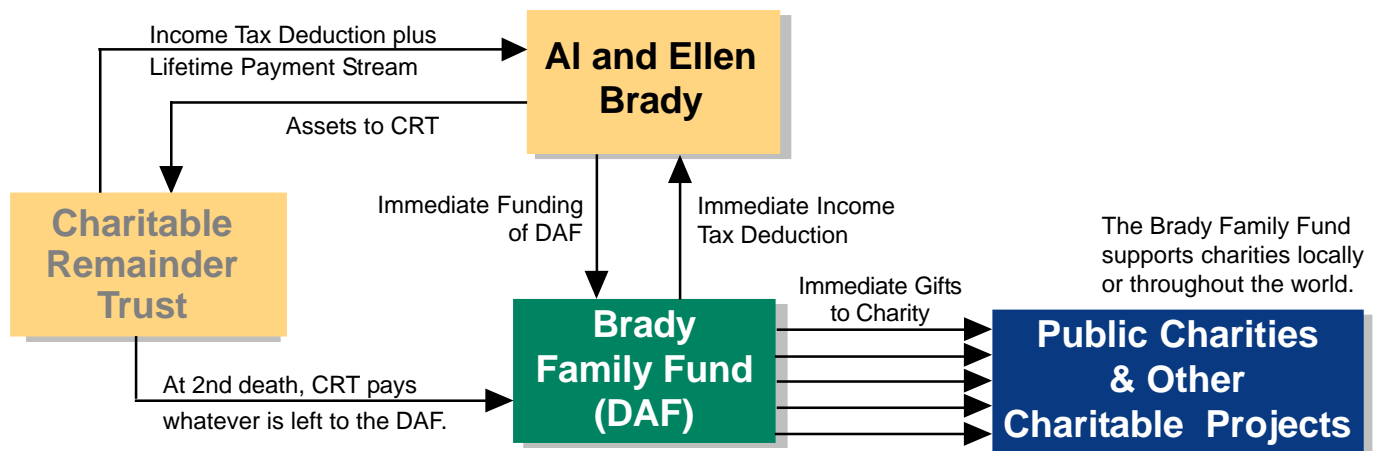


Case Strategy: Donor-Advised Fund Lets Couple See Charitable Benefits During Lifetime

BRADY



Several years ago, Al and Ellen Brady used a charitable remainder trust to defer capital gain taxes, create an income tax deduction, increase their lifetime spendable cash flow and make a large, future gift to charity. Now, the Bradys are ready to sell another \$500,000 block of stock that has a \$75,000 basis. While they would like to avoid the \$85,000 capital gain tax on a sale and want an additional income tax deduction, they don't need extra cash flow from their CRT. A separate concern is that although the Bradys enjoy the financial benefits of their CRT, they want to see personally how the charities will spend their money.

Their financial advisor, John Smith, suggests giving the stock to a donor-advised fund at Philanthropy International. Smith informs the Bradys that a donor-advised fund will let them name their DAF with their family name, and make recommendations as to which charities they would like to benefit. Unlike a gift to a typical charity, the Bradys donor-advised fund can make grants to different charities from year to year.

Smith further explains that by transferring the stock to a donor-advised fund, they will receive an immediate \$500,000 income tax deduction, which would reduce their tax burden by \$165,000. After the transfer, the stock will be sold with the proceeds re-invested in a balanced portfolio designed to produce an average yield of 6%. The Bradys anticipate making annual grant recommendations of \$25,000.

Al and Ellen plan to use their new donor-advised fund to become more involved with several charitable organizations in their community. In future years, they may include their children in the grant recommendation process by allowing them to make recommendations for a portion of the annual distributions to charities. They also decide to designate Philanthropy International as the charitable beneficiary of their charitable remainder trust.

This is one of many examples of how a donor-advised fund can help achieve your goals. Call Philanthropy International, 909-625-4511, today to learn more or visit our web site at www.philanthropyinternational.org.

Assumptions:

- Marginal income tax rate of 33%.
- Marginal capital gain tax rate of 20%.
- Deduction may be limited. Consult a tax advisor.

This example is hypothetical and for educational use only. The situations, tax rates or return numbers do not represent any actual clients or investments. There is no assurance that the rates depicted can or will be achieved. Actual results will vary. Please consult with legal and tax counsel about the suitability of this plan before proceeding.