

MILLSAPS
COLLEGE

Heritage

A newsletter for Millsaps alumni and friends

Parents' Gift Honors Son

Many people believe you have to be wealthy to create a charitable gift annuity with Millsaps College. Not so, according to Pat and Rev. Joe T. Humphries, who used gift annuity funds to establish the Kenneth Humphries Memorial Scholarship in memory of their son.

As a Methodist minister and District Superintendent in such rural Mississippi towns as Greenwood, Corinth, and Cleveland during his working days, Rev. Humphries, Millsaps Class of 1941, admits that the largest salary he ever made in the 1960s and 1970s was \$15,000. Though he made a modest living, Rev. Humphries made wise investments over the years.

"I bought stock in a major company in the 1960s and I never sold it. I just kept watching it split and re-invested it," Rev. Humphries recalls. "When it came time to start the scholarship, the stock was worth quite a bit."

The idea of using a charitable gift annuity to donate to Millsaps is a simple one. Under the terms of a gift annuity, you agree to donate cash or other assets to Millsaps. In return, Millsaps invests your donation and agrees to



Pat and Joe Humphries

pay you a set percentage of it every year for the rest of your life.

The Humphrieses' son, Kenneth, graduated from Millsaps in 1971. He then earned a law degree at Emory Law School. Tragically, Kenneth was diagnosed with lymphoma cancer and passed away when he was 33.

"Before he was diagnosed with cancer, Kenneth told me he was going to donate money to Millsaps because he didn't want future students to have to work as hard as he did to get through Millsaps," Rev. Humphries says. "When Kenneth found out the cancer was terminal and he had only six months remaining, I told him we would honor his wishes and establish a scholarship at Millsaps in his memory."

The Humphrieses were long-time supporters of Millsaps even before they endowed Kenneth's scholarship. In addition to being a graduate, Rev. Humphries served as secretary of the Millsaps trustees while Kenneth and his sister, Beverly, were students there. Pat Humphries notes, "How many parents get to sign their child's diploma? Joe got to do this with both Kenneth and Beverly at Millsaps." Their other daughter, Robin, graduated from another college.

But Kenneth's story had an unexpected chapter added 12 years after he passed away. As Pat explains it, "Joe told Kenneth's wife that she was so young when he died and she should remarry. Twelve years later,

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Inside this issue

- Enjoy a source of reliable income for life
- Make meaningful gifts while providing assistance to loved ones
- Increase income from low-yielding investments
- Enjoy a number of tax benefits

Planning Today for a Healthy Tomorrow

If you have planned to include charitable gifts as part of your long-term estate and financial plans, you may wish to consider special alternatives that can be particularly attractive in today's economic climate.

One such alternative is the *charitable gift annuity*. When you give through a gift annuity, you make a gift you may not have thought possible, while also arranging for a dependable income supplement that will continue for as long as you and/or your spouse or another loved one should live.

A gift annuity helps you make a meaningful charitable gift to Millsaps College that can free you from worries about outliving your resources. You will enjoy a fixed source of income for life, one that is not affected by fluctuating interest rates and the performance of other investment markets.

When you complete a gift annuity, a portion of the value of the funds given to create the annuity is eventually devoted to Millsaps, much as if you had left a bequest by will. But unlike a charitable bequest, your gift annuity will provide you with welcome benefits today, including income tax savings and regular payments that may be taxed more favorably than other sources of income.

Read on for more information about how you can use cash or other assets to fund a gift annuity. Contact us whenever we can be of assistance as you or your advisors consider your charitable plans.

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Comparing Payment Rates for One and Two Lives

Age(s) when gift annuities are made and payments begin	Rate
One Life	
60	5.7%
65	6.0
70	6.5
75	7.1
80	8.0
85	9.5
90+	11.3
Two Lives	
60 & 65	5.5%
70 & 72	6.0
75 & 77	6.4
75 & 85	6.7
78 & 82	6.9
85 & 90	8.4

For illustrative purposes only. Check with us for current rates and benefits before you give.

How Do Gift Annuities Work?

Under the terms of a Millsaps College Charitable Gift Annuity, you make a gift of cash or appreciated securities through a simple agreement that provides for regular, fixed payments that are designed not to decrease in size or frequency, regardless of interest rate changes or stock market fluctuations. See the chart above for examples of rates you can receive.

In addition to increased spendable income, gift annuities provide additional tax and financial benefits:

- Freedom from worry about management of assets used to fund the gift annuity.
- A generous federal income tax deduction for a portion of the amount transferred.
- Capital gains tax can be bypassed at the time of the gift.
- Part of each payment is received free from income tax for a period of time.
- Estate taxes and probate expense and delay can be avoided on amounts used to fund your gift annuity.
- Payments that also benefit family or other loved ones if you wish.

Tax Savings Lead to Increased Income

Not only can you enjoy reductions in income, capital gain, gift, and estate taxes when you complete a gift annuity, but favorable taxation of payments can result in even greater spendable income for you.

Example

George and Judith purchased securities now worth \$100,000 for \$75,000 five years ago. They receive just 1% in dividends and are concerned that this investment may decline in value in the

future. At their ages, a gift annuity would provide payments each year of 6.9%, or \$6,900, which is nearly seven times the income they currently receive.

Because a portion of the amount they transfer will ultimately be used by Millsaps College, George and Judith are entitled to a charitable deduction that can eliminate tax on over \$38,000 of their income. In their tax bracket, this will reduce their income taxes by approximately \$14,000.

They can also look forward to additional tax savings over time. For the first 13 years they receive payments, George and Judith will not be required to pay income tax on nearly half of the payments they receive. Of the portion that is taxed, over one-third will be taxed at capital gain rates, a lower rate than they pay on their other income. The fact that the gift annuity payments are taxed this way will result in even more spendable income for them.

Test Your Knowledge About Gift Annuities

True False

- 1. Payments received from gift annuities are higher for older people.
- 2. Income tax is initially due on only a portion of the amount of each payment received from a charitable gift annuity.
- 3. A gift annuity can provide payments for more than one person's lifetime.
- 4. Capital gains tax is due on only a portion of the capital gain in the property used to fund a charitable gift annuity.
- 5. Payments from a gift annuity can be delayed until one needs them.
- 6. Gift annuity payments continue regardless of how long the payment recipient(s) lives.
- 7. After a gift annuity begins, the payment amount will never be reduced.
- 8. Stock market and interest rate fluctuations do not change the amount of gift annuity payments.
- 9. Payments from gift annuities can begin only at retirement age, if desired.
- 10. Assets used to fund gift annuities may be excluded from your taxable estate.



Murrah Hall

The answer to all of the questions in this quiz is true.

Minimize Tax on Retirement Plan Funds

Are you at the point in life where you are required to make withdrawals from retirement plans? Would you like to reduce the amount of tax due on these withdrawals and have more funds available to provide future income? This can be accomplished through gift annuities as well.

Example

Ben learns that he is now at an age when he must withdraw \$50,000 from his IRA this year. He already has sufficient income from other sources and does not need these funds for living expenses.

In his tax bracket, he will owe income tax of \$17,500 on the \$50,000 withdrawal, leaving

only \$32,500 to reinvest at what he expects will be relatively low rates of return. Estate taxes of up to 48% could also be due on the eventual value of the withdrawn amount.

If he instead were to fund a gift annuity with Millsaps using a portion of the \$50,000 he is required to withdraw from his IRA, Ben would reduce the tax on the withdrawal by nearly one-third. Based on various rates at the time of his withdrawal, he would be able to transfer \$37,000 for a gift annuity that would then make tax-favored payments to him equal to 7.4%, or \$2,738, for the remainder of his life. The amount used to fund his gift annuity would also be removed from his taxable estate.

Parents' Gift

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she asked Joe to perform her wedding ceremony. I decided to sit on the back row. An usher came to me and said there were three seats saved up front—two for the mothers and one for me with an orchid waiting.”

By creating a gift annuity to fund a scholarship at Millsaps, the Humphries have established a legacy of generosity that that will benefit future generations of students in Kenneth's honor. Already students using the Kenneth Humphries Memorial Scholarship appreciate the Humphries and the promise they made to Kenneth before he passed away.

If you need additional information on planning a gift to Millsaps, contact Dudley Marble at (601) 974-1026 or e-mail him at marblrd@millsaps.edu.

MILLSAPS COLLEGE

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