



POOLED INCOME FUND

A pooled income fund enables your client to accomplish two things – to make a significant charitable contribution to the community, which is tax deductible in the year of the gift and for the client or another income beneficiary to receive income for life. The annual income will fluctuate depending on the actual interest and dividends, less investment expenses, earned by the fund. Upon termination of the life income interests, the assets become part of the Connecticut Community Foundation's permanent endowment fund, and the income will be used to improve the quality of life in the our 21 town service area.

Please contact Ann Merriam Feinberg, director of development, at amerriamfeinberg@conncf.org or 203-753-1315 for examples fitting your client's particular circumstances or for more information on the pooled income fund or other planned gifts.

Gifts to the Pooled Income Fund

The minimum contribution to the pooled income fund is \$10,000, which may be made in cash or marketable securities. Additional contributions may be made in any amount of \$1,000 or more. The contribution is irrevocable. A gift to the pooled income fund may also be made by Will or trust. In such a case, you may provide an income interest to a surviving beneficiary for the lifetime of the beneficiary.

Pooled Income Fund Investments

A pooled income fund is an investment pool similar to a mutual fund. Each contribution is assigned a number of units in the pool, based on the fair market value of the gift divided by the fair market value of a unit in the fund. The number of units assigned to the gift will not change, although the value of each unit may fluctuate with the appreciation or depreciation of the fund's assets. If the value of the units increases through capital appreciation, the annual income to the life income beneficiary may also increase.

The Foundation's financial custodian acts as trustee of the fund. The investment objective of the fund is to seek current income and long-term appreciation of principal. Investments will include equities, fixed income securities and cash, depending on current market and economic conditions. Any securities transferred to the fund may be sold or retained as part of the investments at the Trustee's sole discretion. The Foundation cannot guarantee a rate of return on the fund, but the Foundation's staff can provide information on the current and past rates of return.

Income for Life

Your client may designate one or two lifetime beneficiaries of the income generated by the client's units in the fund. For instance, a husband may request that the income be paid to him for his lifetime and, upon his death, to his wife for her lifetime. Or, you may wish to provide retirement income for a relative, friend or employee. You may reserve the right to terminate or revoke by will the interest of any surviving income beneficiary.

A quarterly, semi-annual or annual check representing the income from your units, less the expenses for investment and administration of the fund, will be received by the beneficiaries.

Your client may select the type of charitable fund and a name for the fund that will be established at the Foundation upon the death of the last beneficiary. If your client does not make a designation, the remainder interest will become an unrestricted fund for the general charitable purposes of the Foundation.

Tax Consequences of Pooled Income Fund Gifts

The following is a brief outline of the tax consequences of a gift to the pooled income fund.

A contribution to the pooled income fund entitles your client to an income tax deduction for the charitable remainder interest in the year in which the gift is made. The allowable deduction is based on the age and sex of the beneficiaries and the highest rate of return of the fund for the past three years. Income payments received from the fund by beneficiaries should be included in the taxable income for federal income tax purposes. The trustee will furnish you with the necessary tax information for the allowable charitable deduction and will notify the beneficiaries of the amount that should be included in their income tax returns each year.

The donation of appreciated securities is particularly advantageous since your client avoids the capital gains tax on the appreciation. Furthermore, income may be increased by donating securities paying little or no dividends. The trustee can sell these securities and invest the proceeds in higher yielding securities, providing your client with a greater income without paying a capital gains tax.

The Foundation staff can provide the current rate of return for the pooled income fund and the projected allowable charitable deduction for your particular situation. We encourage you and your clients to meet with the Foundation staff to review the provisions of the pooled income fund and to answer any questions about the fund or other planned gift opportunities.

A copy of the Declaration of Trust is also available from the Foundation office.