



# The Real Estate Pooled Income Fund

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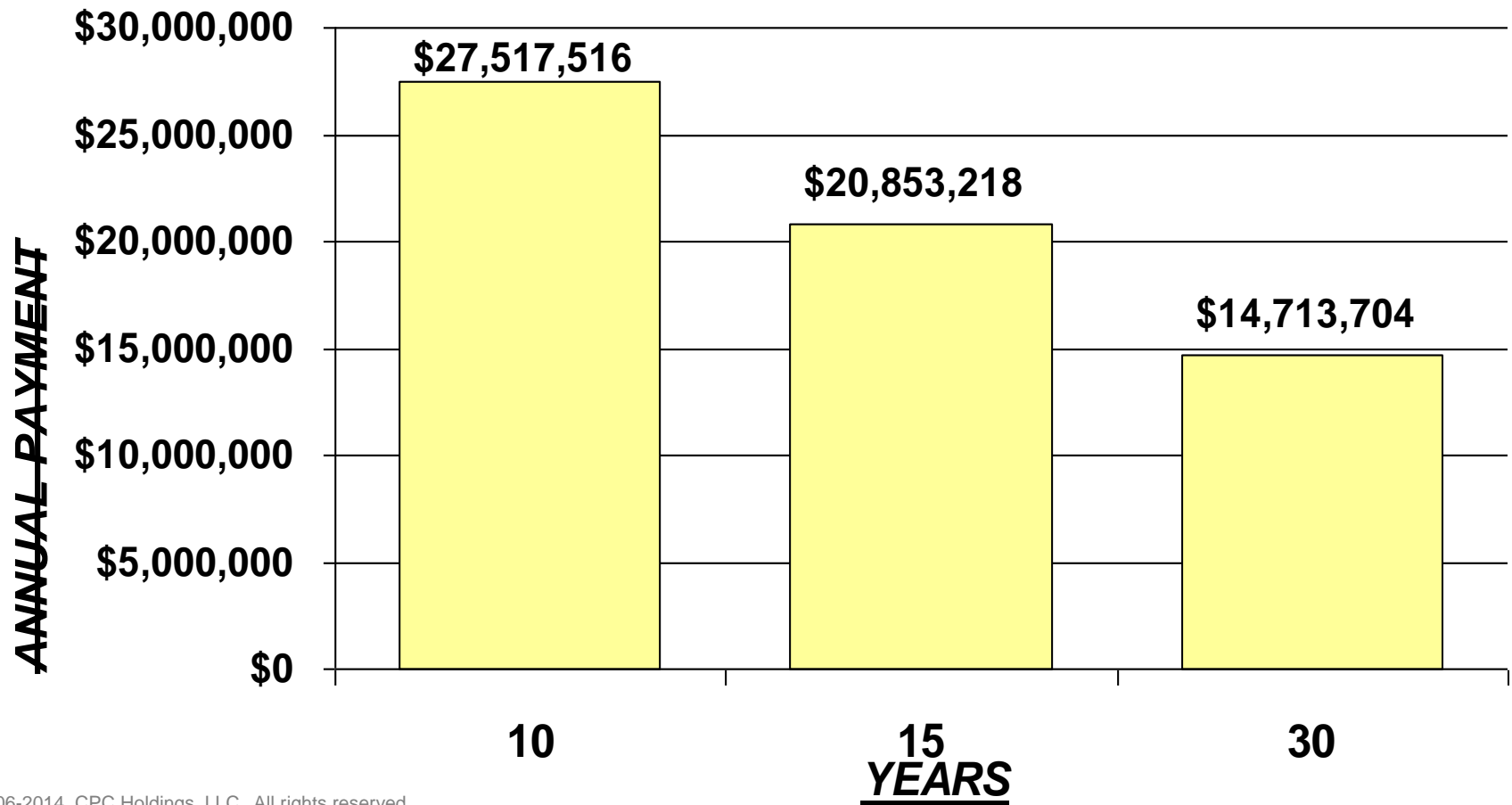


# The Real Estate Pooled Income Fund

## Benefits to the Charity



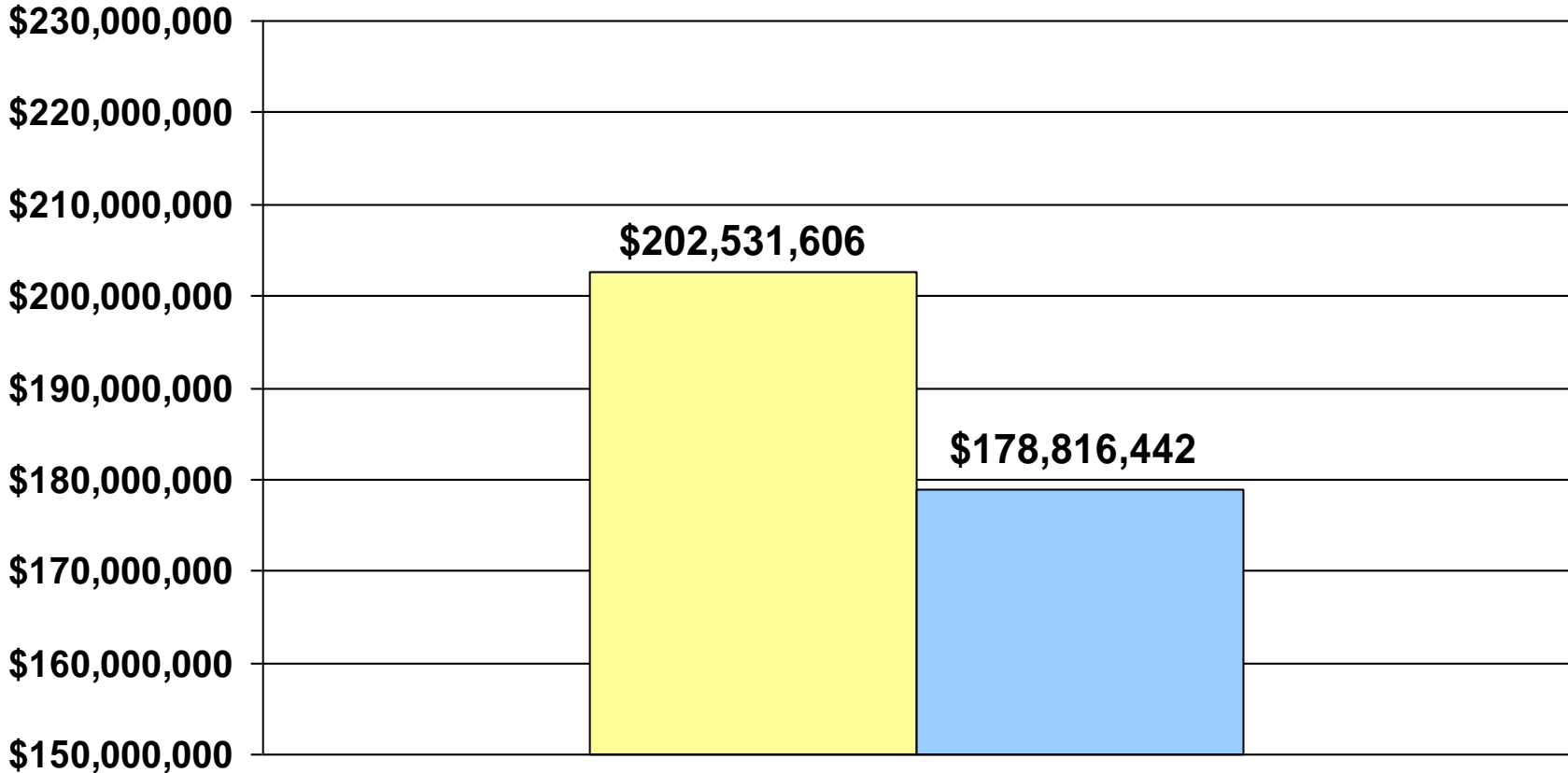
# \$200,000,000 Bond Financing @ 6%





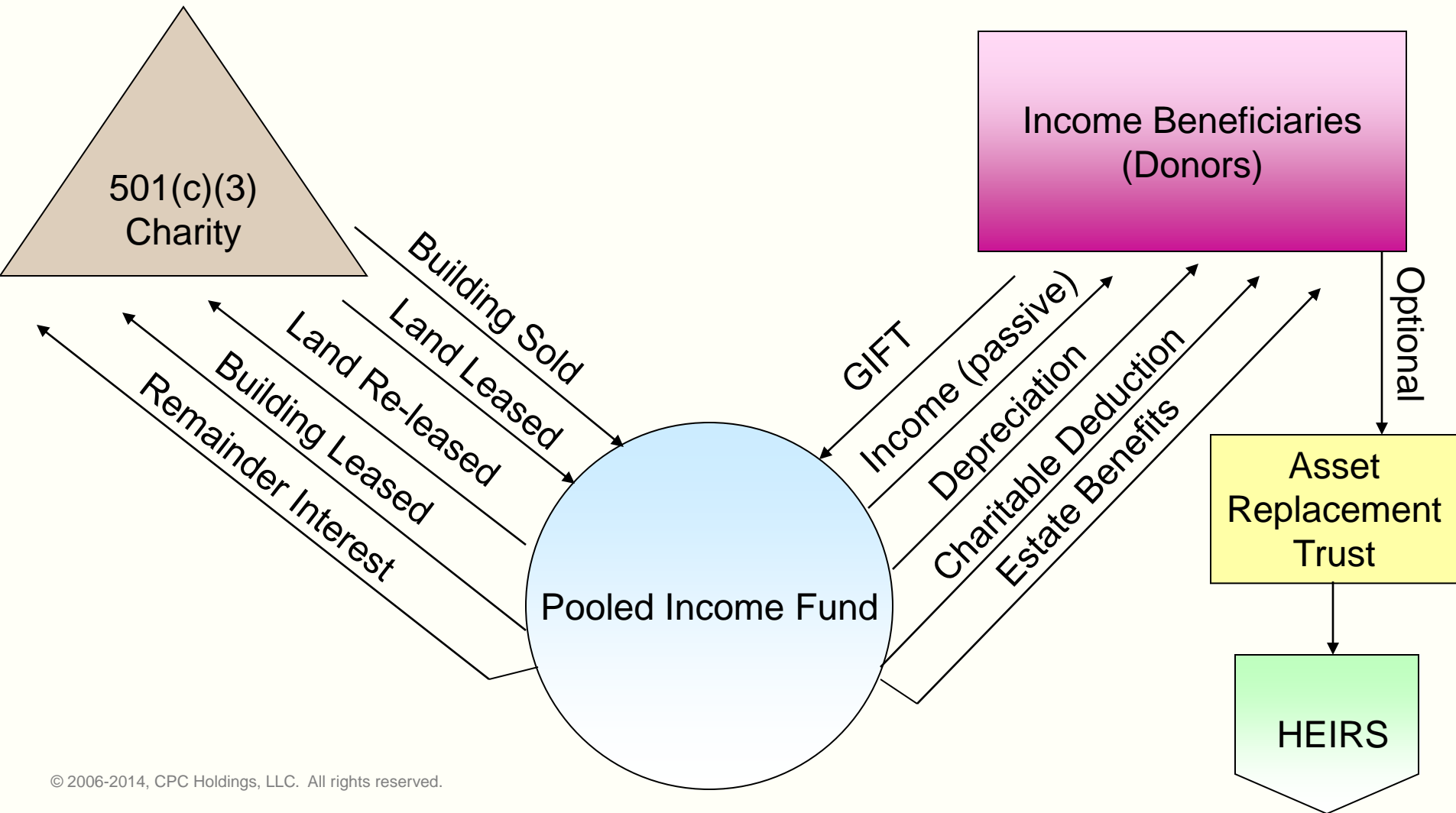
# Bond vs. PIF Financing

\$200,000,000 Financing  
Bond @ 6% vs. PIF @ 7%



**■ Bond Cost ■ PIF Cost**

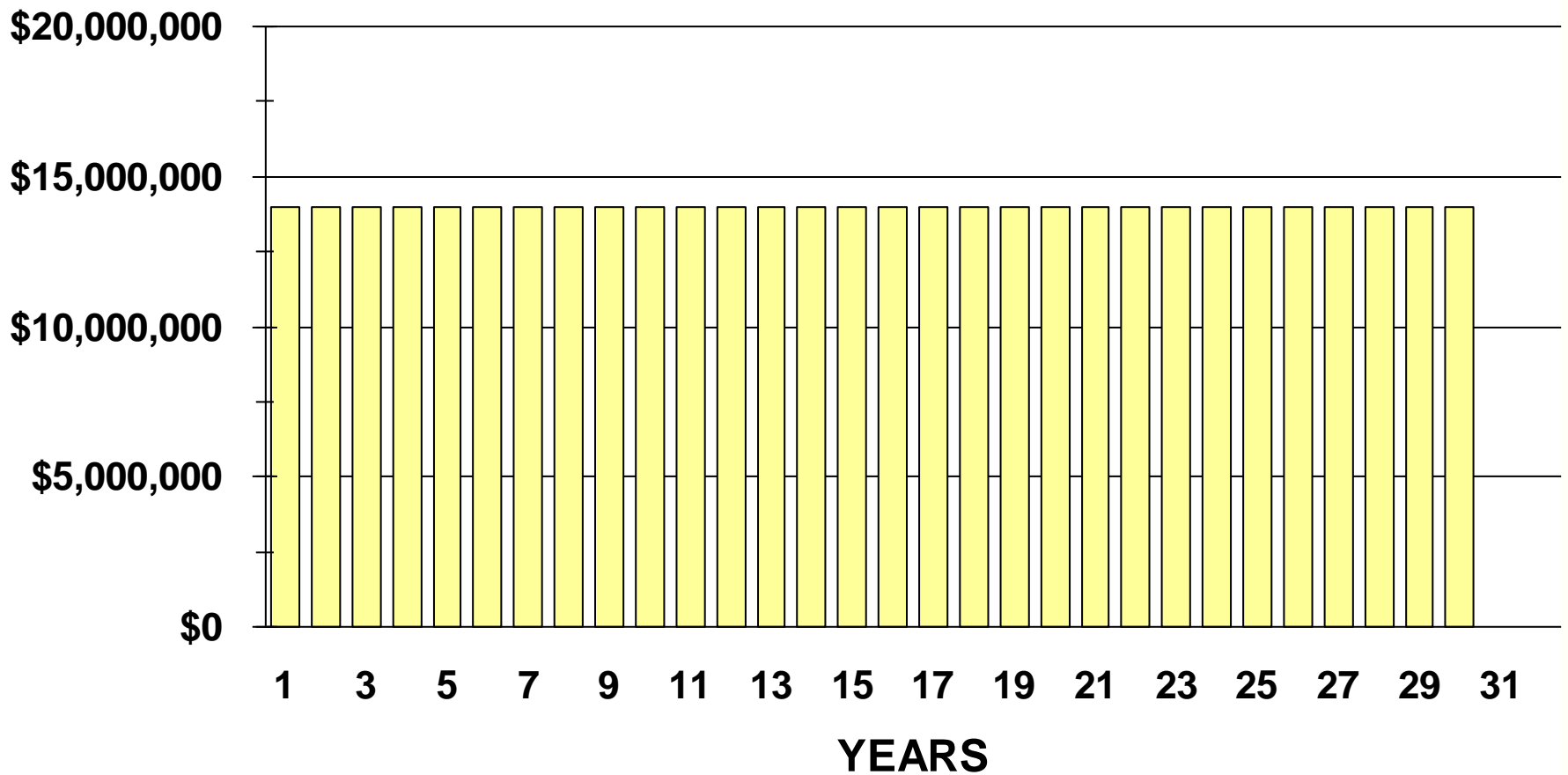
# The Real Estate Pooled Income Fund





# \$200,000,000 Bond Financing

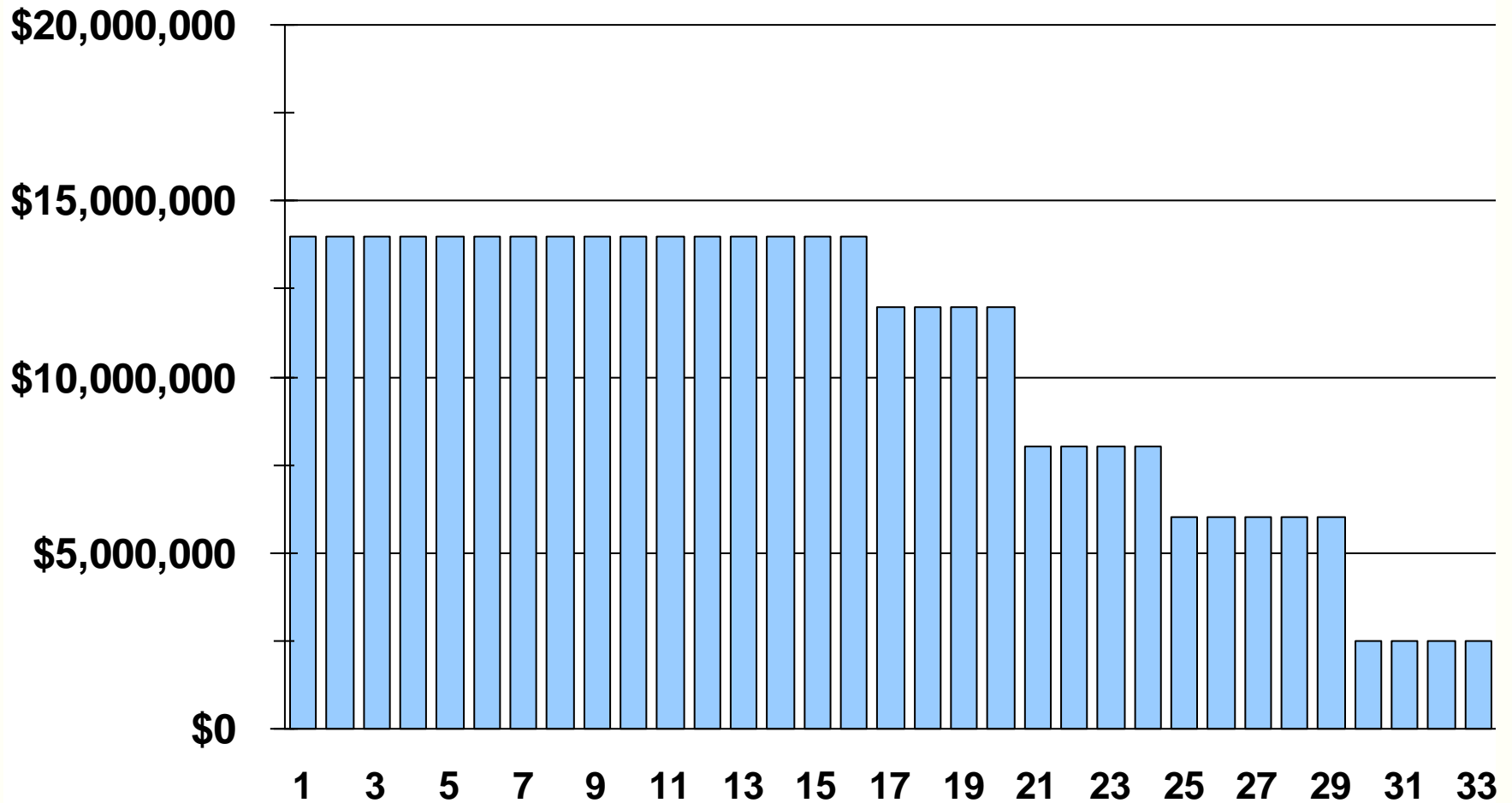
## 30 YEAR BOND @ 6%





# \$200,000,000 PIF Financing

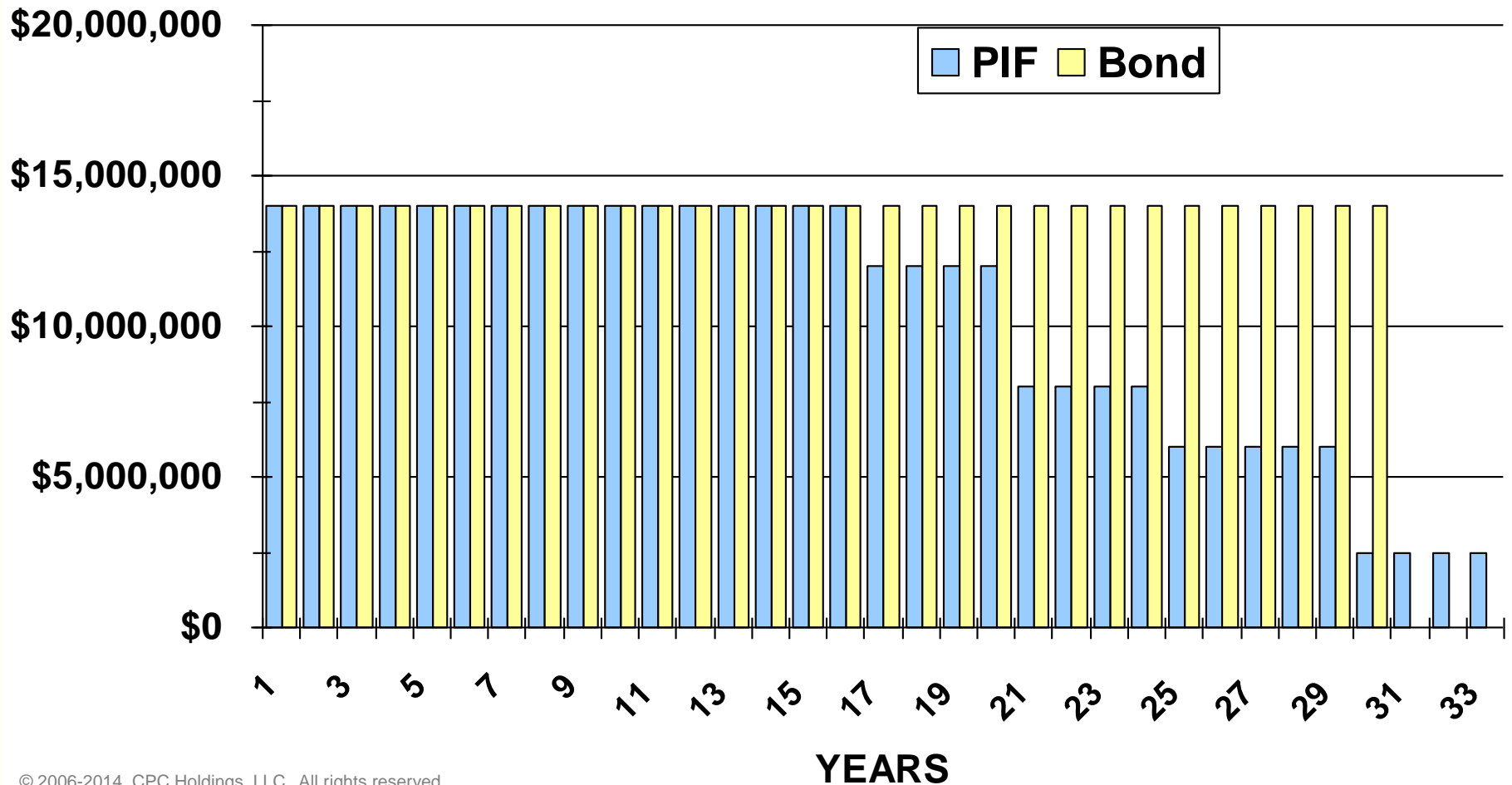
33 Year PIF @ 7%





# \$200,000,000 Financing

30 Year Bond @ 6% vs. 33 Year PIF @ 7%







# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

### Bond Financing:

Principal Amount	\$202,531,646
Less Cost @ 1.25%	<u>(\$2,531,646)</u>
Goal	\$200,000,000

Interest Rate 6.00%

Amortization Period	Annual Debt
10 Years	\$27,517,561
15 Years	\$20,853,218
30 Years	\$14,713,704



# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

### Pooled Income Fund:

Principal Amount:	\$206,185,567
Less Cost @ 3.00%	(\$6,185,567)
Goal	\$200,000,000
Interest (Lease) Rate	7.00%

### 200 Equal Investors:

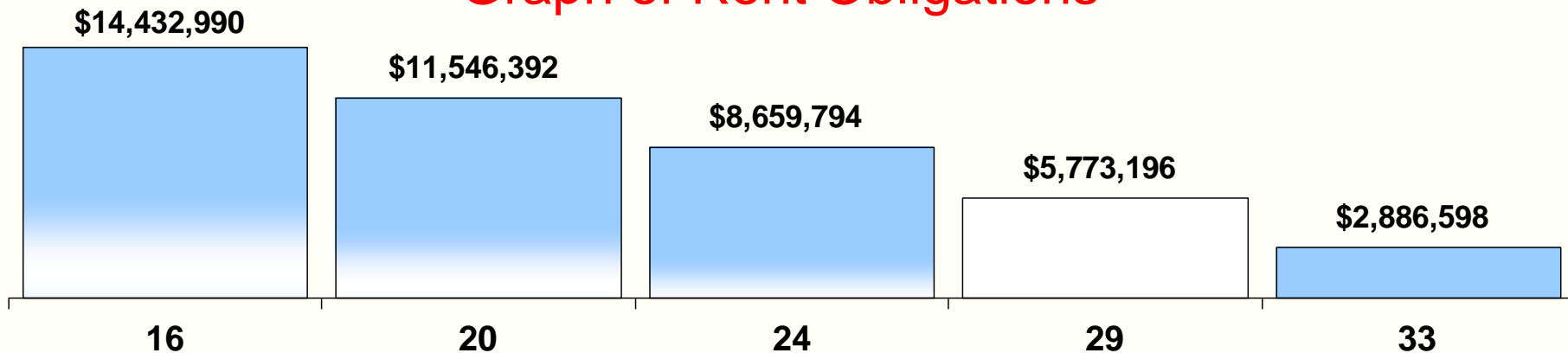
40	At Age 50	Life Expectancy = 33 Years
40	At Age 55	Life Expectancy = 29 Years
40	At Age 60	Life Expectancy = 24 Years
40	At Age 65	Life Expectancy = 20 Years
40	At Age 70	Life Expectancy = 16 Years



# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

### Graph of Rent Obligations



Present Valued At.....

6.00%

\$2,886,598	For	16 Years	\$ 29,171,656
\$2,886,598	For	20 Years	\$ 33,109,051
\$2,886,598	For	24 Years	\$ 36,227,836
\$2,886,598	For	29 Years	\$ 39,230,947
\$2,886,598	For	33 Years	<u>\$ 41,076,951</u>

**\$178,816,442**



# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

Bond Financing Cost: \$202,531,646

Pooled Income Fund Cost: \$178,816,442

### **NET SAVINGS:**

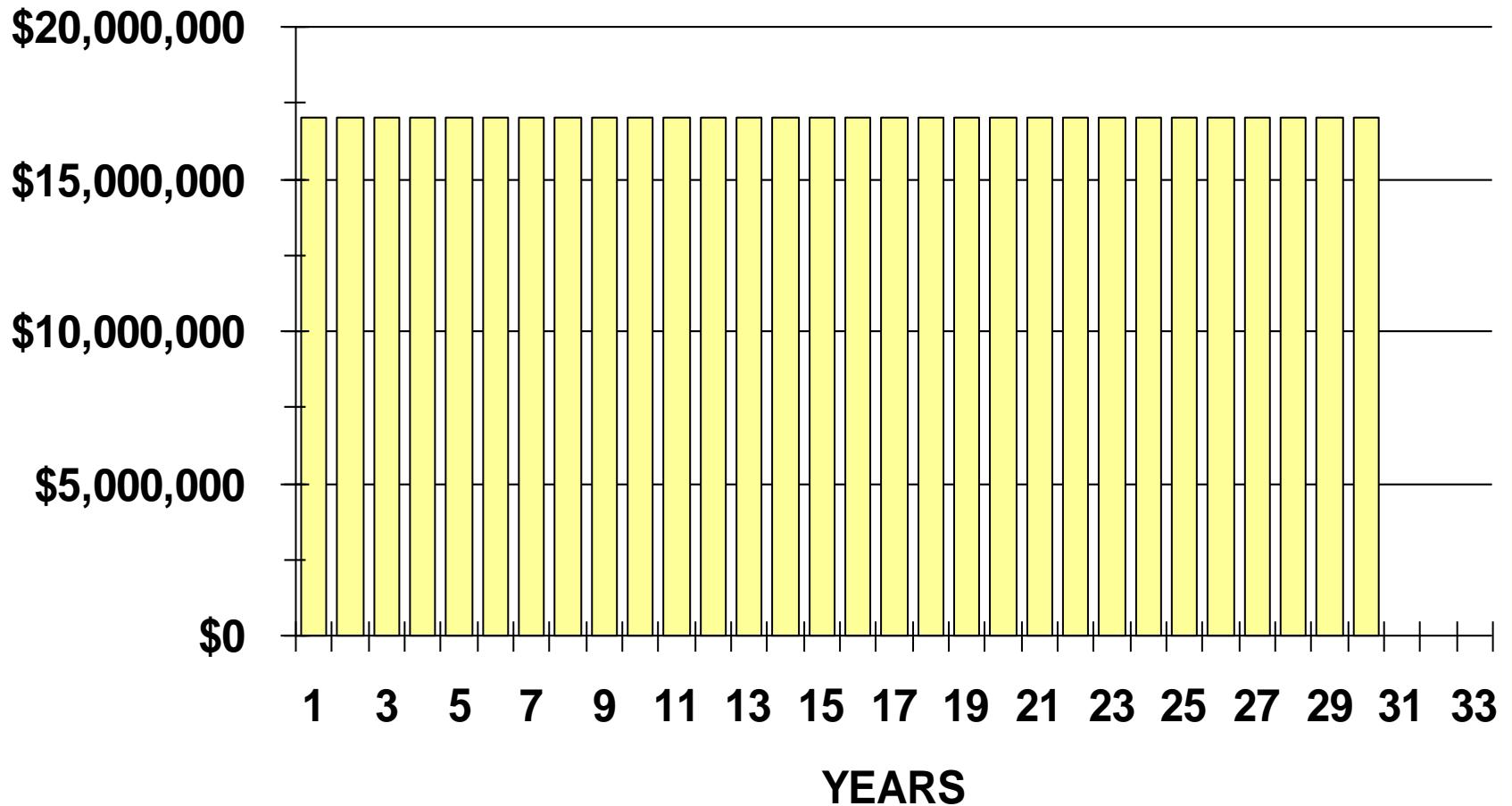
**Pooled Income Fund  
Over Bond Financing**

**\$23,715,203**



# \$200,000,000 Bond Financing

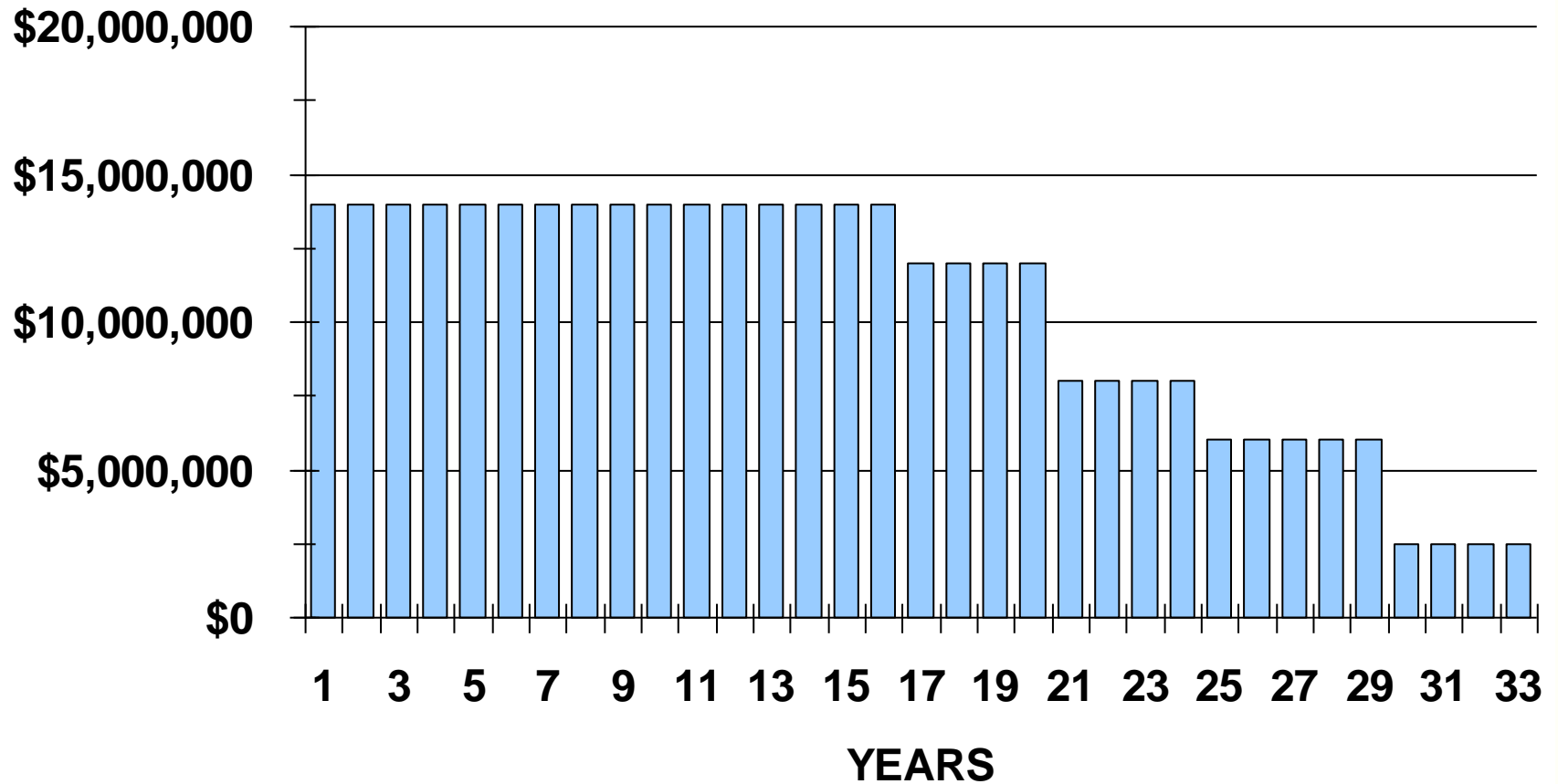
## 30 Year Bond @ 7.5%





# \$200,000,000 PIF Financing

33 Year PIF @ 6%

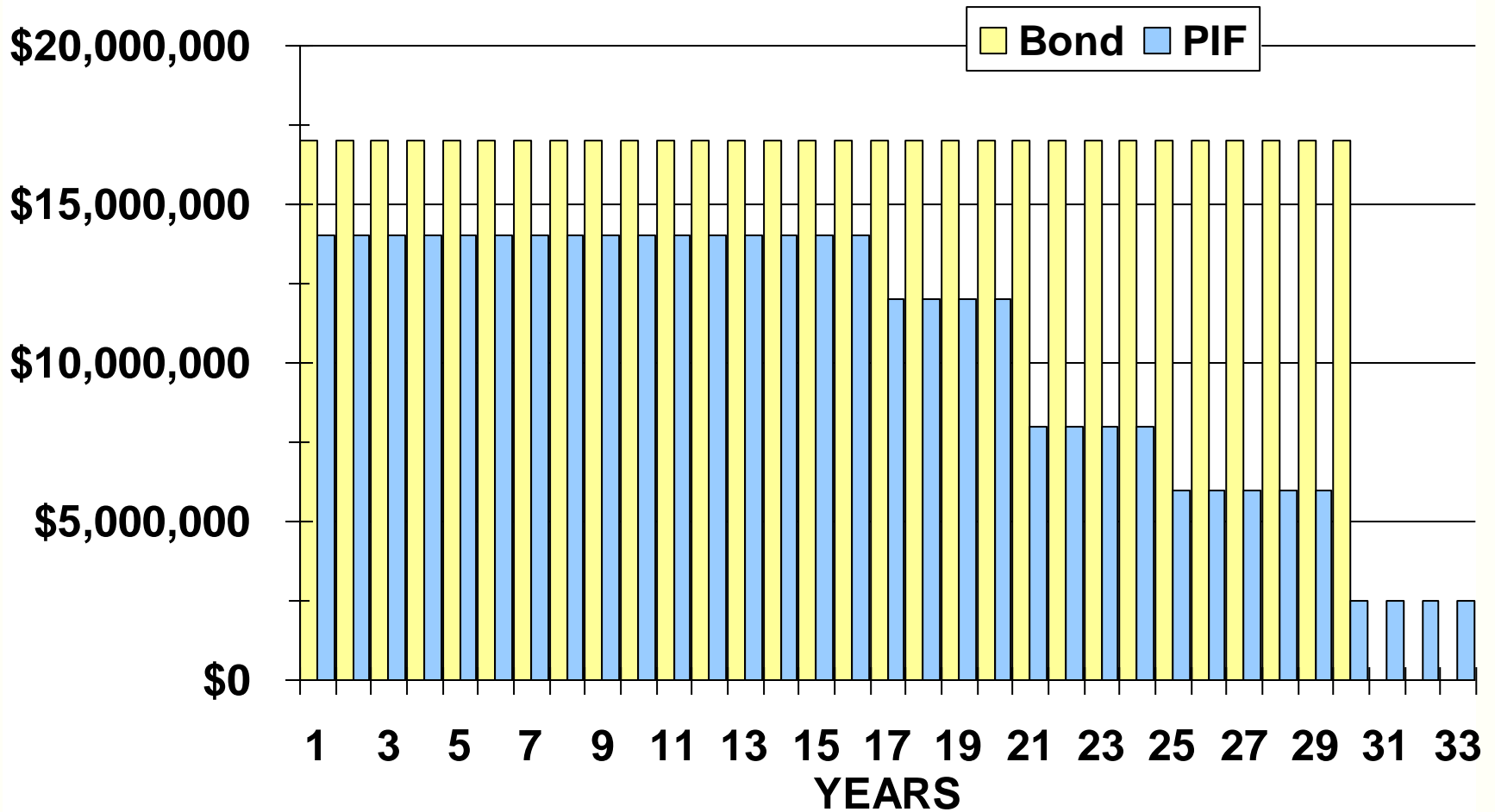




# \$200,000,000 Financing

30 Year Bond @ 7.5% vs.

33 Year PIF @ 6%





# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

### Bond Financing:

Principal Amount	\$202,531,646
Less Cost @ 1.25%	(\$2,531,646)
Goal	<u>\$200,000,000</u>

Interest Rate 7.50%

Amortization Period:	Annual Debt
10 Years	\$29,506,011
15 Years	\$22,944,250
30 Years	\$17,148,605





# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

### Pooled Income Fund:

Principal Amount:	\$206,185,567
Less Cost @ 3.00%	<u>(\$6,185,567)</u>
Goal	\$200,000,000
Interest (Lease) Rate	6.00%

### 200 Equal Investors

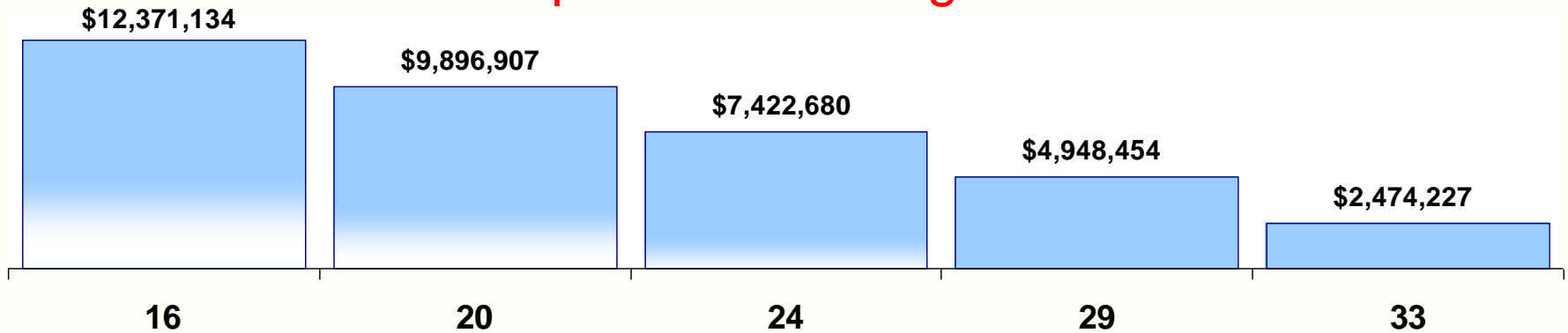
40	At Age 50	Life Expectancy = 33 Years
40	At Age 55	Life Expectancy = 29 Years
40	At Age 60	Life Expectancy = 24 Years
40	At Age 65	Life Expectancy = 20 Years
40	At Age 70	Life Expectancy = 16 Years



# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

### Graph of Rent Obligations



Present Valued At.....

6.00%

\$2,474,227	For	16 Years	\$ 22,618,161
\$2,474,227	For	20 Years	\$ 25,223,484
\$2,474,227	For	24 Years	\$ 27,174,351
\$2,474,227	For	29 Years	\$ 28,938,966
\$2,474,227	For	33 Years	\$ <u>29,956,506</u>

**\$133,911,467**



# \$200,000,000 Financing

## Bond vs. Pooled Income Fund

Bond Financing Cost: \$202,531,646

Pooled Income Fund Cost: \$133,911,467

### **NET SAVINGS:**

**Pooled Income Fund  
Over Bond Financing**

**\$68,620,179**



# The Real Estate Pooled Income Fund

Benefits to the IRS



# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is SAVED)

Older Beneficiary DOB: 01/01/37

Date: 5/17/92

Younger Beneficiary DOB: 02/01/37

## ASSUMPTIONS FOR JOINT BENEFICIARIES

#1 – Income Tax Rate	33.33%
#2 – Estate Tax Rate	50.00%
#3 – Investment Return (sell/reinvest)	7.00%
#4 – PIF Return	7.00%
#5 – Investment A/T Return	4.67%
#6 – Life Expectancy (yrs.)	34
#7 – Current Investment Return	2.50%



# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is **SAVED**)

### I. HOLD THE PROPERTY UNTIL DEATH

A. Fair Market Value		\$1,000,000
B. Annual Income (#7 x I.A )	\$25,000	
C. Net Income A/T (1-#1 x I.B)	\$16,667	
D. Future Values of I.C @ Death		<u>\$1,327,703</u>
E. Taxable Estate (I.D + I.A)		\$2,327,703
F. Estate Tax (#2 x I.E)		<u>(\$1,163,851)</u>

**NET TO HEIRS (1.E – 1.F)**

**\$1,163,851**



# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is SAVED)

### II. SELL THE PROPERTY & REINVEST

A. Sale Price	\$1,000,000
B. Adjusted Price	<u>(\$100,000)</u>
C. Taxable Gain (II.A – II.B)	\$900,000
D. Income Tax (#1 x II.C)	<u>(\$300,000)</u>
E. Net Proceeds (II.A – II.D)	\$700,000
F. Annual Income (#3 x II.E)	\$49,000
G. Net Income A/T (1-#1xII.F)	\$32,667
H. Future Value of II.G @ Death	<u>\$2,602,271</u>
I. Taxable Estate (II.E + II.H)	\$3,302,271
J. Estate Tax (#2 x II.J) (\$1,651,136)	<u>(\$1,651,136)</u>
NET TO HEIRS (II.I – II.J)	<u>\$1,163,851</u>



# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is **SAVED**)

### III. GIFT TO POOLED INCOME FUND

A. Amount of Gift to PIF	\$1,000,000	
B. Income from PIF (#4 x III.A)	\$70,000	
C. Depreciation (III.A / 80)	<u>(\$12,500)</u>	
D. Taxable Income (III.B - III.C)	\$57,000	
E. Income Tax (#1 x III.D)	(\$19,167)	
F. Net Income to Spend (II.G)	-0-	
G. Net Income A/T (III.B-III.E-III.F)	\$50,833	
H. Future Value of III.G @ Death		\$4,049,385
I. Char. Inc. Tax Deduction	8.488%	
J. Char. Deduct. (III.A x III.I)	\$84,880	
K. Tax Savings (III.J x #1)	\$28,293	
L. Future Value of III.K @ Death		<u>\$133,547</u>
M. Taxable Estate (III.H + III.L)		\$4,182,932
N. Estate Tax (#2 x III.M)		<u>(\$2,091,466)</u>
NET TO HEIRS (III.M – III.N)		<u>\$2,091,466</u>





# Hold/Sell Property vs. Gift to Pooled Income Fund

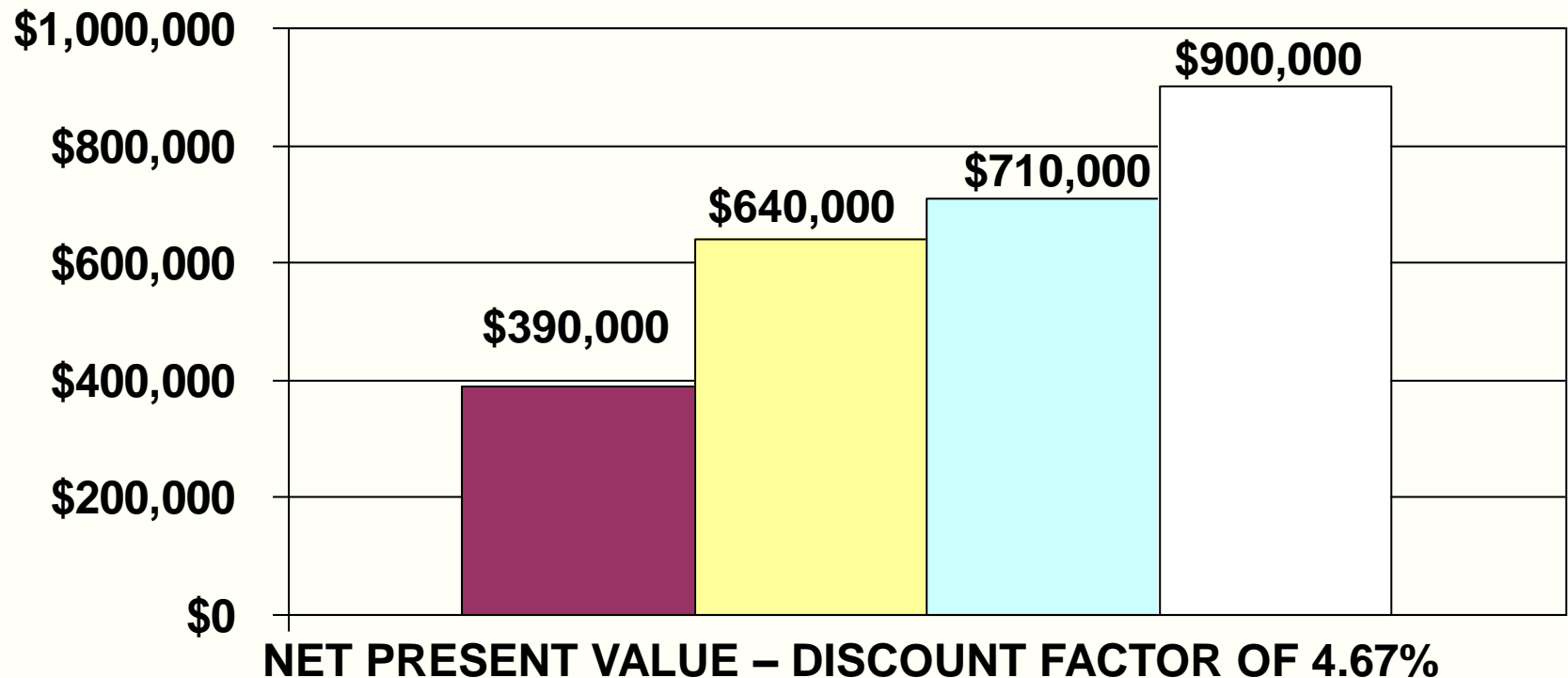
## Taxes Paid to the Internal Revenue Service

Year	2.50% Hold Until Death	7.00% Sell/Reinvest (Taxable)	4.67% Sell/Reinvest (Non-taxable)	7.00% Gift to PIF
1	\$8,333	\$316,333	\$300,000	(\$9,126)
2	\$8,333	\$16,333	-0-	\$19,167
3	\$8,333	\$16,333	-0-	\$19,167
<b>Years From #3 to #33 Stay at the Same Dollar Amount</b>				
33	\$8,333	\$16,333	-0-	\$19,167
34	\$1,172,184	\$1,667,469	\$1,651,136	\$2,110,633



# Taxes Paid to IRS

## The IRS Likes Planned Giving (or it should!)



■ Hold ■ Sell/Nontaxable ■ PIF ■ Sell/Taxable



# Pooled Income Fund (PIF)



Pooled Investment

Income Payment Based on the  
PIF's Rate of Return

For the Life of the Donor  
(and Spouse)

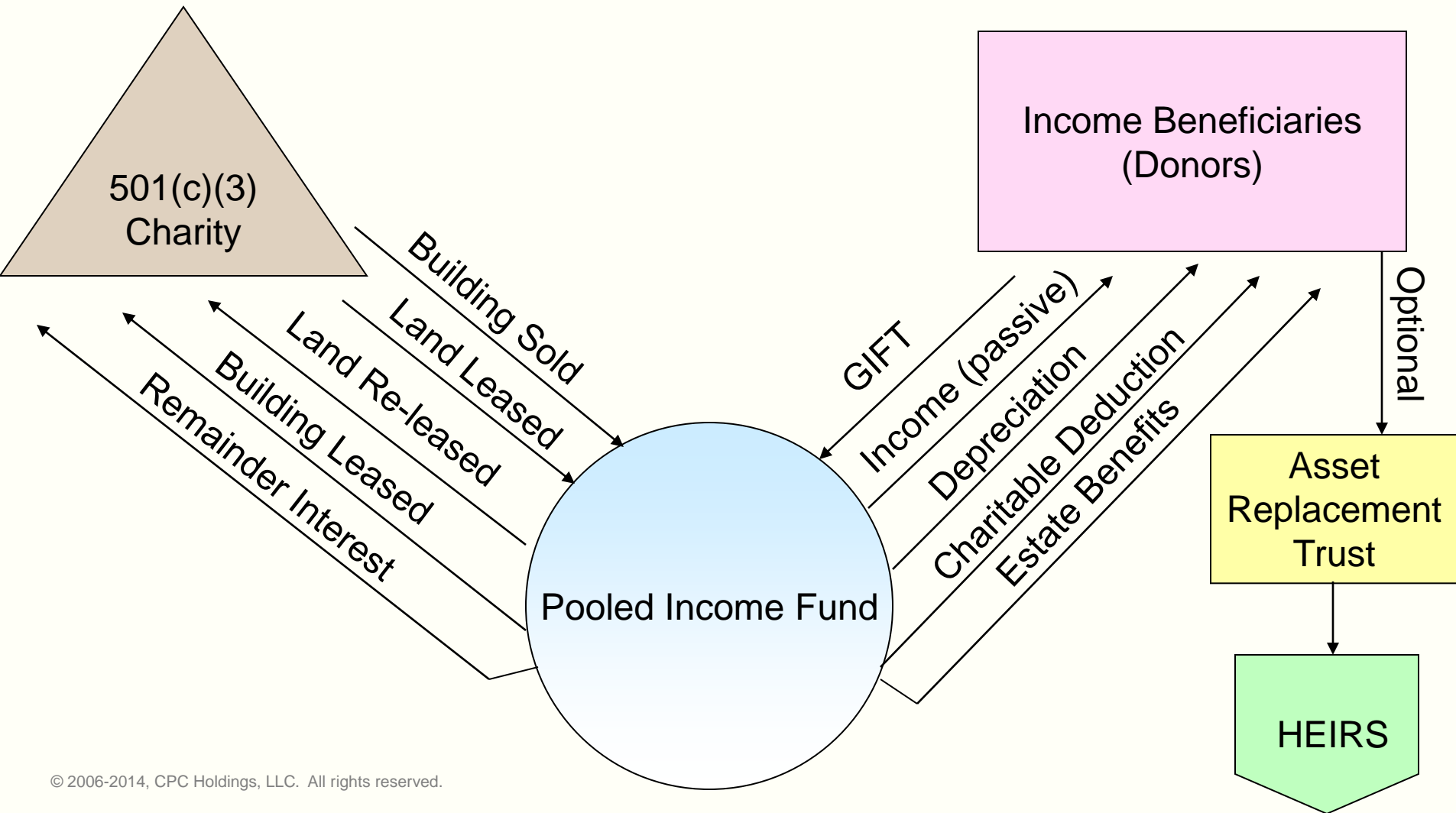
Maintained by the Charitable  
Remainderman



# The Real Estate Pooled Income Fund

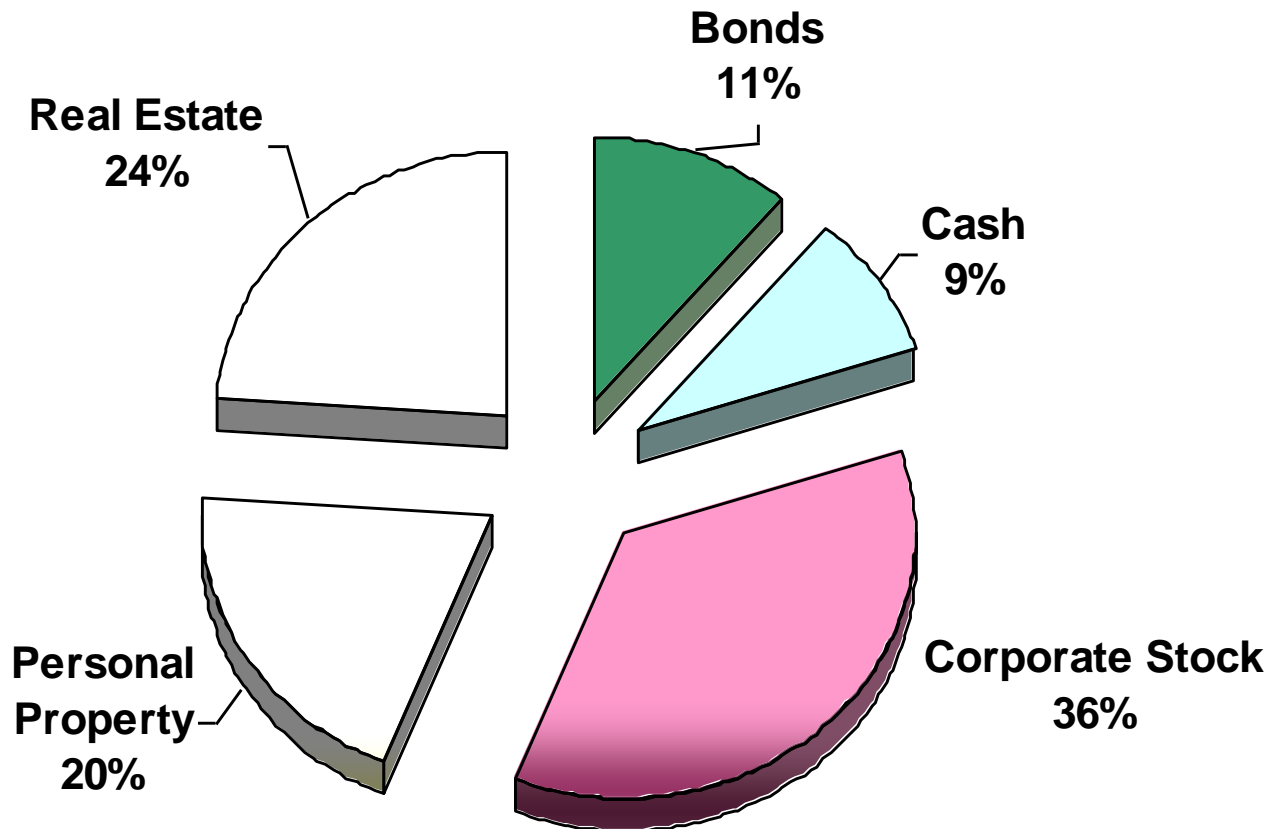
## Benefits to the Donor


# The Real Estate Pooled Income Fund



# Portfolios of the Wealthy

**\$1,000,000 + Assets Owned**  
**(Source – Annual Report on Philanthropy)**






**Are You  
Chained...**

**Real Estate  
Stocks &  
Bonds**

**...to  
Your  
Investments?**



# Blue Chip Stocks

2.5%







# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is SAVED)

Older Beneficiary DOB: 01/01/37

Date: 5/17/92

Younger Beneficiary DOB: 02/01/37

### ASSUMPTIONS FOR JOINT BENEFICIARIES

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#3 – Investment Return (sell/reinvest)	7.00%
#4 – PIF Return	7.00%
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#6 – Life Expectancy (yrs.)	34
#7 – Current Investment Return	2.50%



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(Net income earned from investments is SAVED)

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<b>NET TO HEIRS (1.E – 1.F)</b>		<u><b>\$1,163,851</b></u>

# STOCK

WORTH \$1,000,000



**BASIS**

\$100,000

**SELL ASSET**





# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is **SAVED**)

### II. SELL THE PROPERTY & REINVEST

A. Sale Price	\$1,000,000	
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J. Estate Tax (#2 x II.J) (\$1,651,136)		<u>(\$1,651,136)</u>
NET TO HEIRS (II.I – II.J)		<u>\$1,163,851</u>



Gift to PIF

A large, solid black arrow pointing from the scroll towards the university icon.

**UNIVERSITY**

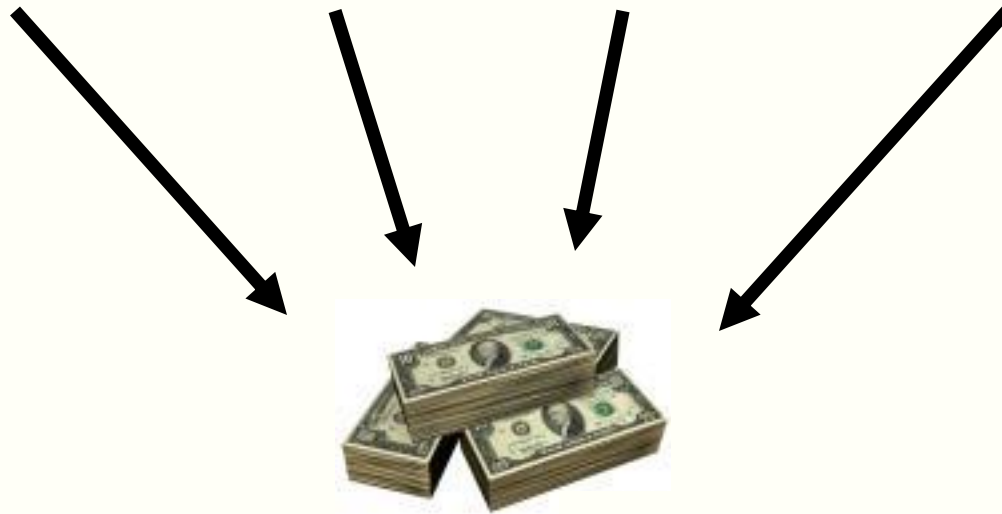
# Advantages of Stepping Into a PIF

Depreciation  
Deduction

Cash  
Flow

Income Tax  
Deduction

Estate  
Benefits Flow





# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is **SAVED**)

### III. GIFT TO POOLED INCOME FUND

A. Amount of Gift to PIF	\$1,000,000	
B. Income from PIF (#4 x III.A)	\$70,000	
C. Depreciation (III.A / 80)	<u>(\$12,500)</u>	
D. Taxable Income (III.B - III.C)	\$57,000	
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H. Future Value of III.G @ Death		\$4,049,385
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J. Char. Deduct. (III.A x III.I)	\$84,880	
K. Tax Savings (III.J x #1)	\$28,293	
L. Future Value of III.K @ Death		<u>\$133,547</u>
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N. Estate Tax (#2 x III.M)		<u>(\$2,091,466)</u>

**NET TO HEIRS (III.M – III.N)**

\$2,091,466

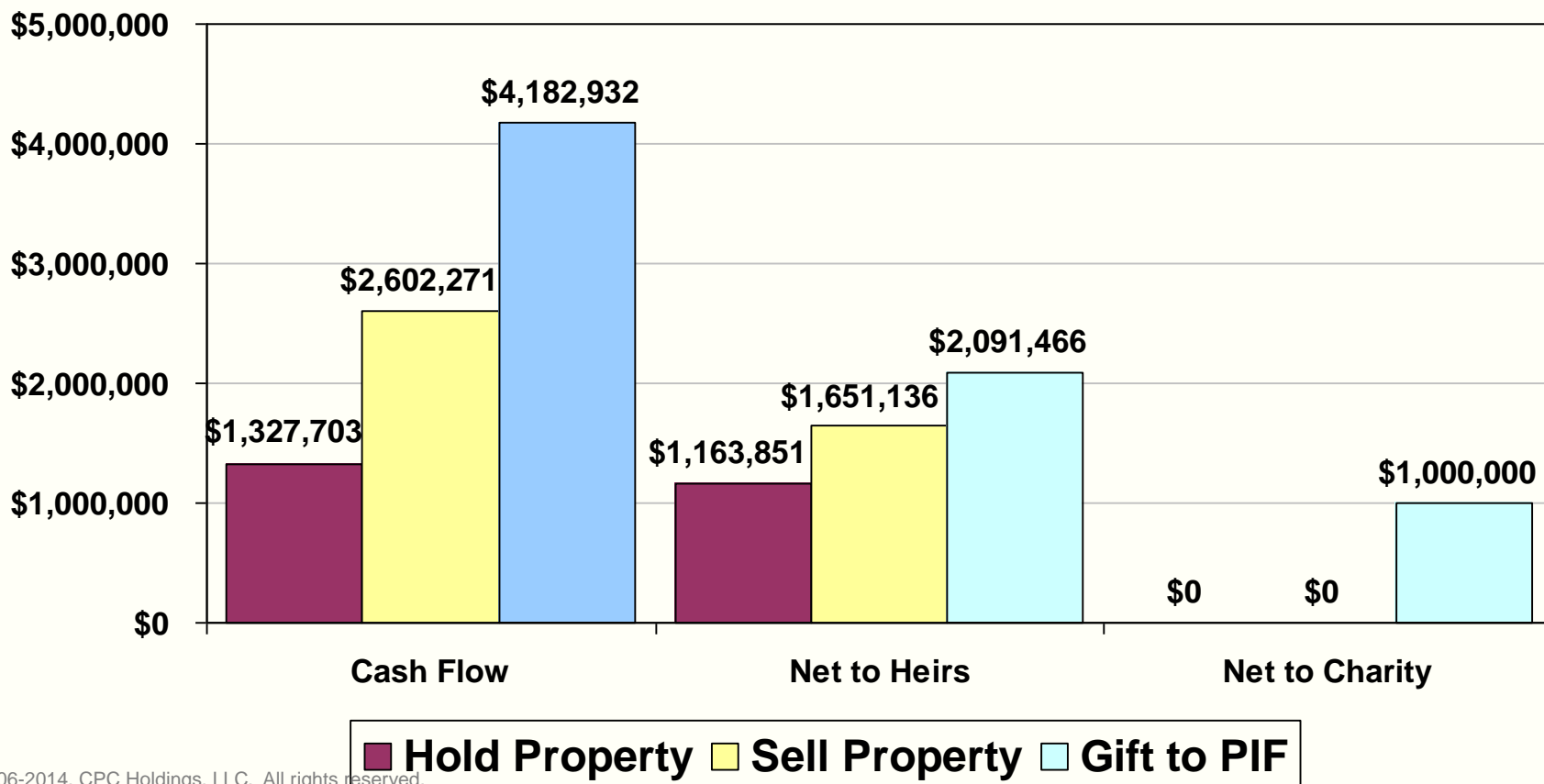




# Hold/Sell Property vs. Gift to Pooled Income Fund

## Comparison of Benefits

Projection #1 – Cash is Saved  
FMV of Property = \$1 Million







# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #1

(Net income earned from investments is **SAVED**)

### IV. ADVANTAGES OF PIF:

- A. Cash to Donor
- B. Net to Heirs
- C. Gift to Charity

### VS. HOLDING:

\$2,855,230  
\$927,615  
\$1,000,000

### VS. SELLING:

\$1,580,661  
\$440,330  
\$1,000,000



# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #2

(Net income earned from investments is SPENT)

### IV. ADVANTAGES OF PIF:

- A. Cash to Donor
- B. Net to Heirs
- C. Gift to Charity

### VS. HOLDING:

\$2,855,230  
\$927,615  
\$1,000,000

### VS. SELLING:

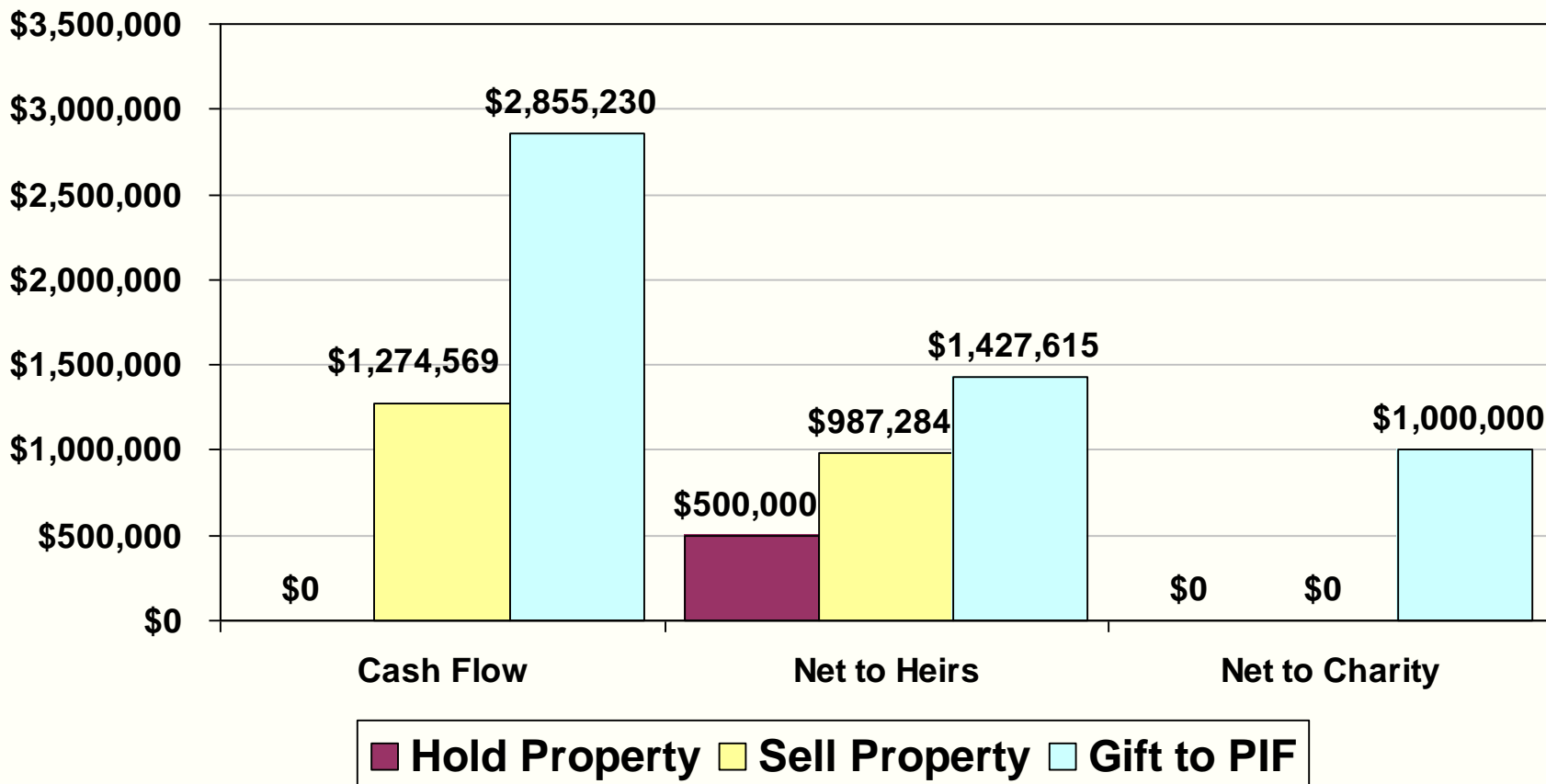
\$1,580,661  
\$440,330  
\$1,000,000



# Hold/Sell Property vs. Gift to Pooled Income Fund

## Comparison of Benefits

Projection #2 – Cash is Saved  
FMV of Property = \$1 Million

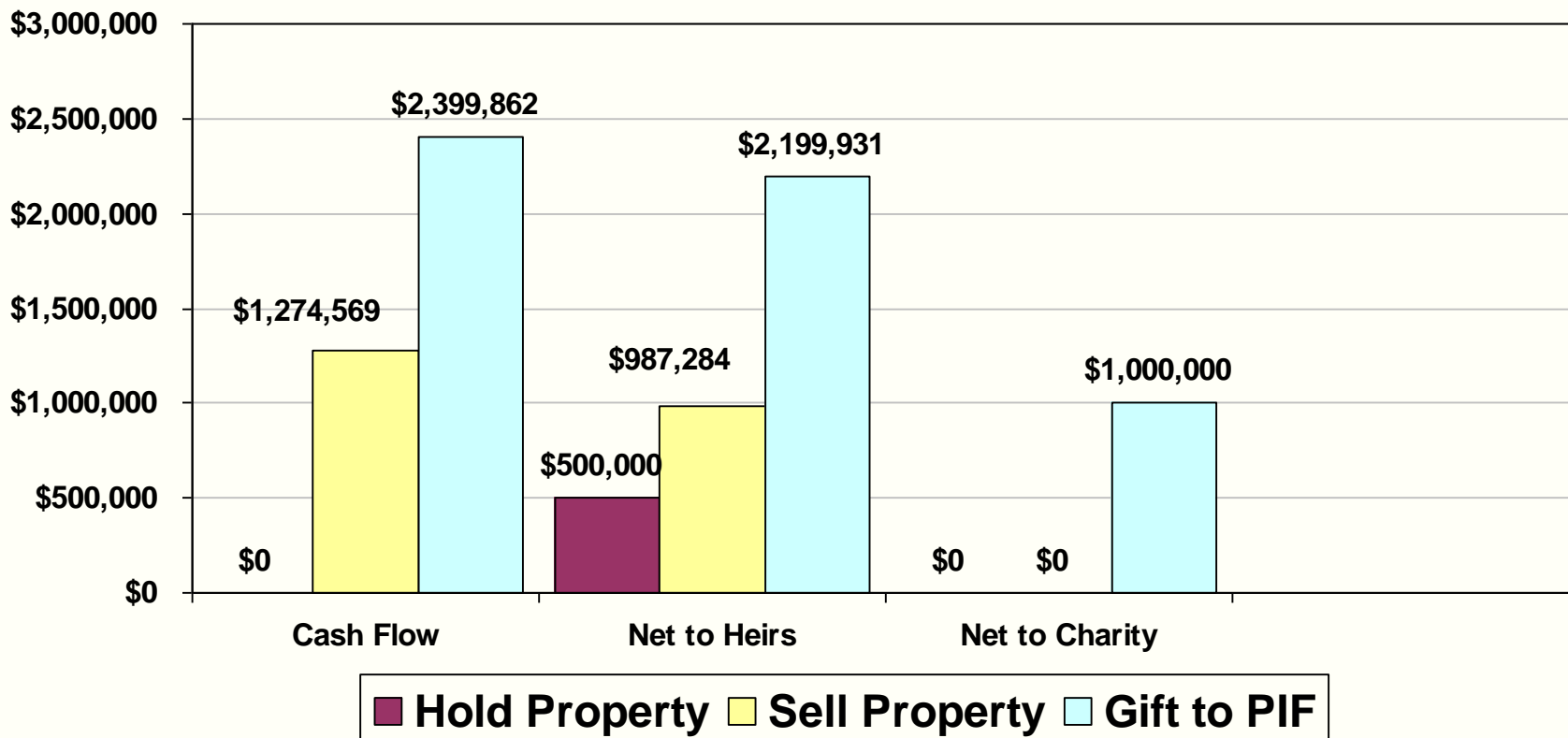




# Hold/Sell Property vs. Gift to Pooled Income Fund

## Comparison of Benefits

Projection #3 – Insurance is Purchased  
FMV of Property = \$1 Million





# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #3

(Net income earned from investments is SPENT and INSURANCE IS PURCHASED)

Older Beneficiary DOB: 01/01/37

Date: 05/17/92

Younger Beneficiary DOB: 02/01/37

### ASSUMPTIONS FOR JOINT BENEFICIARIES

#1 – Income Tax Rate	33.33%
#2 – Estate Tax Rate	50.00%
#3 – Investment Return (sell/reinvest)	7.00%
#4 – PIF Return	7.00%
#5 – Investment A/T Return	4.67%
#6 – Life Expectancy (yrs)	34
#7 – Current Investment Return	2.50%
#8 – Insurance Premiums per Year	\$12,295
#9 – Years Premium Paid	10
#10 – Face Amount of Insurance	\$1,000,000



# Hold/Sell Property vs. Gift to Pooled Income Fund

## PROJECTION #3

(Net income earned from investments is SPENT  
and INSURANCE IS PURCHASED)

### IV. ADVANTAGES OF PIF:

- A. Cash to Donor
- B. Net to Heirs
- C. Gift to Charity

### VS. HOLDING:

\$2,399,862  
\$1,699,931  
\$1,000,000

### VS. SELLING:

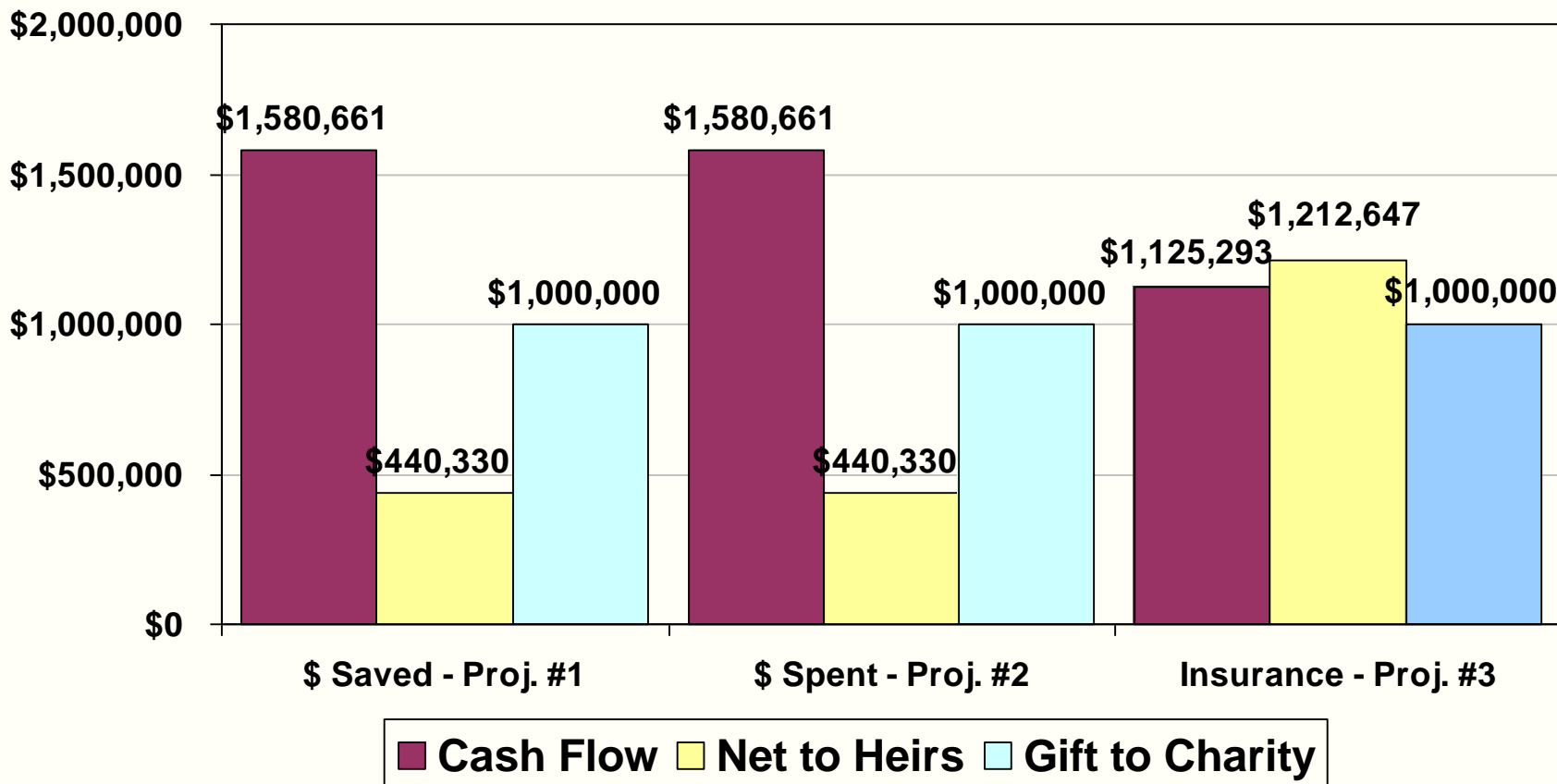
\$1,125,293  
\$1,212,647  
\$1,000,000



# Sale of Property vs. Gift to Pooled Income Fund

## Advantages of PIF over Holding

Projections 1, 2 & 3  
FMV of Property = \$1 Million

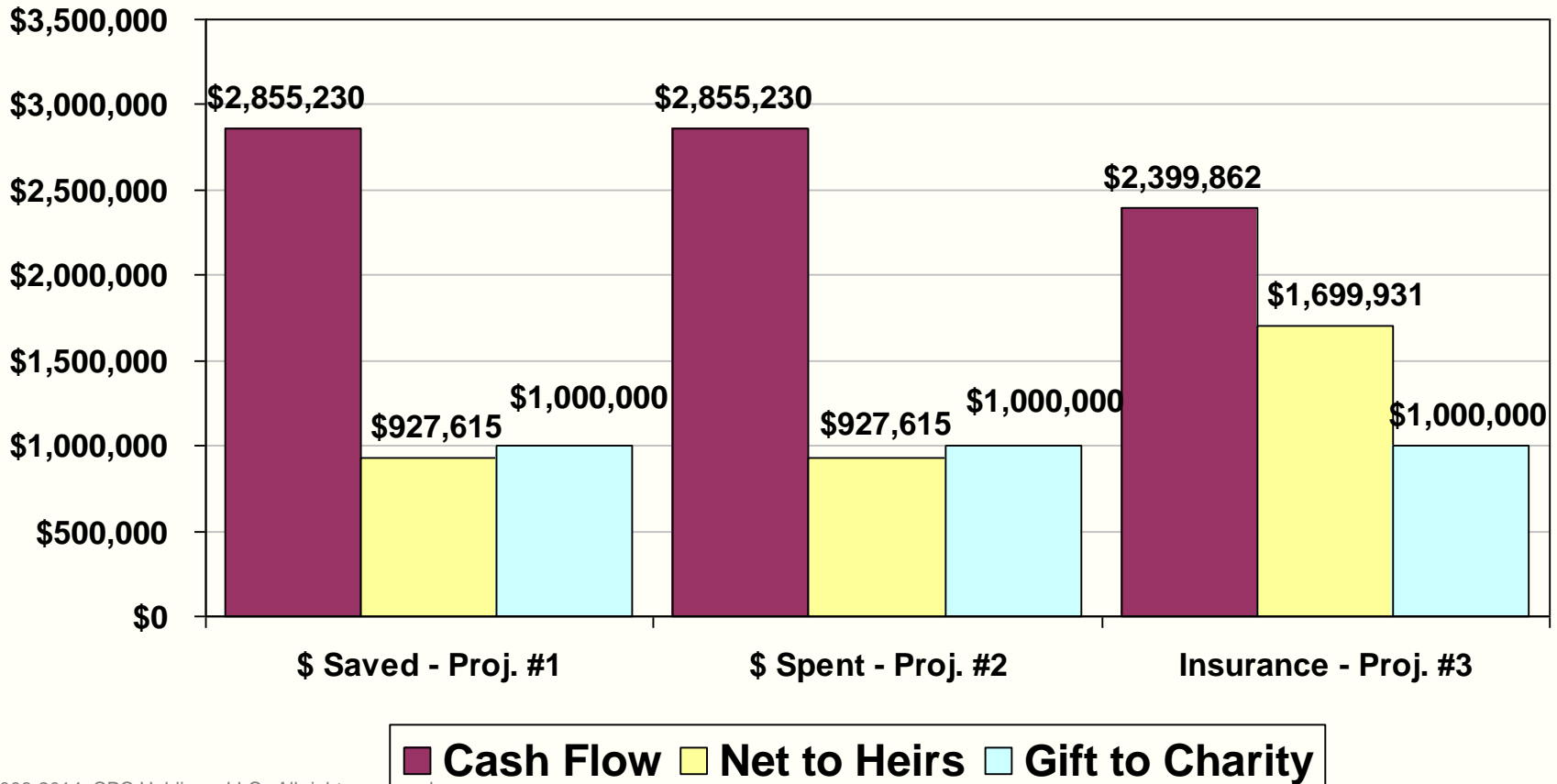




# Holding Property vs. Gift to Pooled Income Fund

## Advantages of PIF over Holding

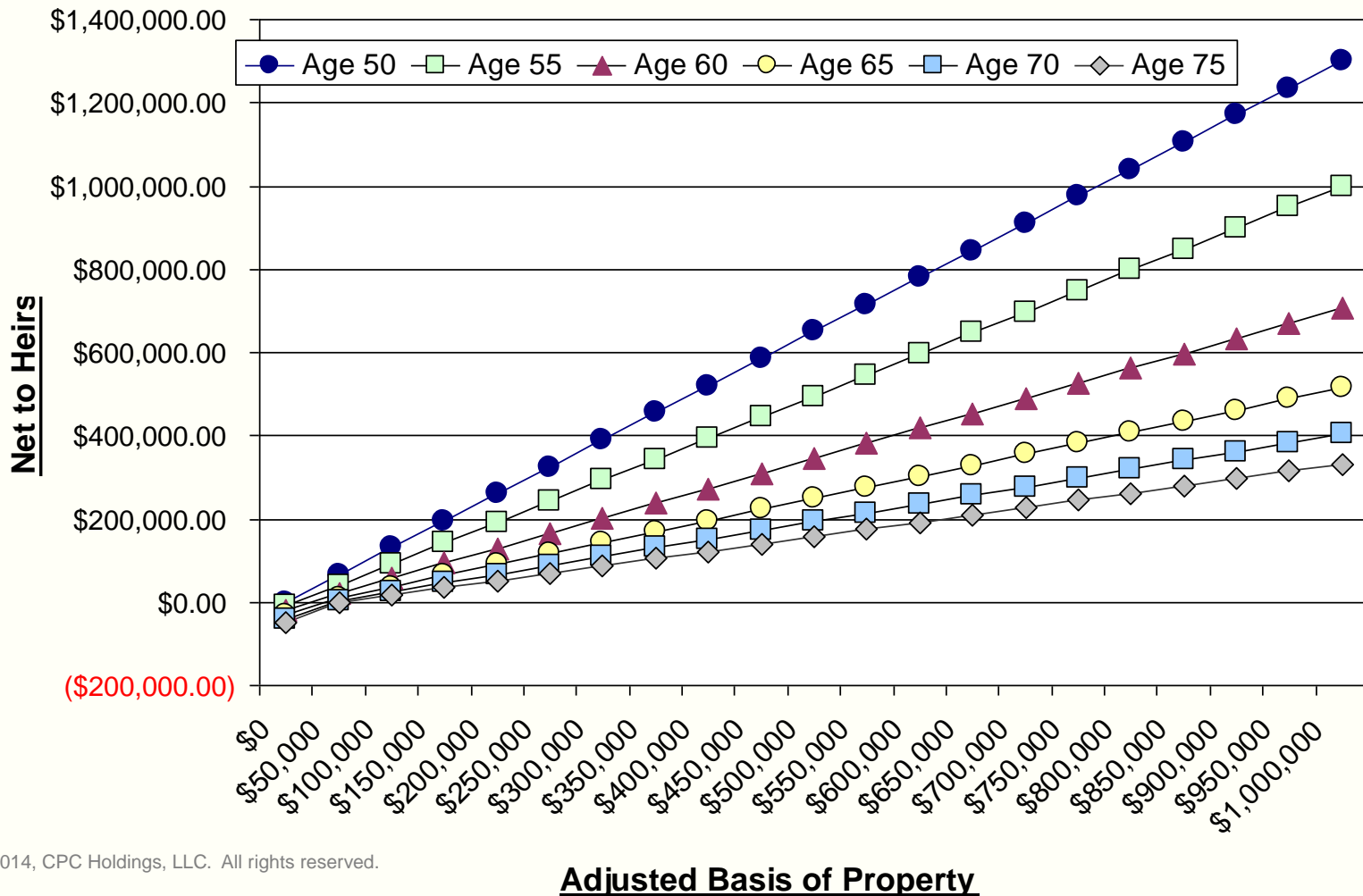
Projections 1, 2 & 3  
FMV of Property = \$1 Million







# Sell & Reinvest Net Proceeds

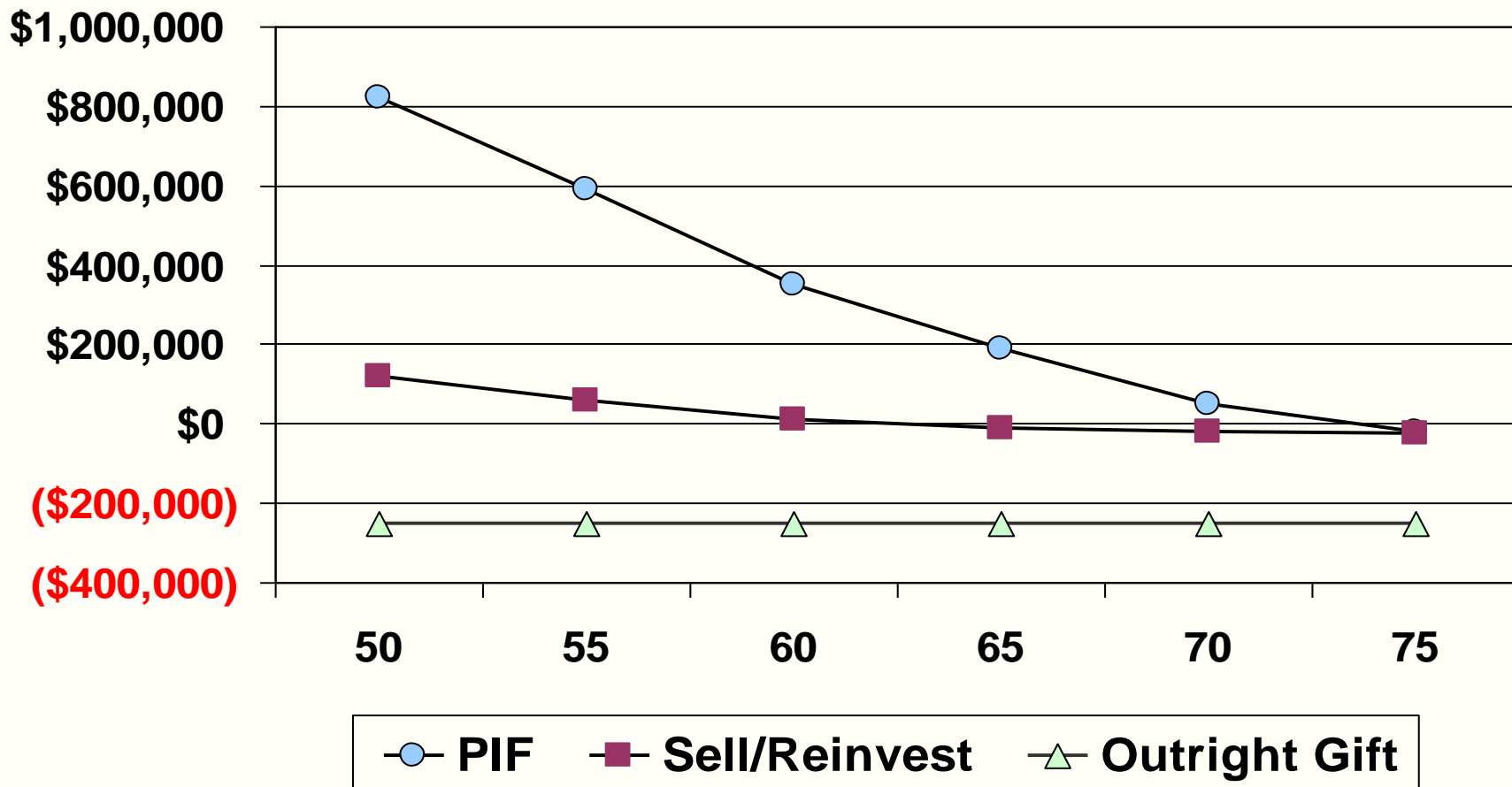




# PIF vs. Sell/Reinvest vs. Outright Gift

FMV = \$1,000,000

Adjusted Basis = \$1,000,000

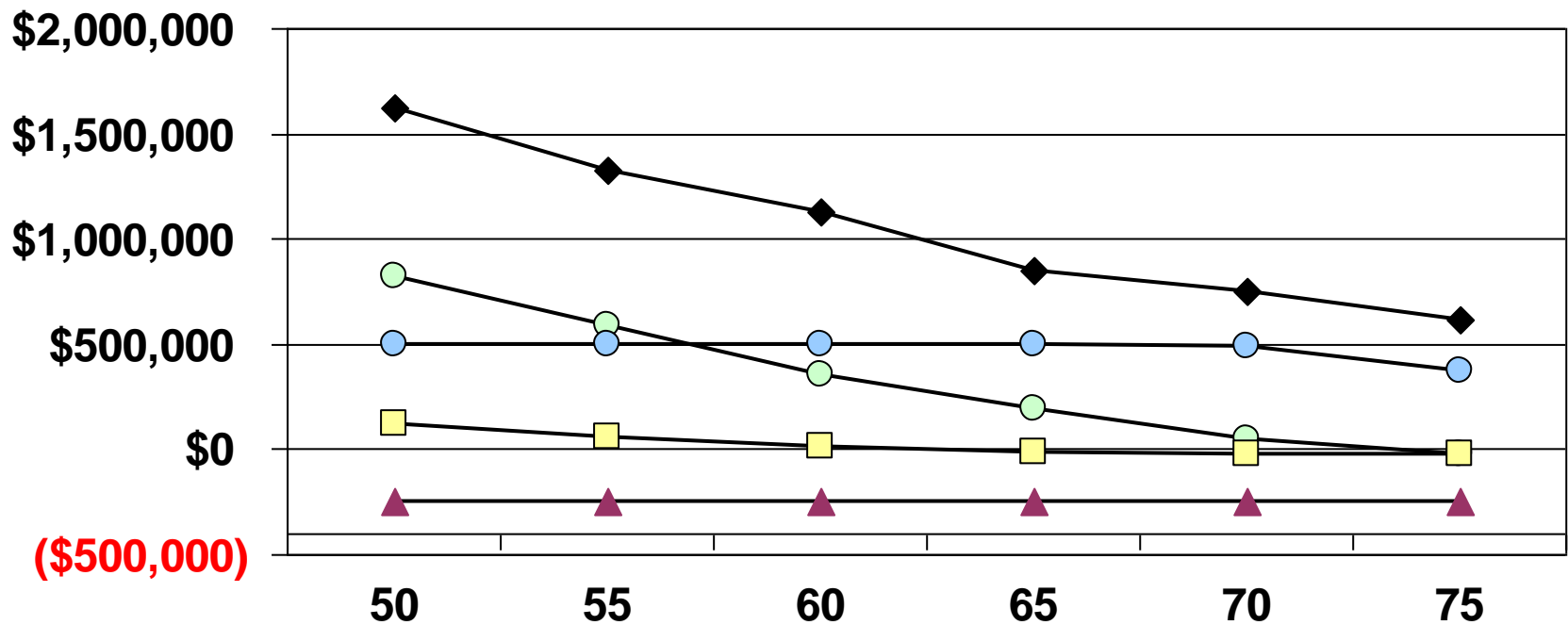




# PIF vs. Sell/Reinvest vs. Outright Gift

FMV = \$1,000,000

Adjusted Basis = \$1,000,000



○ PIF

▲ Outright Gift

○ Outright Gift w/ Insurance

□ Sell/Reinvest

◆ PIF w/ Insurance