



AMERICAN  
ENTERPRISE  
INSTITUTE  
*for Public Policy Research*

## *Ways to Give*

The American Enterprise Institute is a “public charity” under section 501(c)(3) of the Internal Revenue Code, which means that donations to AEI receive maximum tax benefits. Donations may be in the form of cash, securities, bequests, or retirement assets. In addition, there are several established “planned giving” arrangements, suitable primarily for large donations, which permit donors to achieve personal and family financial goals, while providing substantial current or future support of AEI.

### **CASH**

Gifts of cash are fully deductible for federal and state income tax purposes. This means that if your combined federal and state income tax rate is 40 percent, then every \$1,000 you donate to AEI costs you only \$600 in after-tax income. The only limitation is that total charitable deductions may not exceed 50 percent of your adjusted gross income in the year the gift is made (but with a five-year carryover for the unused portion of your gift).

### **SECURITIES**

When you donate appreciated securities to AEI, you avoid the capital gains tax and receive a federal income tax charitable deduction for the full market value of the securities. You must have held the securities for more than twelve months, and your total donations of appreciated securities may not exceed 30 percent of your adjusted gross income in the year the gift is made (with a five-year carryover for the excess).

Because of the potential double tax savings, a gift of appreciated securities usually has a lower after-tax cost than an equivalent gift of cash. For example, let us assume you are in the top federal income tax bracket and own stock worth \$10,000, which you bought for \$2,000 and have held for longer than twelve months. If you sold the stock, you would be liable for \$1,200 in capital gains tax on the \$8,000 gain. By giving the stock to AEI, you pay no capital gains tax and may receive a \$10,000 charitable deduction, saving you as much as \$3,500 in income taxes. Your tax savings are even greater if you factor in state and local income taxes.

### **BEQUESTS**

By including AEI in your will, you guarantee that this unique institution continues to fulfill its mission into the future and reduce the taxable portion of your estate by the full amount of your gift. You

may make a bequest to AEI by preparing a new will or by adding a codicil to your present will. To make certain that your exact intentions are carried out, wills and codicils should be prepared by or with the advice of your attorney.

Unrestricted bequests permit AEI to use your gift wherever it is most needed; restricted bequests underwrite AEI activities in areas of greatest interest to you.

Suggested language for making an **unrestricted endowment bequest**:

“I give [the sum of \_\_\_\_\_ dollars] [all or \_\_\_\_\_ percent of the residuary of my estate] to the American Enterprise Institute, 1150 17th Street, N.W., Washington, D.C., for the AEI Guarantors Fund, a general endowment.”

Suggested language for a **specific purpose**:

“I give [the sum of \_\_\_\_\_ dollars] [all or \_\_\_\_\_ percent of the residuary of my estate] to the American Enterprise Institute, 1150 17th Street, N.W., Washington, D.C., for the following purpose: [state the purpose].”

Retirement account assets such as IRAs, 401(k)s, Keoghs, HR-10s, 403(b)s, and ESOPs are a particularly attractive way to support AEI. Left to your estate or to an individual who is not your spouse, these assets are subject to estate, income, and other transfer taxes that often exceed 75 percent. By designating AEI as the recipient of any benefits remaining in your retirement plan, the bequest will escape both estate and income taxes, leaving a greater share of your estate for your heirs.

## **LIFE INCOME PLANS**

Friends of AEI who would like to make a substantial gift, but must also consider their own and their spouses' financial needs, may find a life income plan to be an attractive solution. Life income plans allow you to make a gift to AEI and at the same time retain a benefit from the assets you give, in some cases making it possible to contribute more than you originally thought. When you establish a life income plan, you make an irrevocable gift of assets and in return receive payments for life or for a term of years. When the life income plan terminates, the assets remaining pass to AEI. Life income arrangements vary, but all share the following advantages and offer a number of important potential benefits:

- An immediate income tax charitable deduction;
- Increased income in many cases from low-yield, appreciated securities;

- Elimination of, or reduction in, capital gains tax liability if appreciated property is donated;
- Payments for life, to you and/or another beneficiary or beneficiaries you may designate;
- Reduced estate taxes; and
- The satisfaction of supporting AEI during your lifetime.

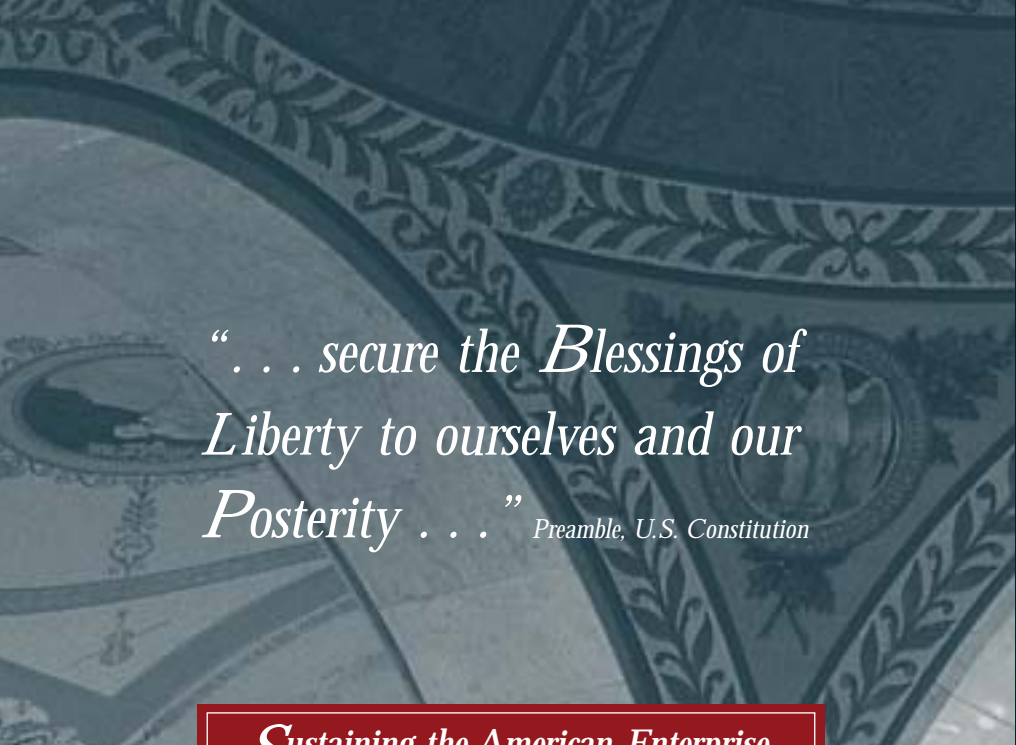
**Charitable Gift Annuities** are the oldest and most popular vehicles for making a gift and receiving income. Gift annuities offer important financial benefits:

- A fixed annual income, a portion of which is tax free, and which may be greater than the income available on your current assets;
- An income tax charitable deduction;
- Reduced capital-gains taxes if appreciated securities are donated; and
- Reduction of your taxable estate.

Example: Mr. Smith, who is seventy-five years old, establishes a \$1,000,000 gift annuity for the eventual benefit of AEI using appreciated securities that generated annual dividend income of \$14,000. This gift annuity guarantees Mr. Smith an income for himself and his sixty-nine-year-old spouse for life. He and his surviving spouse will receive payments fixed for life at a percentage rate determined by actuarial tables. At 6 percent, for instance, they would receive \$60,000 per year paid in quarterly installments, a portion of which is tax free. They can also claim an immediate charitable deduction on their income tax. By using appreciated securities with a low cost basis, Mr. Smith has increased his annual income more than fourfold and has diminished his capital-gains taxes.

**Charitable Remainder Trusts** are separately managed irrevocable trusts that can be tailored to meet your financial goals, especially with respect to the payout rate, the length of the trust term, and the assets used to fund the trust. The two most common types of trusts are: (1) the annuity trust, which pays a fixed dollar amount each year based on a percentage of the initial fair market value of the trust assets; and (2) the unitrust, which pays a variable amount based on a percentage of the fair market value of trust assets as revalued each year. The recommended minimum contribution to establish a charitable remainder trust is \$250,000. At the termination of the trust, the remainder comes to AEI.

**Charitable Lead Trusts** provide a method of making a significant contribution to AEI while transferring income-producing assets to your heirs at a greatly reduced tax cost. It differs from the other trusts in that AEI receives the income for the term of the trust. At the end of the term, the remaining assets in the trust principal are transferred to your heirs at no additional tax cost. A charitable lead trust allows AEI to anticipate a current income stream for the support of its activities.



*“ . . . secure the Blessings of  
Liberty to ourselves and our  
Posterity . . . ”* Preamble, U.S. Constitution

## *Sustaining the American Enterprise*

The American Enterprise Institute is dedicated to preserving and strengthening the foundations of American freedom—limited government, competitive private enterprise, strong cultural and political institutions, and vigilant defense—through rigorous research, debate, and writing. Founded in 1943, AEI is home to some of the nation’s foremost economists, legal scholars, social scientists, and foreign policy specialists. The Institute’s work is cited and reprinted in the national media more often than that of any other “think tank.”

AEI is an independent, nonpartisan organization financed by contributions from foundations, individuals, and corporations. Its budget of more than \$20 million is supported by annual donations and by endowment and campaign commitments—currently over \$85 million and growing, devoted to research chairs, special programs, and long-term financial strength.

Be sure to consult with your personal financial adviser and tax attorney about the ways of giving that are best for your needs. For further information, contact AEI's development office at 202.862.7189 or [development@aei.org](mailto:development@aei.org).



1150 Seventeenth Street, NW  
Washington, DC 20036  
202.862.5800  
[www.aei.org](http://www.aei.org)