insurance policy, or the death benefits from it, to COA. Each method has different advantages and disadvantages.\*

1. One way is to simply name the College as a beneficiary on your policy. When you die, COA will receive the death benefits.
2. Another way to help COA is to donate an existing life insurance policy to the College. In return, you can claim an income tax deduction for either the tax basis or the fair market value of the policy, whichever is less, for the year of the donation, and in subsequent years make deductible cash gifts to the College, which can be used to make the premium payments.
3. The third way to donate a life insurance policy to COA is to donate money to the College with which COA then buys the life insurance policy. You then make income and gift-tax-deductible donations to us, and COA makes the premium payments.

### Benefits:

- You receive a charitable deduction when you name COA beneficiary and assign the College ownership of your policy.
- You receive a reduction in estate taxes because proceeds are removed from your estate.

*\*Some state laws will not allow a charity to purchase a donor's life insurance policy. Please check with your legal or financial professional advisor for the laws applicable in your state of residence.*

## *Real Estate*

A charitable contribution of real estate — whether it is your personal residence, a vacation home, a farm, commercial real estate, or vacant land — can give you numerous advantages.

If you sell your Primary Residence, you can exclude up to \$250,000 (for a single person) or \$500,000 (for married couples) of the net sales gain. However, this tax break does not apply to other types of real estate such as vacation homes.

Donating real estate to COA may be more advantageous than selling it.

Benefits:

- You will receive an income tax charitable deduction for the full market value of the property.
- You can avoid tax on the property's appreciation.
- You avoid the hassle of trying to sell the property.
- There is no gift tax, plus you receive a reduction of your taxable estate.

In addition to giving it outright, there are other ways to use real estate as a charitable gift.

1. Funding a Life-income Gift
2. Bargain Sale: Even if you want to reap some of the value of your property and have it go to charity, you can conduct a bargain sale that allows you a deduction for the difference between the fair market value and the price COA pays you for the property.

3. A Life Estate: When you give your home or other real estate to College of the Atlantic, you create an enduring testimonial of your interest in our mission. What's more, your personal satisfaction is complemented by valuable tax benefits.

Let's assume you like the tax advantages a charitable gift of real estate would offer, but you want to continue living in your home. You can give COA your house, while continuing to live there.

#### Benefits:

- You ensure the lifetime use of your residence for yourself and/or others.
- You will receive an income tax savings through charitable deduction.
- You will receive estate tax savings for you and your spouse.
- You will have the ability to gift only partial interest in property and still receive tax advantages.

A gift of your home, farm, vacation home or condominium, even with stipulations about occupancy, often results in a charitable deduction for income tax purposes.

The retained life estate may also provide you with a way to give someone other than you or your spouse, perhaps a sibling or child, occupancy of your home for life, with reduced tax obligations.





## *Retirement Plan Assets*

Did you know your retirement plan assets are facing double taxation? Not only may the asset amount be diminished by estate taxes, but the recipient, if other than your spouse, must pay income taxes on it.

If you can make other provisions for your family, there's a better option for your retirement plan assets — make a charitable gift.

### Benefits:

- Naming COA the primary beneficiary avoids all income and estate taxes.
- Your estate may reduce its tax exposure by designating COA as beneficiary of a portion of the account.
- Naming COA the contingent beneficiary can save estate taxes if other heirs have predeceased you.
- Donating retirement plan assets could be the most cost-effective gift you can make.

To implement your wishes, simply advise the plan administrator of your decision and sign the form they require. For an IRA or other plan you administer personally, notify the custodian in writing, and keep a copy with your valuable papers.

# How to Give

## *Bequests*

A bequest to COA is the most simple of planned gifts. A bequest in your Will lets you pass any specified amount to College of the Atlantic — free of estate tax. You can give cash in a dollar amount, a percentage of your estate, or tangible personal property, all with or without restrictions.

For example, if you make annual gifts to COA and would like to continue your support after your lifetime, you can set up an endowment through your Will. This ensures your gift continues to help support students, faculty, and the College for generations.

### Benefits:

- A bequest allows you to distribute your assets according to your wishes.
- With proper planning there is a potential minimization, or even elimination, of estate taxes.
- A bequest allows you to leave a legacy without giving up the assets now.

**Bequests** can designate a specific dollar amount, a particular asset, or a fixed percentage of your estate to COA.

*I give, devise, and bequeath to College of the Atlantic in Bar Harbor, Maine the sum of \$\_\_\_\_\_ (or a description of the specific asset), for the benefit of College of the Atlantic and its general purposes.*

**Specific Bequests** are made when property is bequeathed for a designated purpose — instruments bequeathed for use in music education, for instance.

*I give, devise, and bequeath to College of the Atlantic in Bar Harbor, Maine, the sum of \$\_\_\_\_\_ (or a description of a specific asset), to be used for the following purpose: (state the purpose). If at any time in the judgment of the trustees of College of the Atlantic it is impossible or impractical to carry out exactly the designated purpose, they shall determine an alternative purpose closest to the designated purpose.*

**Residuary Bequests** are made when you leave all or part of the residue of your assets after other terms of the Will have been satisfied.

*All the rest, residue, and remainder of my estate, both real and personal, I give to College of the Atlantic, in Bar Harbor, Maine for its general purposes.*

If you're planning to make COA one of your beneficiaries through a bequest we encourage you to tell us. We will ensure your gift can be used as intended, so that you receive the greatest possible satisfaction from your gift.

# Charitable Gift Annuities

A charitable gift annuity is a wonderful way to help College of the Atlantic while taking care of your own needs or helping to ensure the future of someone else, such as a parent, sibling, child, or other loved one. With a simple contractual agreement, you can establish an educational endowment fund benefiting a particular area of interest and receive a guaranteed life income.

With a minimum gift of \$25,000, you receive guaranteed quarterly income payments for the rest of your life. Annuity rates can be offered for one or two people and can range in percentage depending on the age and number of income recipients.\*

Gifts of cash, securities, or real estate may be used to fund a charitable gift annuity. You may qualify for a charitable tax deduction based on the annuity rate, and age and amount of the gift. In addition, capital gains taxes can be reduced and spread over a number of years.

## Benefits:

- You receive an immediate income tax charitable deduction.
- You ensure fixed payments for up to two lives, a portion of which may be tax-free.
- There is a removal of contributed assets from your taxable estate.

## Example:

Philip is a parent of a COA alumna. He owns some highly appreciated, but low-yielding stock. Philip can increase his income from the stock and benefit COA at the same time.

In exchange for \$25,000 of stock, COA guarantees him a 5.7% fixed annuity on his gift. In addition, Philip can claim an income tax charitable deduction and spread capital gains tax over a number of years. He can also sign a COA fund description that details how he wants the remaining principal income from his gift to be used after his death.

\*See page 16 for the current COA Gift Annuity Rates.

## *Charitable Remainder Trusts*

A charitable remainder trust is an arrangement in which a donation is made to COA and held in trust while you, or loved ones, continue to receive a fixed annual income, or an income that varies with the value of the trust. At the death of the last income beneficiary, the assets in the trust are distributed to College of the Atlantic to be used for the purposes you designated. The trust can have a fixed annual payment (Annuity Trust) or a payment that is a percentage of the value of the trust year to year (Unitrust).

### Benefits:

- You avoid capital gains tax on the donated assets.
- You may receive an income tax deduction in the year of the trust's establishment, which is equal to the remaining value of the trust designated for COA.
- There is a removal of contributed assets from your taxable estate.
- You ensure a lifetime income for yourself and/or others.

Trusts may be funded by gifts of cash, securities, or real estate. You may specify that payments from the trust be made to you and/or one or more other persons for specific periods of time or for life. This way you can support your loved ones even after you are gone.

This option is excellent for devising a supplemental retirement plan — College of the Atlantic can provide you with more details.

### Example:

Charlotte has stocks currently valued at \$100,000 and yielding a 2% dividend. She arranges with COA to transfer them to a unitrust, incurring no capital gain, and receives an income tax deduction based on US Treasury tables.

Charlotte receives 7% of the fair market value of the unitrust assets each year, payable quarterly. The first year, she's entitled to \$7,000 (7% of \$100,000). The next year, if the value of her trust has increased, so will her income payments; now Charlotte has a built-in hedge against inflation.

## *Charitable Lead Trusts*

A donor may prefer to donate assets to a charitable lead trust and give COA the income from that trust. When the charitable lead trust ends, the trust property goes back to the donor or to someone the donor chose. Generally, these trusts provide substantial savings on gift taxes for the assets passing to heirs after the trust terminates.

It is possible to establish a charitable lead trust either during one's lifetime or in a Will. A charitable lead trust can substantially reduce the estate taxes payable at the time of death. The value of the charitable interest depends on the length of the trust and the amount to be paid out each year. The saving in estate taxes may mean that family members receive substantially more than if the property were left directly to them.

For example, a donor could contribute \$100,000 to a 6% charitable lead annuity trust that provides for the payment of \$6,000 per year for 20 years to COA. The total gift to the College is \$120,000 over 20 years.

After 20 years, the trust terminates and the trust assets are distributed to the donor's children. However, the assets may pass to heirs free of estate or gift tax.

### Benefits:

- Donating assets to a charitable lead trust provides a more immediate gift to College of the Atlantic.
- You receive substantial gift and estate tax savings, or elimination, while assets pass ultimately to your heirs.

## *Pooled Income Funds*

A pooled income fund is a type of mutual fund comprised of gifts that are pooled and invested together. Income generated from the fund is distributed to both the donors and their named beneficiaries according to the donors' share of the fund.

If you are a donor to the fund, you and your beneficiaries receive quarterly payments for life. Upon your death the value of the assets will be transferred to the beneficiaries.

### Benefits:

- You ensure a perpetual income for yourself and/or others.
- You may claim a tax deduction.
- The pool continues to make your future gift to COA.

### Example:

Harlan owns stock with a value of \$10,000. He donates the stock to a pooled income fund to fund scholarships at COA, while reserving an income interest for life.

In the transfer of stock to the fund, a capital gain on the appreciated value is not recognized, and so he avoids capital gains tax. Harlan will also receive a charitable deduction for the year he entered into the pool, thus lowering his taxes.

## *Gifts Honoring A Loved One*

A gift given in honor or memory of someone special is a powerful way to establish a link with the past and a promise for the future. Memorial or honorary gifts are meaningful and lasting tributes to a loved one.

We have a variety of ways to create a memorial or honorary gift. Naming a student scholarship fund, dedicating a room or space, or establishing a faculty chair are just a few examples.

### Benefits:

- The legacy you create often inspires others to support College of the Atlantic.
- An outright gift can include an immediate income tax deduction and reduction of estate tax.
- By giving long-term appreciated property, you avoid capital gains tax.

Creating a gift in honor of a loved one is a very personal decision that you will want to make in consultation with those close to you. College of the Atlantic is happy to assist you in formulating a plan that will honor your intentions, and help you to realize the maximum advantages from such a contribution.



## *Do you still have questions?*

The Development Office staff is happy to assist you in designing a gift plan that fits your needs and intentions. Please contact us for more information and to begin your membership to College of the Atlantic's Northern Lights Society.

Dean of Institutional Advancement  
207-801-5620, [development@coa.edu](mailto:development@coa.edu)

You can learn more about the Northern Lights Society and make a gift online at [www.coa.edu/support](http://www.coa.edu/support).

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