

DESERT SOUTHWEST UNITED METHODIST FOUNDATION

WHAT IS A CHARITABLE GIFT ANNUITY?

A charitable gift annuity is a simple contract between you and Desert Southwest United Methodist Foundation (DSUMF).

In exchange for your irrevocable gift of cash, securities, or other assets, DSUMF agrees to pay one or two annuitants you name a fixed sum each year for life. The payments are guaranteed by the general resources of DSUMF, the Annual Conference, and the General United Methodist Church at large.

The older an annuitant is at the time of the gift, the greater the fixed income DSUMF can agree to pay.

In most cases, part of each payment is tax-free, increasing each payment's after-tax value. If you give appreciated property you will pay capital gains tax on only part of the appreciation. In addition, if you name yourself as an annuitant, the capital gains tax will be spread out over many years rather than be due in one lump sum in the year of your gift.

Payments are usually made in annual, semiannual, or quarterly installments, but in special circumstances, DSUMF will make annuity distributions on a monthly basis.

BENEFITS INCLUDE:

1. When you make a Charitable Gift Annuity, you will qualify for a federal income tax deduction for a portion of the gift. Note that deductions for gifts of long-term appreciated property will be limited to 30% of your adjusted gross income and gifts of cash and non-appreciated property will be limited to 50% of your adjusted gross income. If you qualify for more deductions than you can take in the year of the gift, then you may take unused deductions of either kind over the next five years, subject to the same 30% or 50% limitation.
2. The annuitants you name will receive a ***fixed, annual*** income for life, ***guaranteed*** by the general resources of DSUMF, the Desert Southwest Annual Conference, and the United Methodist Church at large.
3. If you fund the annuity with an appreciated asset, you will incur tax on only part of the gain. If you name yourself as an annuitant, this tax will be spread out over many years.
4. Your estate may enjoy reduced probate costs and estate taxes because this is an irrevocable gift which is permanently removed from your estate.
5. You will provide generous support of your church foundation as well as the DSUMF.

Gift Annuity Disclosure Statement

Description of a Gift Annuity

A gift annuity is a simple contract between the donor(s) and Desert Southwest United Methodist Foundation (hereinafter "DSUMF"). In exchange for the donor's(s') contribution, DSUMF promises to make fixed, guaranteed payments for life to one or two annuitants [usually, but not necessarily, the donor(s)]. The amount paid is based on the age of the annuitant(s) on the date of the gift, in accordance with DSUMF's rate schedule.

Not a Commercial Investment

The act of establishing a gift annuity with DSUMF is not, and should not be viewed as, an investment. Rather, it is a way to receive annuity payments while making a charitable donation. In this respect, a gift annuity issued by DSUMF is different from a commercial annuity. However, the fact that you are making a charitable gift may provide you with tax benefits, including a current federal income tax charitable deduction (if you itemize your deductions), annuity payments which are partially tax-free, and possibly, future estate tax savings.

Gift Annuity Rates

Generally, the gift annuity rates paid by DSUMF are those suggested by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a significant portion of the contribution remaining for the charity after the annuitant's death. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

Assets Backing Annuity

The annuity payments are a general obligation of DSUMF, and they are backed by all of our assets (subject to security interests). On December 31, 2008, our total invested funds exceeded \$9,014,034. These funds are invested in a portfolio with an asset allocation model of 60% stocks, 20% bonds and 20% managed futures. Assets received by DSUMF for gift annuities are managed internally, in a conservative and disciplined manner. If DSUMF should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of DSUMF.

Responsibility for governing DSUMF, which was established in 1985, is vested in a Board of Directors comprised of 15 persons, who are elected. Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this letter is provided to you in accordance with the requirements of that Act. However, both DSUMF's Investment Policy Statement and Investment Process are in full compliance with three Acts of Congress and the twenty seven investment practices required by law.

The revised Act was enacted by the State of Arizona in February of 2008. The revised law is called the Uniform Prudent Management of Institutional Funds Act, or UPMIFA. DSUMF complies with all requirements of this newly enacted law.

Points to Remember

- A contribution for a gift annuity is irrevocable. The principal you contribute cannot be returned to you.
- The right to annuity payments may not be assigned to any person or organization, other than DSUMF.
- The gift date is the date when you actually transfer assets. In the case of cash, it is the date you mail or deliver a check. In the case of an electronic transfer of securities, it is the date they are received into the account of DSUMF. If you have certificates, it is the date they are properly endorsed and mailed or delivered.
- The gift annuity is governed by applicable state laws.

For More Information

This disclosure statement is intended to provide basic information regarding the gift annuities issued by DSUMF. If you have additional questions concerning DSUMF's gift annuity program, please contact the Desert Southwest United Methodist Foundation, 1550 E. Meadowbrook Ave., Phoenix, AZ 85014, foundation@dsumf.org, 602.266.6956 Ext. 202.

Basic Gift Illustrations

Summary of Benefits**6% Charitable Gift Annuity****ASSUMPTIONS:**

Annuitant	[5/8/1942]	67
Date of Gift	6/10/2009	
Principal Donated	\$10,000.00	
Cost Basis	\$10,000.00	
Annuity Rate	6%	
Payment Schedule	quarterly at end	

BENEFITS:

Charitable Deduction	\$2,686.40
Annuity	\$600.00
Tax-free Portion	\$399.60
Ordinary Income	\$200.40

After 18.3 years, the entire annuity becomes ordinary income.

IRS Discount Rate is 2.8%

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on the timing of the gift.

Basic Gift Illustrations

Taxation of Gift Annuity Payments**6% Charitable Gift Annuity****ASSUMPTIONS:**

Annuitant	67
Date of Gift	6/10/2009
Principal Donated	\$10,000.00
Cost Basis	\$10,000.00
Annuity Rate	6%
Payment Schedule	quarterly at end

CALCULATIONS:

Charitable Deduction	\$2,686.40
Number of Payments in First Year	3
Days in First Payment Period (4/1/2009 to 6/30/2009)	91
Days in First Credit Period (6/10/2009 to 6/30/2009)	21
Annuity	\$600.00
Quarterly Payment	\$150.00
First Partial Payment	\$34.62

BREAKDOWN OF ANNUITY:

	Tax-free Portion	Ordinary Income	Total Annuity
2009 to 2009	222.86	111.76	334.62
2010 to 2026	399.60	200.40	600.00
2027 to 2027	297.54	302.46	600.00
2028 onward	0.00	600.00	600.00

After 18.3 years, the entire annuity becomes ordinary income.

IRS Discount Rate is 2.8%

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