

ESTABLISHING YOUR PERSONAL ENDOWMENT ACCOUNT



What Is an Endowment?

An endowment is a gift to a nonprofit organization, such as the Arts Council of Moore County, to be used for a specific purpose and held in perpetuity. Each endowment of the Arts Council is governed by a protocol agreement.

The endowment, also known as the institution's "principal" or "corpus," may be used for operations or programs that are consistent with the wishes of the donor(s). Most endowments are designed to keep the principal amount intact while the income is used to further the specified cause.

In most cases, only a certain percentage of an endowment's assets can be used each year so the amount withdrawn from the endowment could be a combination of interest income and principal.

Endowment Policy

The minimum amount to establish an endowment with the Arts Council is \$25,000 (cash or appreciated securities such as stocks or mutual funds, or maturing CD's or bonds)

Who Should Consider a Personal Endowment Account (PEA)?

Anyone with sufficient assets may establish an endowment account with the Arts Council. A protocol agreement establishing the fund is signed by both the Arts Council and the donor stipulating the purpose of the account.

A PEA is a unique approach to administering an endowment and it differs from the standard endowment agreement in that the annual distributable amount is determined by the age of the donor funding the account. This is determined by using an insurance company sponsored Variable Annuity Account in the name of the donor. Variable annuities allow the Arts Council to spread your endowment across a wide range of investment options which may help grow your endowment. There are multiple benefits for using the variable annuity approach a few of which are illustrated in the example below:

Example - Mary Smith is 68 years old and gave an initial gift of \$50,000 in appreciated stock to set up a Personal Endowment Account. Mary received the full charitable deduction for this gift of appreciated securities. Mary's age qualifies her to have an endowment withdrawal benefit of 5.00% or \$2,500 per year. This amount will be applied for her favorite Arts Council program.

However, if Mary is planning additional gifts and wishes the endowment to grow over time to reach her \$100,000 goal, then there will be no withdrawal as she makes additional gifts. Future gifts and future earnings within the account are both working to increase the endowment total. Working with the Arts Council, Mary selects a program which provides guaranteed endowment income for life which increases as she ages. The program also has a combination death benefit which provides the greater of the guaranteed annual increases or the highest quarterly anniversary contract value should Mary pass before reaching her endowment goal of \$100,000.

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NOTE: This information is taken from sources believed to be reliable but is not guaranteed as to completeness or accuracy. You are urged to seek the advice of your financial planner, attorney, and/or tax advisor to make certain a contemplated gift fits well into your overall circumstances and planning.