

THE CHARITABLE GIFT ANNUITY  
HELPFUL FACTS FOR YOU

*A Gift Plan that Pays an Annuity for Life*

## **ALSAC/ST. JUDE CHILDREN'S RESEARCH HOSPITAL**

### **Facts About Our Gift Annuity Program**

This statement is intended to provide important and helpful information regarding charitable gift annuities offered to donors by ALSAC/St. Jude Children's Research Hospital ("ALSAC/St. Jude"). The mission of ALSAC/St. Jude, founded by entertainer Danny Thomas in 1957, is the care, treatment and cure of children stricken with catastrophic diseases, regardless of a family's ability to pay.

#### **The Purpose of a Gift Annuity**

A charitable gift annuity provides a way for you, as a donor, to make an irrevocable gift to ALSAC/St. Jude to support its life-saving mission, while at the same time providing a source of fixed income for life to you or another annuitant. In addition, a gift annuity may provide the donor with certain federal (and possibly state) tax benefits.

#### **The Nature of a Gift Annuity**

Legally, the ALSAC/St. Jude Gift Annuity is a contract between the donor and ALSAC/St. Jude. The provisions of the agreement govern the specific terms of your annuity. The basic terms of the contract are:

- The donor has irrevocably transferred cash or marketable securities to ALSAC/St. Jude in order to make a donation and establish the annuity.
- ALSAC/St. Jude promises to pay the agreed-upon annuity for the life or lives of up to two beneficiaries. The amount of the payment will never change.
- The annuity may not be assigned to a third party (other than ALSAC/St. Jude).
- The annuity agreement is governed by the laws of a specified state, which may be your state or may be Tennessee (ALSAC/St. Jude's national headquarters), depending on the laws of your state.
- The age(s) of the annuity recipients are calculated to the nearest whole year(s) in order to determine the payment rate.
- ALSAC/St. Jude's obligation to make gift annuity payments is backed by the full net assets of ALSAC/St. Jude.

#### **Payment Rates**

The rate of payment to you or your designated beneficiary is determined by the age of the beneficiary on the date on which the annuity is established. ALSAC/St. Jude offers gift annuity payment rates recommended by the American Council on Gift Annuities, an association of almost 1,800 charitable institutions.

These rates are calculated to ensure that a gift annuity not only provides attractive payments to the beneficiary, but also provides a gift to ALSAC/St. Jude. Therefore, ALSAC/St. Jude's payment rates for gift annuities are in all likelihood less than those that you might receive if you purchased a commercial annuity instead. This difference represents the charitable gift element, which may allow the donor to claim a federal income tax charitable deduction. *A gift annuity is not a financial or commercial investment, but rather a means to make a gift to ALSAC/St. Jude while receiving annuity payments for life.*

### **Management of the Gift Annuity Fund**

Assets received by ALSAC/St. Jude for gift annuities are managed by ALSAC/St. Jude's Investment Committee in a conservative and disciplined manner. The Board of Directors of ALSAC/St. Jude regularly monitors the performance of these investments. Your gift will be commingled with those of other annuitants in a gift annuity fund. As of June 30, 2006, investments of the gift annuity fund totaled \$26,296,267. Custodian of the gift annuity fund is Mellon Financial Corporation.

While the gift annuity fund is designed to meet ALSAC/St. Jude's obligations to all of its gift annuity beneficiaries, your charitable gift annuity contract and the payments prescribed therein are general obligations of ALSAC/St. Jude. Therefore, ALSAC/St. Jude's obligation to make annuity payments to you is not affected by the investment performance of the annuity fund described above. Accordingly, ALSAC/St. Jude would be required to use its other assets to meet its annuity obligations if for any reason that fund should prove to be insufficient.

### **Tax Considerations**

Establishing an ALSAC/St. Jude gift annuity possibly can provide you, the donor, with several tax benefits.

- You will receive a current federal income tax charitable deduction, subject to certain limitations, if you itemize your deductions. A donor may deduct an amount equal to 50% of the donor's adjusted gross income (AGI) for gifts of cash and 30% of the donor's AGI for gifts of long-term appreciated property. Gift amounts in excess of these limits may be deducted in as many as five succeeding tax years.
- Part of your annuity payments will be considered a return of principal and will, therefore, be tax-free. Each year, ALSAC/St. Jude will send you a 1099R to help you determine the amount reportable as interest income (or capital gain, if applicable) for the preceding year.
- Establishing an ALSAC/St. Jude gift annuity may provide future estate tax savings, if your estate is subject to federal or state estate or inheritance taxes.

*ALSAC/St. Jude cannot and does not provide tax or other legal advice to donors. Therefore, it is recommended that you check with your tax adviser if you have any questions as to the tax consequences that may be unique to your personal financial situation and the gift annuity you wish to establish.*

## **Date of Gift for Stock and Bonds**

Because stocks and bonds fluctuate in value daily, the date on which your annuity is funded is the date on which marketable securities are received by ALSAC/St. Jude. In the case of securities in certificate form, the date of gift is that date on which both the stock certificate and a duly executed stock power have been received by ALSAC/St. Jude. In the case of securities delivered by wire or DTC, the date of gift is that date on which the security is received into ALSAC/St. Jude's brokerage account. Securities are valued on the aforementioned dates of receipt to determine the funding amount of your annuity. If a donor wishes to fund a single annuity with multiple securities or a combination of cash and securities, the date of gift is that date on which the last of the funding assets is received by ALSAC/St. Jude.

## **Federal Securities Law**

ALSAC/St. Jude's charitable gift annuities qualify for exemption from the registration requirements of the federal securities laws under the Philanthropy Protection Act of 1995 and the Charitable Donation Antitrust Immunity Act of 1997, and the annuities have thus not been registered with the Securities and Exchange Commission. The statutes require ALSAC/St. Jude to provide to donors written information describing the material terms of the operation of the gift annuity fund; this disclosure statement is intended to comply with this requirement.

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If you have any questions concerning the ALSAC/St. Jude gift annuity program, please call Christine Sturm Kirk, at 1-800-830-8119.