

Case Study

POOLED INCOME FUNDS

Charitable Planned Giving

Contributing to the Nonprofit Organization of Your Choice

A pooled income fund is a planned giving arrangement that combines your gifts with those of other donors for investment purposes. As a donor, you receive an immediate tax deduction. Each quarter, you and/or your named beneficiaries receive a proportionate share of the fund's income. The income you and your beneficiaries receive from a pooled income fund is taxable as ordinary income. When the final beneficiary passes away, the current market value of the original gift is paid to the nonprofit organization.

Profile of a Pooled Income Fund Donor

A gift to a pooled income fund is an excellent way to fulfill a desire to support a favorite nonprofit organization. Pooled income funds may be appropriate for donors who:

- Have highly appreciated securities
- Want the intangible benefits of supporting a nonprofit organization that is important to them

Potential Benefits

- Enjoy immediate charitable income tax deduction
- Receive an income stream
- Avoid capital gains taxes
- Reduce estate tax liability

Immediate

Income tax deduction Pay no capital gains tax.

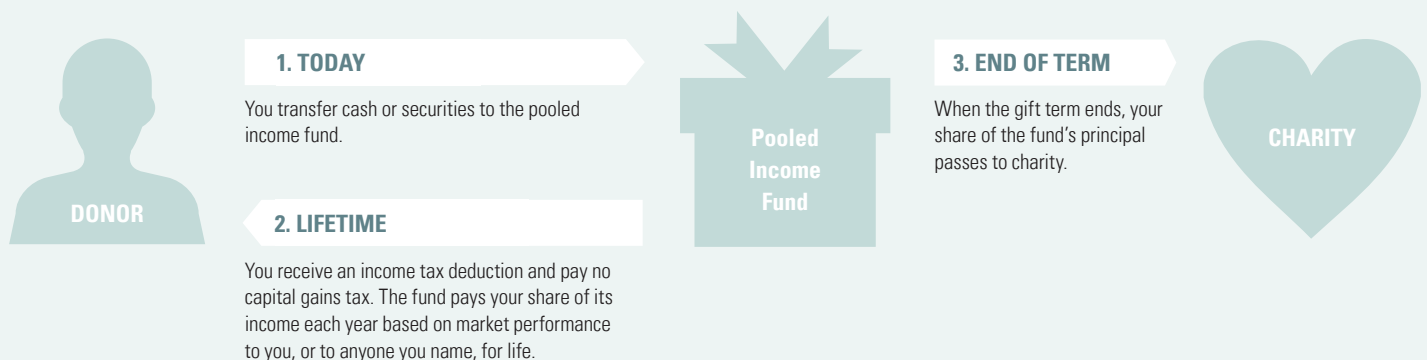
Annual

Income will vary year by year based on market performance.

Future

Charity receives remainder value. Reduced estate taxes and costs.

How It Works



Financial Planning Considerations

Contributing to a pooled income fund offers donors a number of potential financial advantages.

Income Tax Deduction

A gift of this type allows you to take a charitable income tax deduction in the year you make the gift. The amount of the deduction varies, depending on the number of designated beneficiaries and their ages, as well as on the fund's rate of return. You may carry forward, for up to five years, any portion of the deduction you could not claim in the first year.

Income

Through contributions to a pooled income fund, you arrange — for yourself and/or your beneficiaries — an income stream that is taxable per calendar year. Gifts to pooled income funds also help reduce your estate tax liability by removing assets from your estate. However, if you name a beneficiary other than a spouse, you may owe gift taxes on the income received by the beneficiary.

Larger Gifts

As a donor to a pooled income fund, you retain an income interest in the assets transferred into the fund. Because you do not “give up” the potential income earned on those assets, it is possible to make a larger charitable gift than you might have thought possible.

The investment goal for a pooled income fund is to provide reasonable annual income, based on market conditions, while seeking to grow the principal that will ultimately be transferred to the nonprofit organization. A gift of low yielding securities will often provide increased income as the income payments are based on your proportionate share of the earnings of the entire fund.

No Capital Gains Tax

By contributing appreciated assets to a pooled income fund, you eliminate the capital gains tax you would otherwise pay on the difference between the asset's cost and its fair market value (provided the donated property is not subject to any indebtedness). When you make a gift of long term appreciated securities, your proportionate share of the fund is calculated based on the full fair market value of the donated property.

It is important to note that securities held for less than one year are not appropriate gift assets for pooled income funds because short-term capital gains are taxable to a pooled income fund. Furthermore, tax-exempt securities are not allowed as gift assets for pooled income funds. Non profits benefit greatly from these gifts as only earned income is paid out and principal is not invaded, leaving a potentially larger remainder gift to the non profit. Unlike a Charitable Gift Annuity, the gift is not backed by the assets of the non profit.

Important Issues

Before you contribute to a pooled income fund, it's important to realize that this gift option is an irrevocable transfer of assets. This means that your assets are ultimately passed to the nonprofit organization and not to your family or heirs. The amount of income paid to you is variable and is determined by fund performance. Before contributing to a pooled income fund, please consult with your legal and financial advisors.

About State Street

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with nearly US \$2.9 trillion* under our care.

* AUM reflects approximately \$35.96 billion USD (as of June 30, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

About Charitable Asset Management

We provide consultative and customized planned gift investment management, tax and administration solutions for charitable organizations. Established in 1984, we are a boutique group within State Street Global Advisors dedicated to serving nonprofit organizations and their donors. Today, our planned gift specialists work with over 200 charities and manage in excess of \$3 billion in planned gift assets for more than 34,000 donors and beneficiaries.¹ Our charitable clients include colleges, universities, foundations, private schools and hospitals as well as cultural, environmental and religious organizations.

¹ As of 06/30/2019.

Learn More

Contact us at CAM@ssga.com | 800-635-9001 for turnkey solutions so you can achieve your mission.

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