



Gateway

To a better community

A quarterly newsletter from your Community Foundation



Fall 2005

Rails to trails gaining steam

Twin City Trail Association, a nonprofit organization committed to linking Fitchburg and Leominster with public trails for fitness, fun, and alternate transportation options recently announced that the Twin Cities are one step closer to having a 4.2 mile rail trail corridor connecting the two central Massachusetts cities. This "linear park" would allow the public of all ages to enjoy biking, running, dog-walking, in-line skating, as well as easy access for people in wheelchairs or pushing baby carriages.

Thanks to a \$7,000 donation to Twin City Trail Association by the Romolo Testarmata Fund, an appraisal of the unused CSX rail



Bennie DiNardo announces the gift from the Romolo Testarmata Fund as Andrea Freeman looks on.

corridor is now underway. Mr. Bennie DiNardo and Ms. Patrice M. Kish administer the Fund in memory of their uncle, Romolo Testarmata—a long time resident of Fitchburg

Continued on page 3 - Rail Trails

Inside

2

Chairman's Report

3

CFNCM Annual Meeting Oct. 6th

Doing Well by Doing Good

Help clients help their communities – and themselves – with charitable gift annuity

The Edgars* respond generously to annual appeals, supporting a number of charities dear to their hearts. They also use highly appreciated securities to set up multiple charitable gift annuities, each dedicated to a specific charity. As Charlene Pryor of the San Diego Foundation puts it, giving through gift annuities "turns into a win for them for the rest of their lives while creating a great charitable gift and a legacy when they're gone."

Your clients may also be generous donors but be reluctant to entirely give up income-producing assets. When this is the case, advisors can help clients fulfill their charitable intent by using vehicles that support the donors' favorite causes and maintain an ongoing income stream. An increasingly popular arrangement is to use a charitable gift annuity.

More advisors are recommending gift annuities to donors for several reasons. The first is that affluent individuals are increasingly interested in supporting local causes. Research shows that the majority of wealthy people report a strong obligation to give back to their communities. In fact, the wealthy view their ability to make charitable gifts as one of the major benefits of their good fortune.

The second reason is the aging of the population. As Frank Minton of the American Council on Gift Annuities notes, "A guaranteed income stream is very attractive to older people." As the baby boom generation moves into retirement, more people are seeking income-producing assets while finding ways to make meaningful contributions to their communities.

"Instead of rolling over certificates of deposit earning 2 to 3 percent or relying on assets paying 2 percent in dividends, advisors can guide donors to put their money into a gift annuity and potentially triple their cash flow."

Finally, the low interest rate environment of recent years has made charitable gift annuities more attractive. Instead of rolling over certificates of deposit earning 2 to 3 percent or relying on assets paying 2 percent in dividends, advisors can guide donors to put their money into a gift annuity and potentially triple their cash flow. Many put appreciated assets, such as securities or real estate, into gift annuities. Some donors, Ms. Pryor notes, use gift annuities "to create more income out of an asset not currently producing much income."

How Gift Annuities Work

Charitable gift annuities are available through a wide range of charitable, educational and religious organizations. In exchange for a charitable gift to the sponsoring organization, the donor is promised an income stream for life and an immediate tax deduction.

That annuity – the lifetime income stream– is based on the donor's age (and the age of the donor's spouse if payouts are to continue over the lives of both spouses) and the "gift annuity rate" in effect at the time of the gift. The gift annuity rate is not purely an interest rate, since payments represent both interest and a return of capital. Most charities, but not all, use the gift annuity rates set by the American Council on Gift Annuities (ACGA).

In 2004, for example, a 60-year-old donor could receive an annuity at 5.7 percent (see table.) An annuity for a couple, both age 60, would be set at 5.4 percent; the lower rate is because the joint life expectancy is longer. The older the donor is, the larger the stream of income. At age 80, the gift annuity rate for an individual is currently 8 percent; for a couple who are both age 80, it is 6.9 percent.

Continued on page 4 - Doing Well by Doing Good

chairman's report



Including a charitable bequest in your will is a simple way to make a lasting gift to your community. When you make this gift through the Community Foundation of North Central Massachusetts we establish a special fund that benefits the community forever and becomes your personal legacy of giving.

How it works

- You include the community foundation in your will as a bequest; we can help you or your attorney with recommended language.
- You determine the type of fund you would like to establish with your gift.
- Upon your death, we set up a special fund in your name, in the name of your family, or in honor of any person or organization you choose.
- Your charitable gift is excluded from your assets for estate tax purposes.
- Our professional program staff considers your charitable wishes and determines the areas of community need that would be most impacted by grants from your gift.
- Our board issues grants in the name of the fund you establish (if you prefer, grants can be made anonymously).
- We handle all the administrative details.
- Your gift can be placed into an endowment that is invested over time.

- Earnings from your fund are used to make grants addressing community needs. Your gift — and all future earnings from your gift — is a permanent source of community capital, helping to do good work forever.

More benefits

Making a bequest to your community foundation is an easy way to transfer assets to charity. And, you can decide to do it at any age by adding to an existing will or drafting a new one. In doing so you leave a legacy to your community, while enjoying the assets you need to maintain your current lifestyle. Plus, you are able to distribute some or all of your assets, tax free.

Community foundations provide a simple, powerful, and highly personal approach to giving. You can make a gift of cash, stocks, bonds, real estate, or other assets to your community foundation. Most charitable gifts qualify for maximum tax advantage under federal law.

For more information and ideas on ways to integrate your financial planning with charitable giving, ask your financial advisor or contact the Community Foundation.

Thomas F. Bagley, III



In this month's Q&A Melissa Maranda, director of gift planning, discusses charitable gift annuities.



Q. The feature article in this newsletter talks about gift annuities, how difficult is it to set one up?

A. It is fairly simple and we handle all the administrative details.

Q. Who should consider a gift annuity?

A. Anyone who is interested in giving back to the community, but might be concerned about giving up an asset that is producing income.

Q. What are the advantages of an annuity?

A. The big advantage is that the donor is guaranteed a fixed rate of return for the remainder of their life, giving them a consistent income stream.

Q. How does a nonprofit organization benefit?

A. Upon the donor's death, the remaining value of the annuity goes to the nonprofit of their choice.

Q. Are there tax advantages?

A. The donor gets to deduct a portion of their contribution to the gift annuity. Since the donor is receiving a direct benefit they can not deduct the entire contribution.

Q. Are gift annuities for wealthy individuals?

A. No. As a matter of fact they are perfect for someone of moderate means that has a favorite nonprofit organization that they would like to help but are concerned about their future income. In addition, someone who is only earning 2 to 3 percent on their current investments may be able to double or triple their return through a charitable gift annuity.

Our mission

The Community Foundation of North Central Massachusetts is a nonprofit community foundation



dedicated to helping build a stronger community by providing a means for donors to permanently endow charitable gifts. Individuals, corporations, and nonprofit organizations can establish funds dedicated to a specific cause or contribute to an existing fund.

To learn more, please call Melissa Maranda at 978-345-8383.

CFNCM serves the communities of Ashburnham, Ashby, Athol, Ayer, Barre, Devens, Erving, Fitchburg, Gardner, Groton, Harvard, Hubbardston, Lancaster, Leominster, Littleton, Lunenburg, New Salem, Orange, Pepperell, Petersham, Phillipston, Princeton, Royalston, Shirley, Sterling, Templeton, Townsend, Warwick, Wendell, Westminster, and Winchendon.

*Leave a Lasting Legacy -
Remember the Foundation in your will or estate plan.*

MassINC's Ian Bowles to present at Foundation's Annual Meeting

Ian Bowles, president and CEO of MassInc and publisher of *Commonwealth* magazine, will be the guest speaker at The Community Foundation of North Central Massachusetts Annual Meeting Thursday, October 6, 2005. The event is free and open to the public.

Mr. Bowles has broad experience in public policy, government service, philanthropy and non-profit management.

Before joining MassINC, Mr. Bowles was a senior research fellow at Harvard's Kennedy School of Government and served as senior advisor for strategy development at the Gordon and Betty Moore Foundation, a multibillion dollar foundation created by the co-founder of the Intel Corporation. He is co-author of *Footprints in the Jungle*, a book on natural resource industries and environmental practices and has published more than three dozen articles on public policy issues.



Ian Bowles

The meeting starts at 5:30 p.m., Thursday, October 6, 2005 at the Four Points Sheraton Hotel, Leominster, MA and will include a report from Chairman Thomas Bagley, III and the election of officers and directors. For more information or to RSVP, contact the Community Foundation of North Central Massachusetts at 978-345-8383 or kathy@cfncm.org.

Continued from page 1 - Rail Trails

who devoted a great deal of his life to volunteer community service, particularly in support of Fitchburg Access Television.

They made the donation to Twin City Trail Association which is a designated fund of the Community Foundation for North Central Massachusetts at a special ceremony held at the Foundation's office.

Anyone interested in financially supporting the Twin City Trail Association should send a check payable to "Twin City Trail Association" to the Community Foundation of North Central Massachusetts, 285 John Fitch Highway, Suite 1, Fitchburg, MA, 01420.

Once the appraised value of the corridor is not only in hand, negotiations can begin with CSX to "railbank" the corridor for conversion to a trail for public use. The corridor runs mostly parallel to Route 12 from Carter Park in Leominster to a site adjacent to Halloween World in Fitchburg. Once acquired from CSX, the Cities of Leominster and Fitchburg would hold title to the rail corridor within their respective borders. Twin City Trail Association is operating as a "friends of" nonprofit organization to help facilitate this unique partnership between the cities.

"The beauty of the rail corridor is that it not only links Leominster and Fitchburg, but that also brings the challenges of having two municipalities involved," said Russ Burdett, chairman of Twin City Trail Association. "Instead of having to decide which city pays which amount for the appraisal and waiting for approval from two municipalities, we were able to say "Here's the money so let's do the appraisal. We'll pay the cost for this part thanks to generous donors who want to see the rail trail happen sooner rather than later." The total cost of the rail corridor appraisal is \$8,500 so Twin City Trail Association provided the additional \$1,500 to cover the full cost—this money came from the nonprofit's fund-raising efforts in 2004.



Above Andrea Freeman (right) from Twin City Trail Association; Larry Cassasa, City of Fitchburg; and Mrs. DiNardo, Leominster. Below, Peter Angelini, Leominster Land Trust and Russ Burdett, Twin City Trail Association.





You're invited to our Annual Meeting October 6th
See pg. 3 for more details.

Non-Profit
Organization
U.S. Postage
PAID
Permit No. 19
Fitchburg, MA 01420

285 John Fitch Hwy, Suite 1
Fitchburg, MA 01420-05998

Phone 978.345.8383
Fax 978.345.1459
info@cfncm.org
www.cfncm.org

Directors

Thomas F. Bagley, III, Chairman
Charles Gelinas, Vice Chairman
Steven Stone, Treasurer
William E. Aubuchon, III, Clerk
Philip Grzewinski, President & Recording Secretary

Robert Alario
Ronald M. Ansin
Norman Boudreau
Paul Brown
Richard A. Cella
Jan Cochran
Martin F. Connors
George Gantz
Joseph Giovino
Frederick D. Healey
Edward Manzi, Jr.,
David McKeehan
Kevin Miller
Richard W. Nobile
Sergio Paez
C. Deborah Phillips
Timothy W. Richards
Albert Stone

*Leave a Lasting Legacy -
Remember the Foundation in your will or estate plan*

Establishing a Gift Annuity

Continued from page 1 - *Doing Well by Doing Good*

Suggested Gift Annuity Rates at Age	Single Life	Two Lives, Joint and Survivor, Same Age
60	5.7%	5.4%
70	6.5%	5.9%
80	8.0%	6.9%

Annuity payments may begin immediately or may be deferred. Most gift annuities are immediate, according to Frank Minton, chairman of ACGA. Deferred annuities tend to be taken by younger donors who are planning ahead for supplemental income at retirement. Deferred annuities, with gift annuity rates based on the donor's current age plus a compounding factor of 5 percent, are a good way to lock in a future stream of income, and result in a larger charitable income tax deduction. Immediate or deferred, annuity payments are usually made quarterly, but they may be made—at the donor's option—on a monthly, semi-annual or annual basis.

Tax Advantages

Donors receive an immediate tax deduction, based on their age, the annuity rate and a rate set by the IRS. Based on today's rates, a 65-year-old donor contributing \$10,000 would receive an immediate tax deduction of approximately \$3,000. An 80-year-old contributing the same amount might receive a deduction of \$4,000 or more.

In addition to removing the donated amount from their potentially taxable estates, donors also benefit from the tax treatment of annuity income. A portion of each payment check is treated as a tax-free return of principal. However, if donors outlive IRS life expectancy tables – approximately 16 years at age 70 – remaining annuity payments are fully taxable. There is an additional benefit if

appreciated property is donated, because a portion of the annual income may be taxed at favorable capital gains rates.

Before Establishing a Gift Annuity

The first rule for any donor, says Frank Minton of ACGA, is to know the charity well. "The safety of the gift annuity depends on the strength of the charity." There have been a few rare instances where the promise of a stream of income was not fulfilled. Minton notes that the good news is that "gift annuities are backed by the general assets of the charity, not just by the property contributed."

"Donors receive an immediate tax deduction, based on their age..."

Most charities required a minimum contribution of at least \$10,000 to establish a gift annuity. A few charities will take less, but some

require more. The Greater Kansas City Community Foundation, for example, will accept donations of \$25,000 or more in exchange for a charitable gift annuity. While donors can choose a specific charity to accept their contributions, the advantage of giving through a community foundation is that donations may support the variety of causes supported by the foundation.

Advisors who can help implement planned giving strategies using instruments such as a charitable gift annuity can bring myriad benefits to charities and clients alike. The charity can receive a larger gift than they might otherwise receive with an outright donation, which can bolster support for the programs. Donors will achieve fixed predictable payments plus the satisfaction of making a charitable gift. And advisors can benefit, too; creating a smart giving strategy can give advisors the satisfaction of helping their clients and their communities.