



The Real Estate Pooled Income Fund

Emanuel J. Kallina, II, Esquire
Kallina & Associates, LLC
Baltimore, Maryland

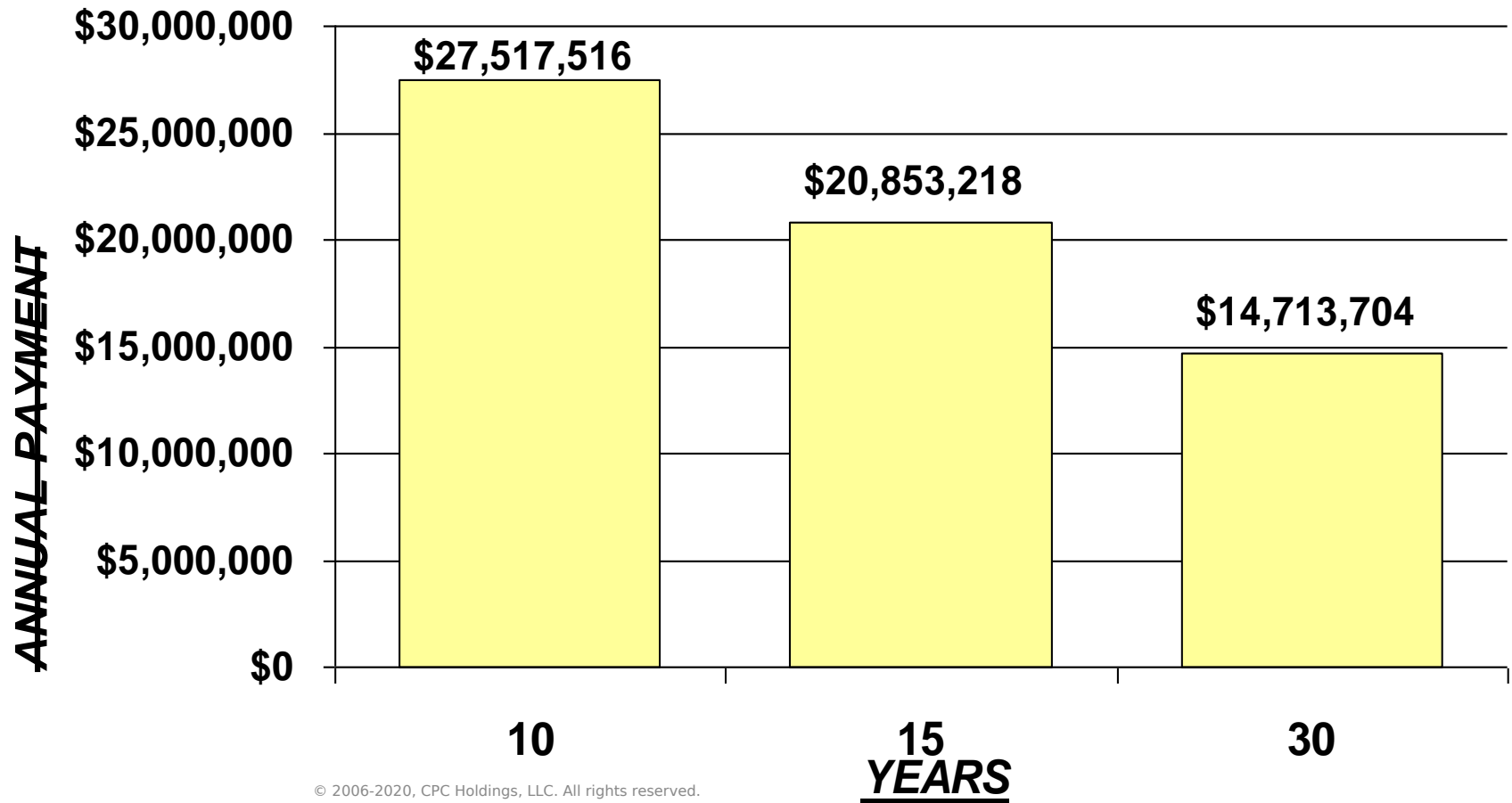


The Real Estate Pooled Income Fund

Benefits to the Charity



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

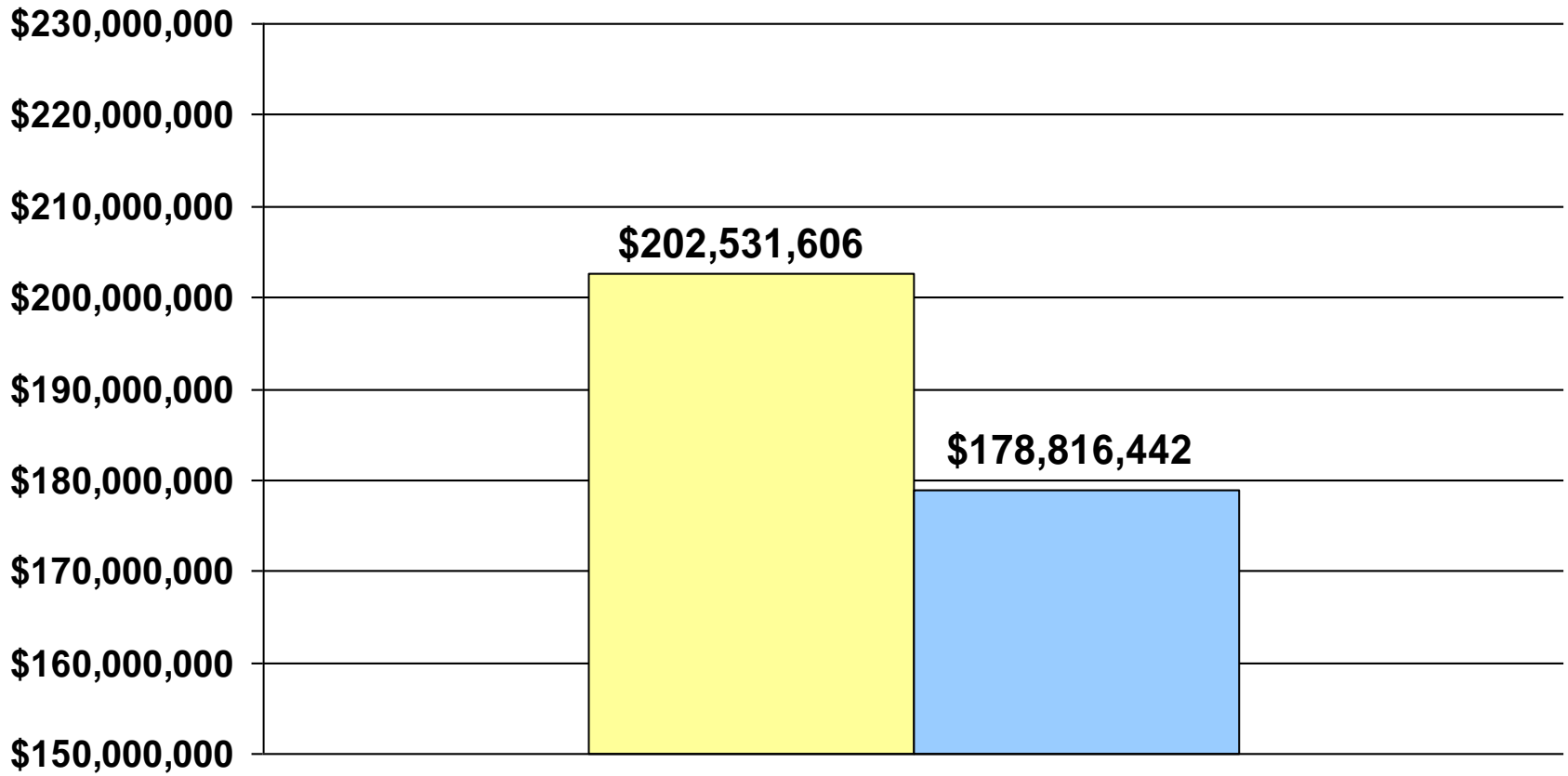




Bond vs. PIF Financing

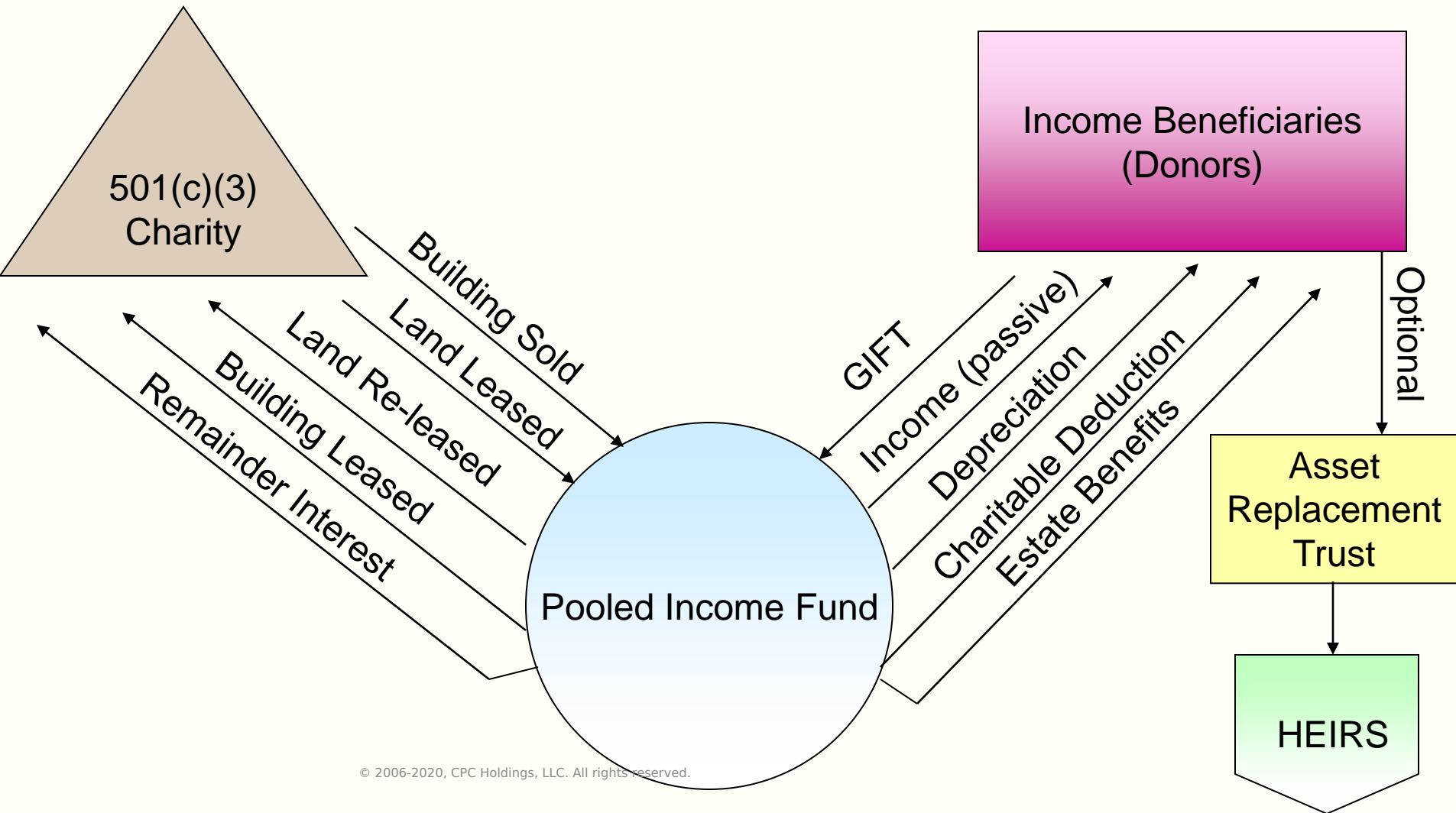
\$200,000,000 Financing

Bond @ 6% vs. PIF @ 7%



 Bond Cost  PIF Cost

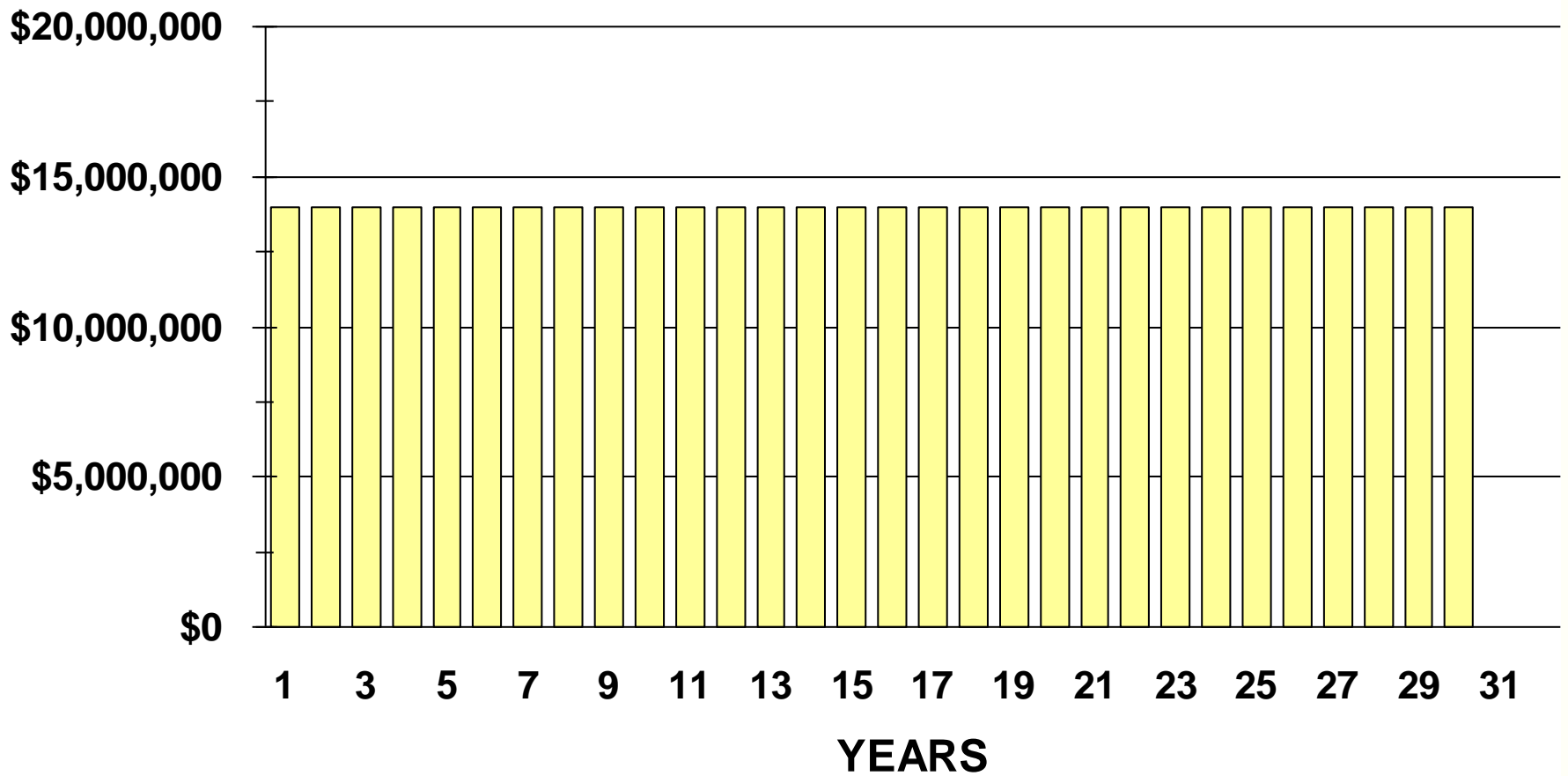
The Real Estate Pooled Income Fund





\$200,000,000 Bond Financing

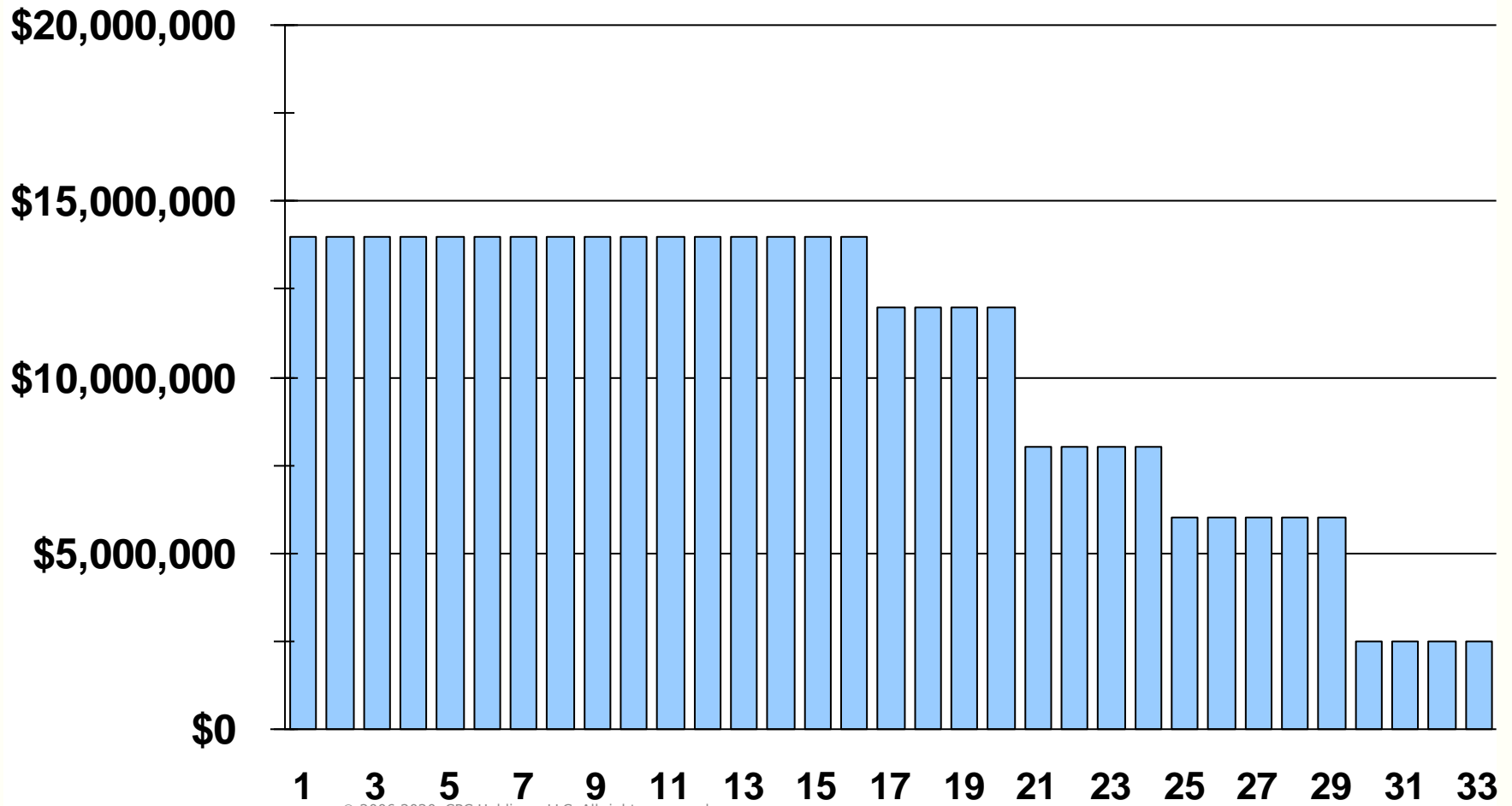
30 YEAR BOND @ 6%





\$200,000,000 PIF Financing

33 Year PIF @ 7%

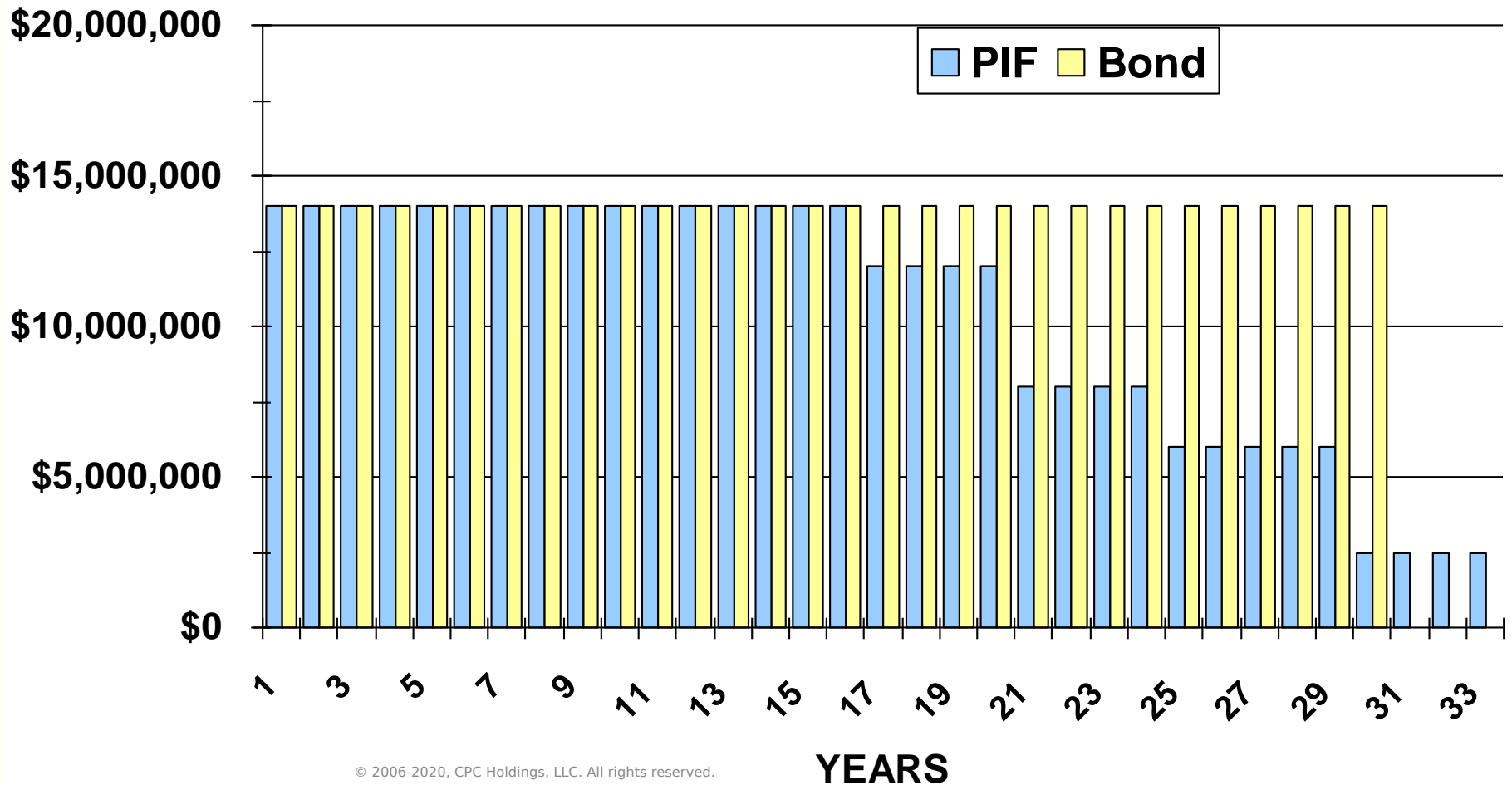


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\$200,000,000 Financing

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:

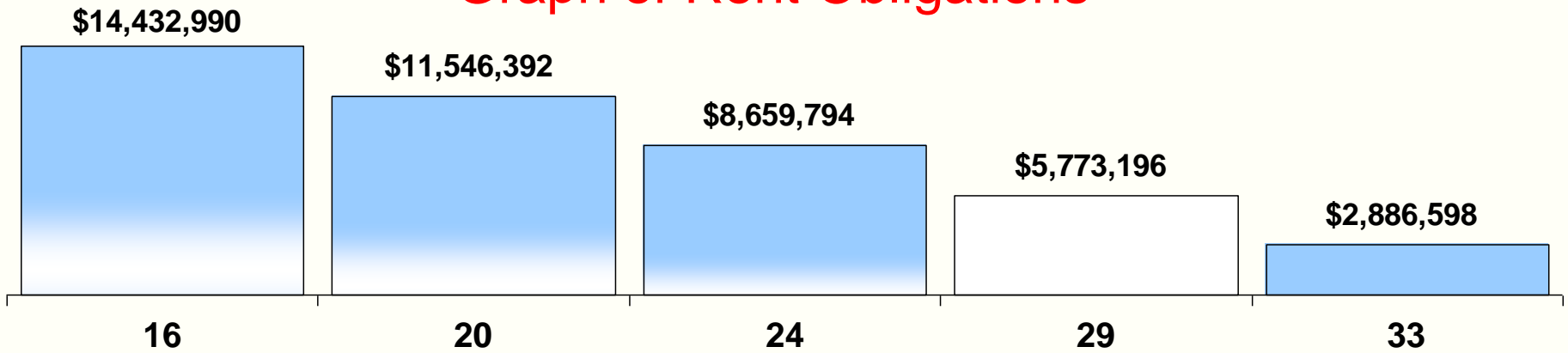
40	At Age 50	Life Expectancy = 33 Years
40	At Age 55	Life Expectancy = 29 Years
40	At Age 60	Life Expectancy = 24 Years
40	At Age 65	Life Expectancy = 20 Years
40	At Age 70	Life Expectancy = 16 Years



\$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>



\$200,000,000 Financing

Bond vs. Pooled Income Fund

Bond Financing Cost: \$202,531,646

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

NET SAVINGS:

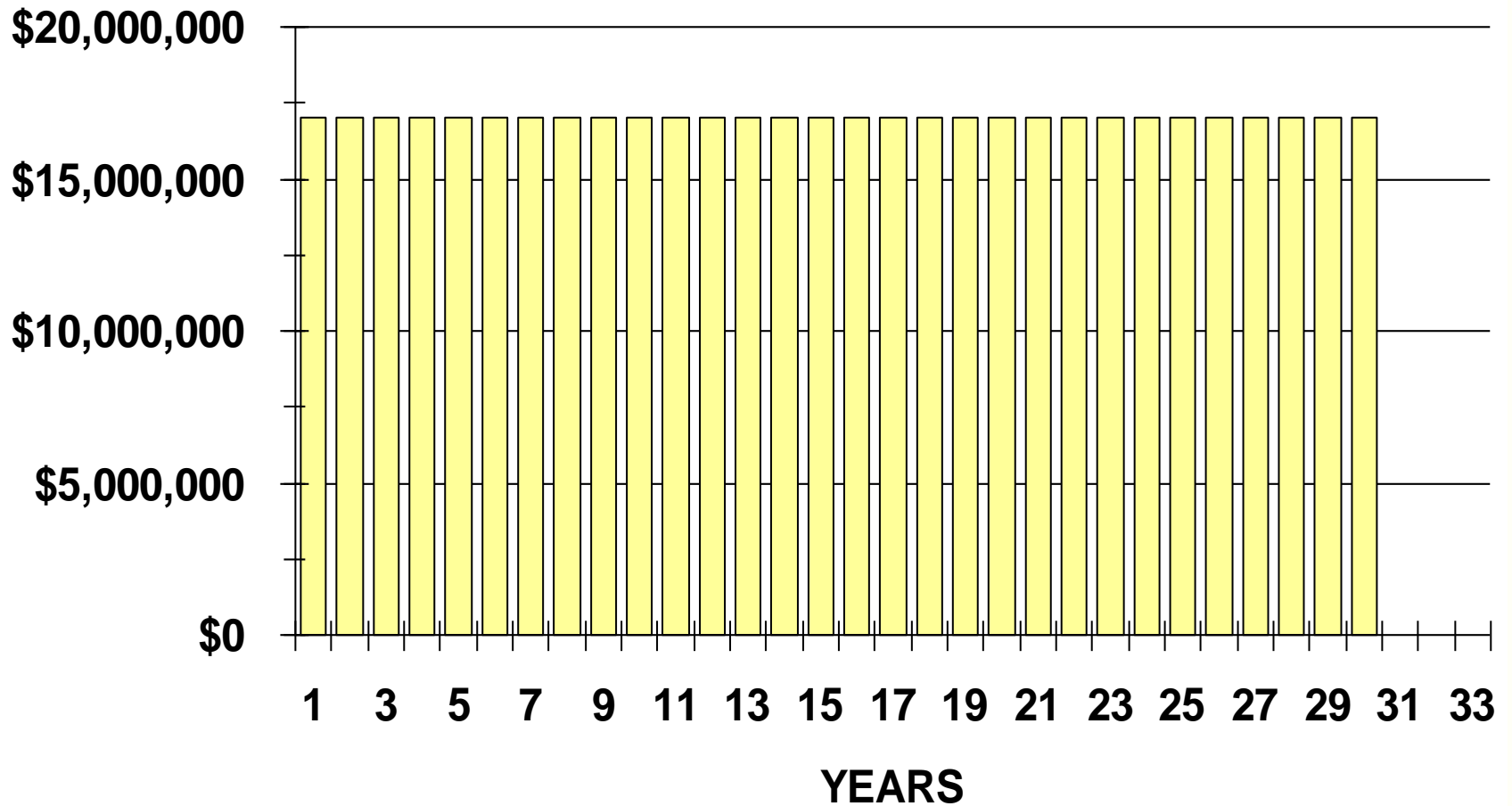
**Pooled Income Fund
Over Bond Financing**

\$23,715,203



\$200,000,000 Bond Financing

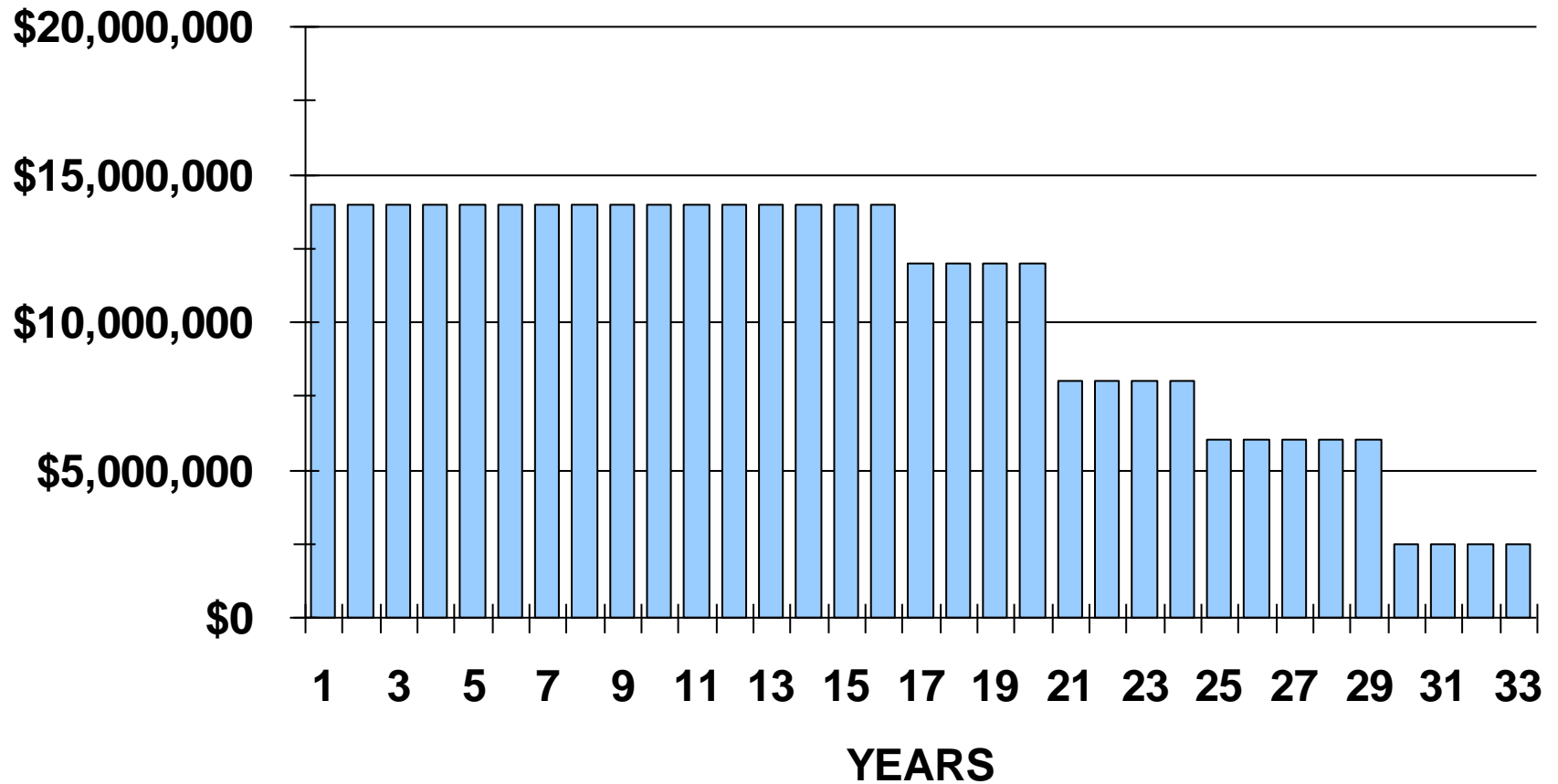
30 Year Bond @ 7.5%





\$200,000,000 PIF Financing

33 Year PIF @ 6%

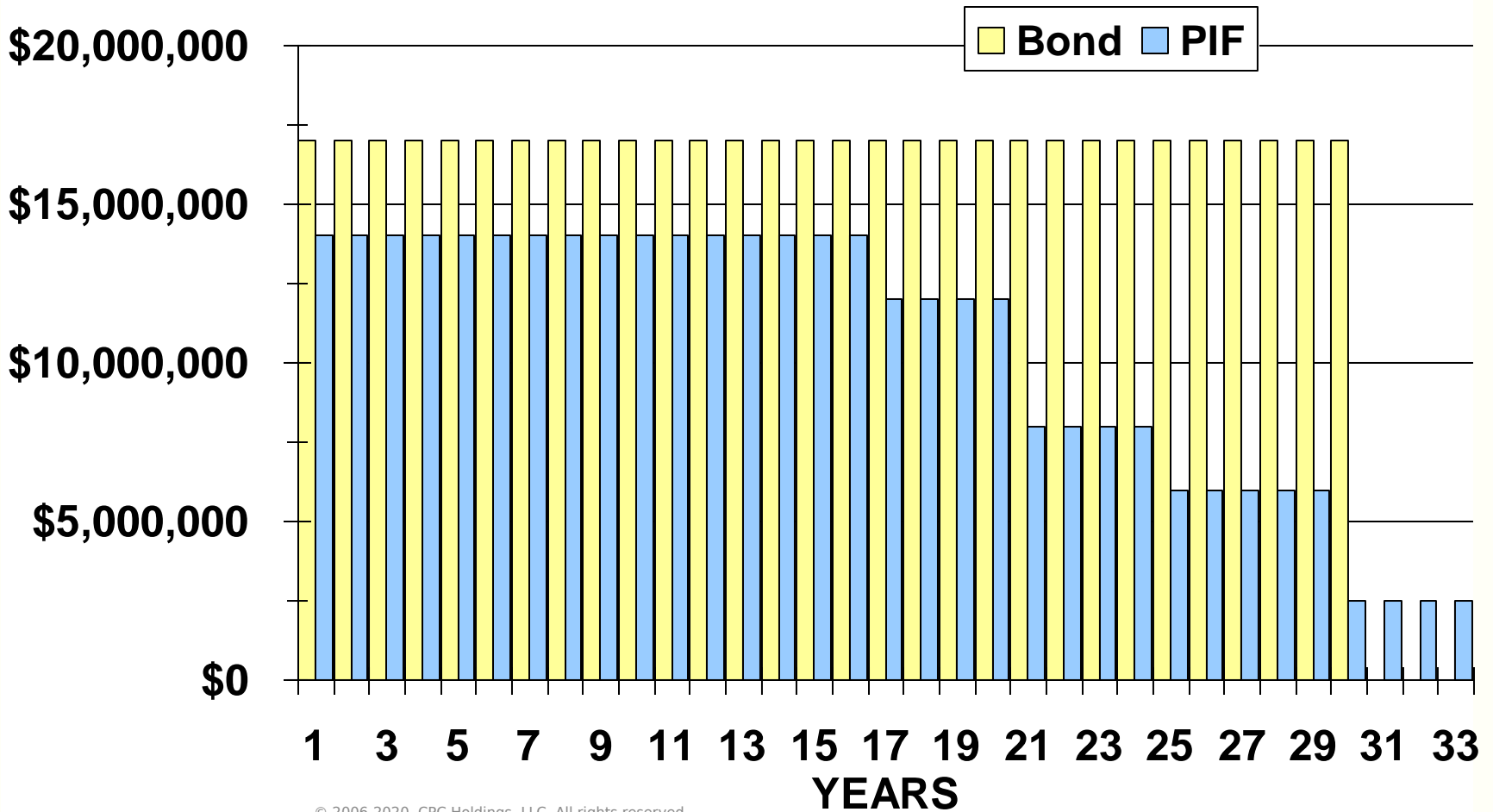




\$200,000,000 Financing

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

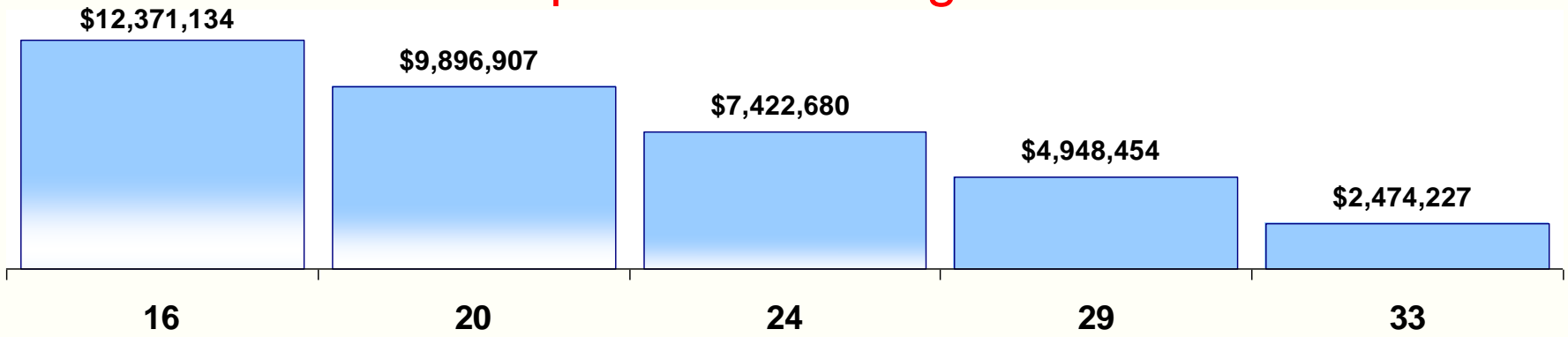
- 40 At Age 50 Life Expectancy = 33 Years
- 40 At Age 55 Life Expectancy = 29 Years
- 40 At Age 60 Life Expectancy = 24 Years
- 40 At Age 65 Life Expectancy = 20 Years
- 40 At Age 70 Life Expectancy = 16 Years



\$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

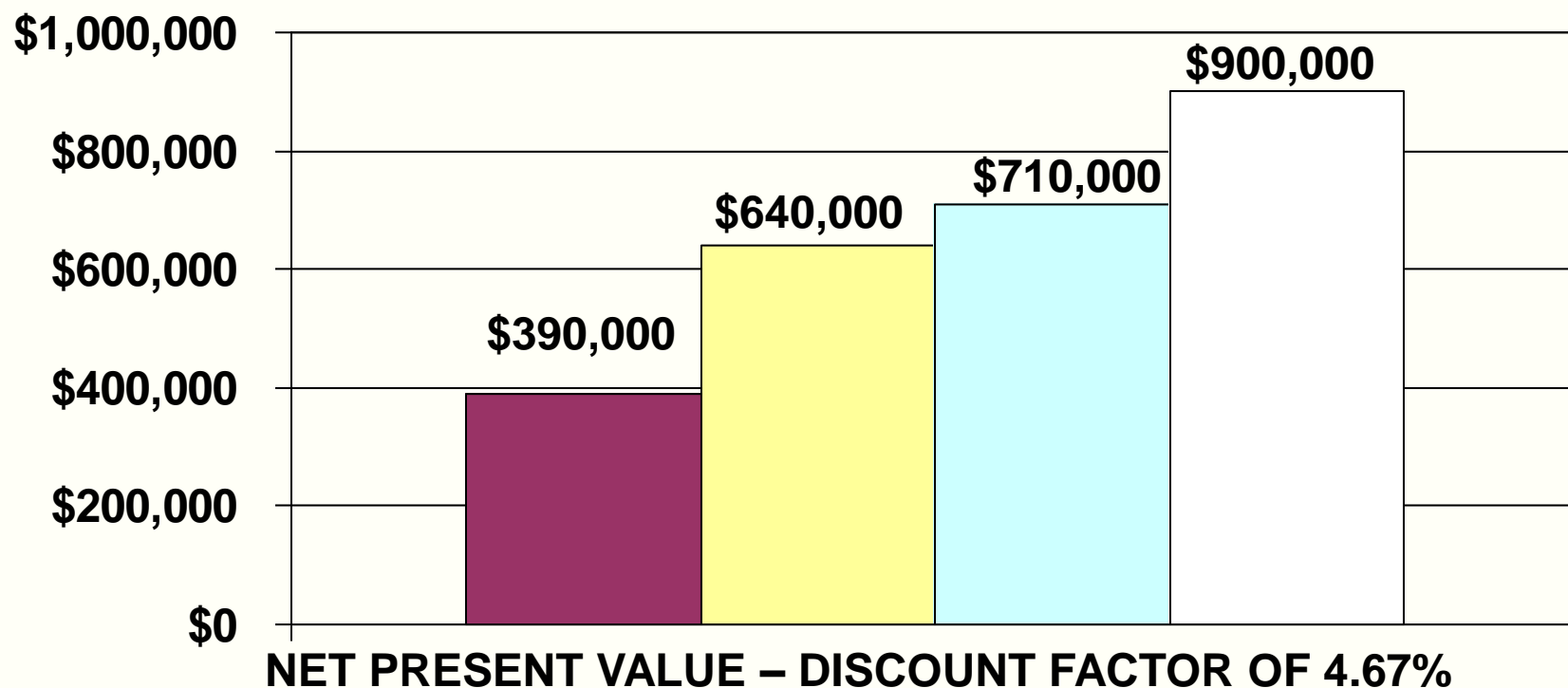
Taxes Paid to the Internal Revenue Service

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
Years From #3 to #33 Stay at the Same Dollar Amount				
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)

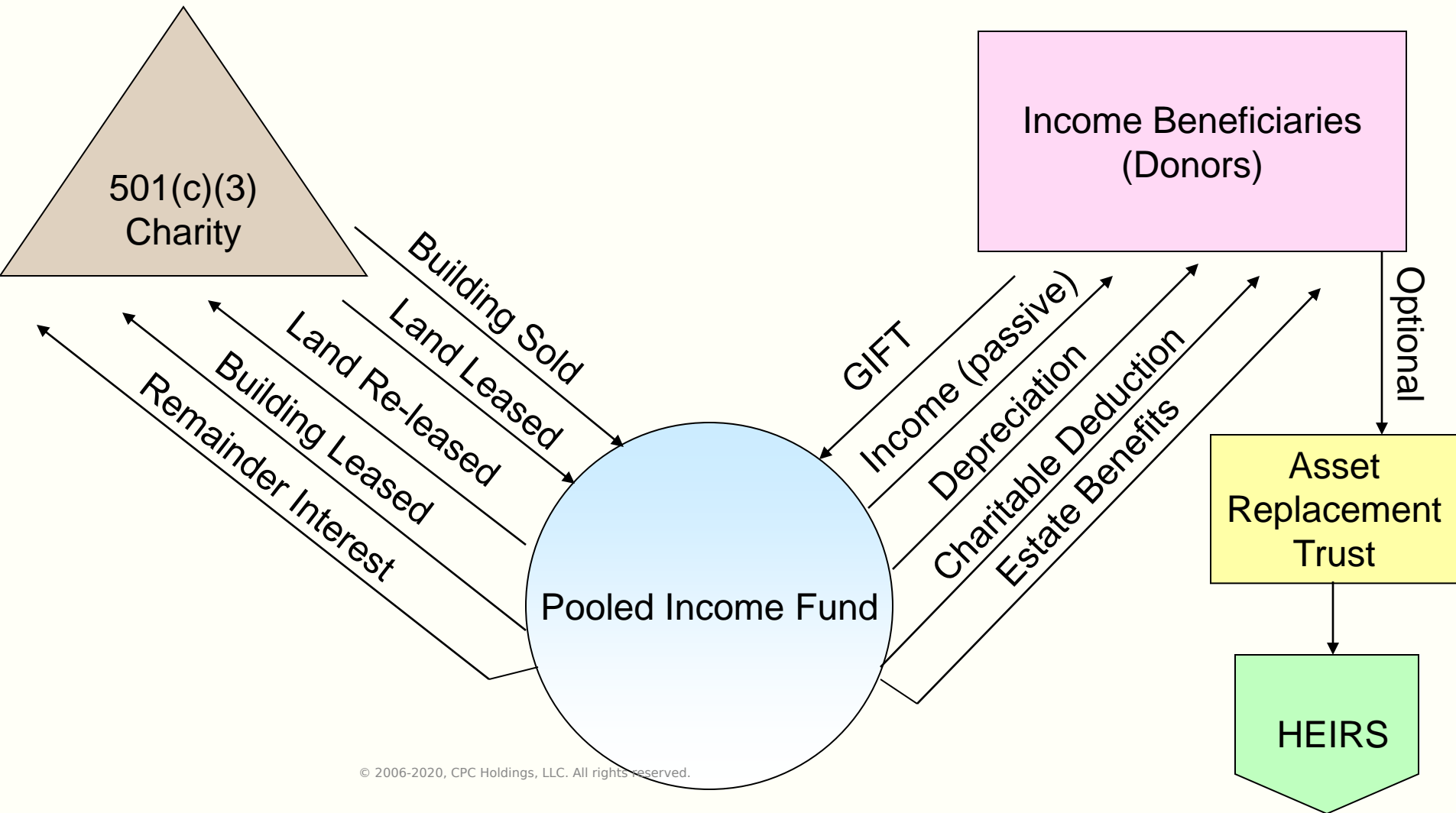
Maintained by the Charitable
Remainderman



The Real Estate Pooled Income Fund

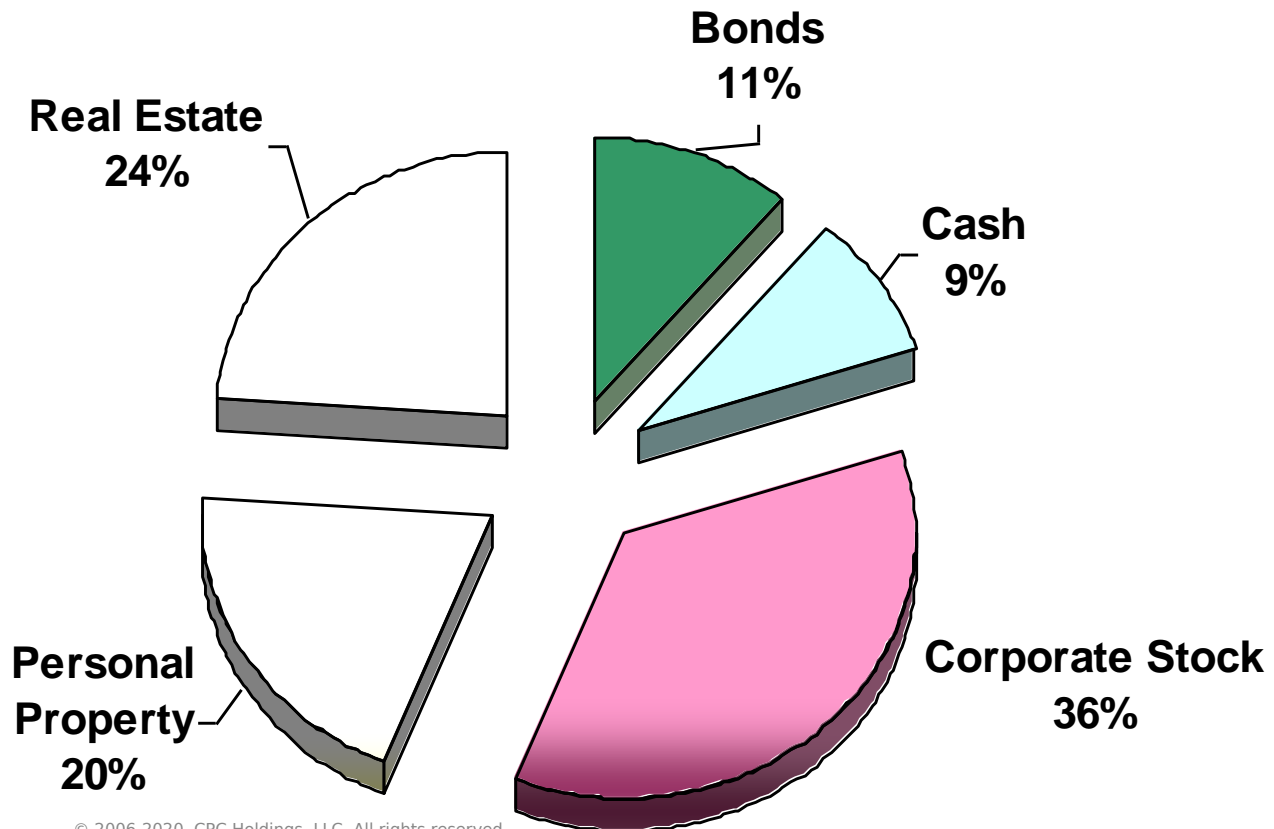
Benefits to the Donor


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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#2 – Estate Tax Rate	50.00%
#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%



Hold/Sell Property vs. Gift to Pooled Income Fund

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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

STOCK

WORTH \$1,000,000



BASIS

\$100,000

SELL ASSET





Hold/Sell Property vs. Gift to Pooled Income Fund

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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>



Stock
Portfolio

Gift to PIF



UNIVERSITY



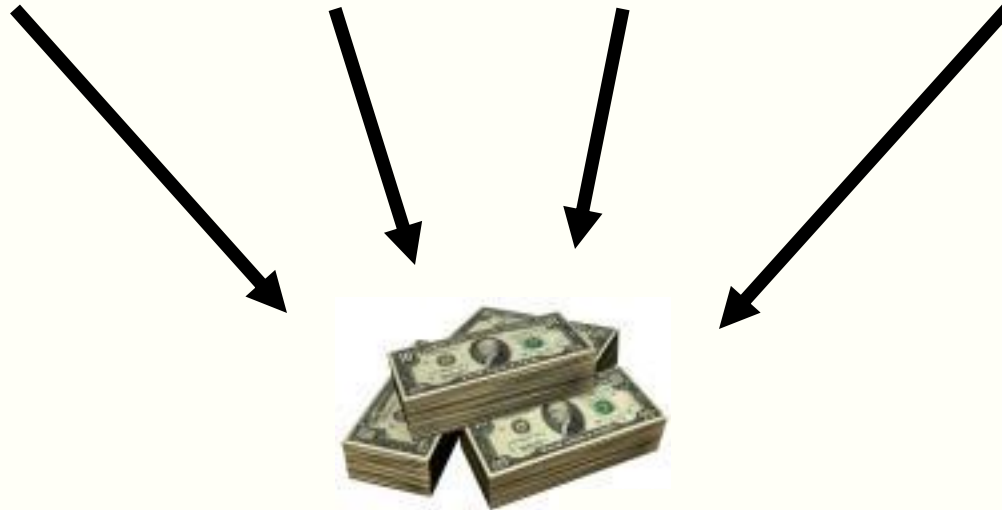
Advantages of Stepping Into a PIF

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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NET TO HEIRS (III.M – III.N)

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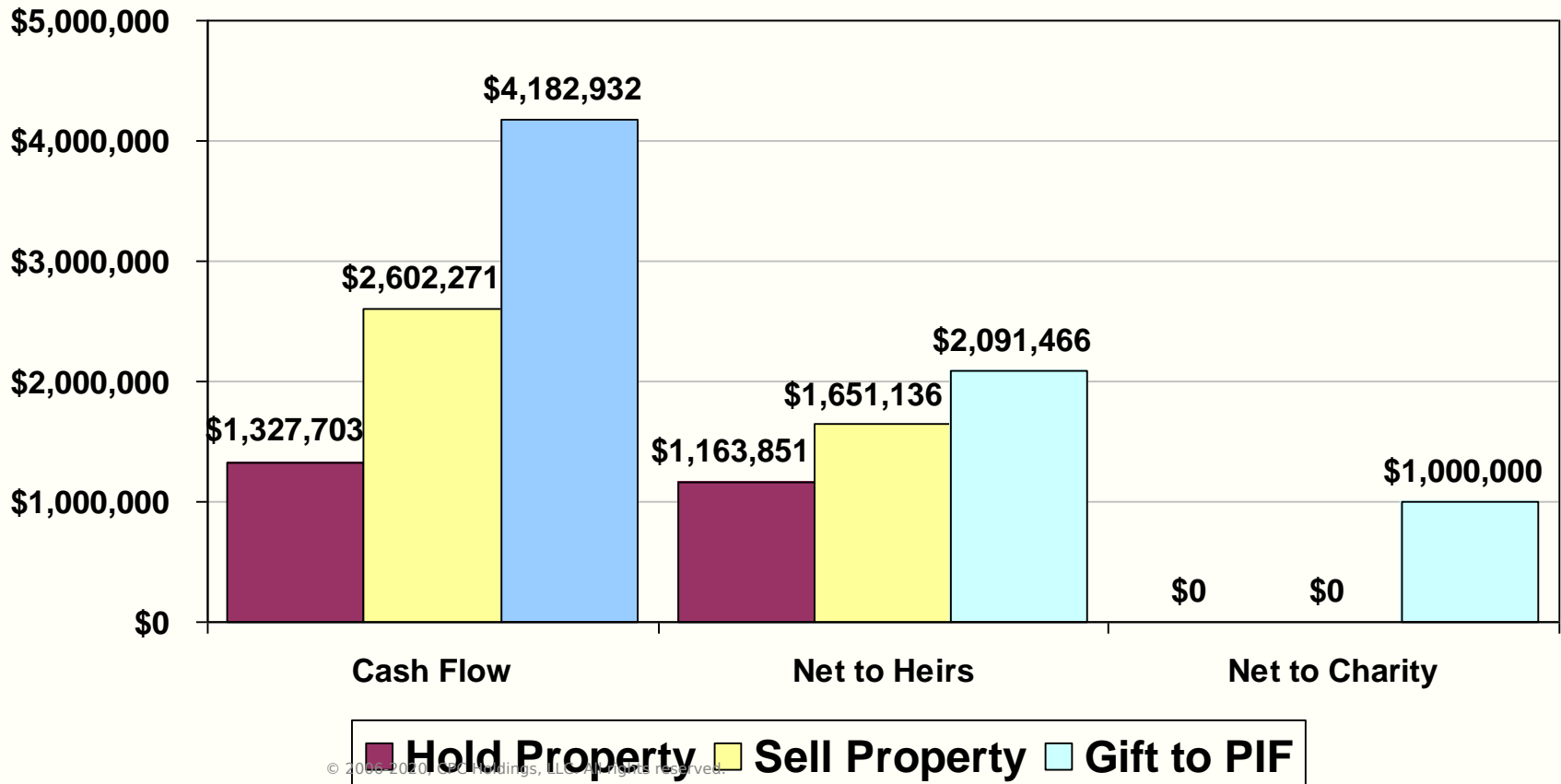




Hold/Sell Property vs. Gift to Pooled Income Fund

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:

VS. HOLDING:

VS. SELLING:

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

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

\$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:

VS. HOLDING:

VS. SELLING:

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

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

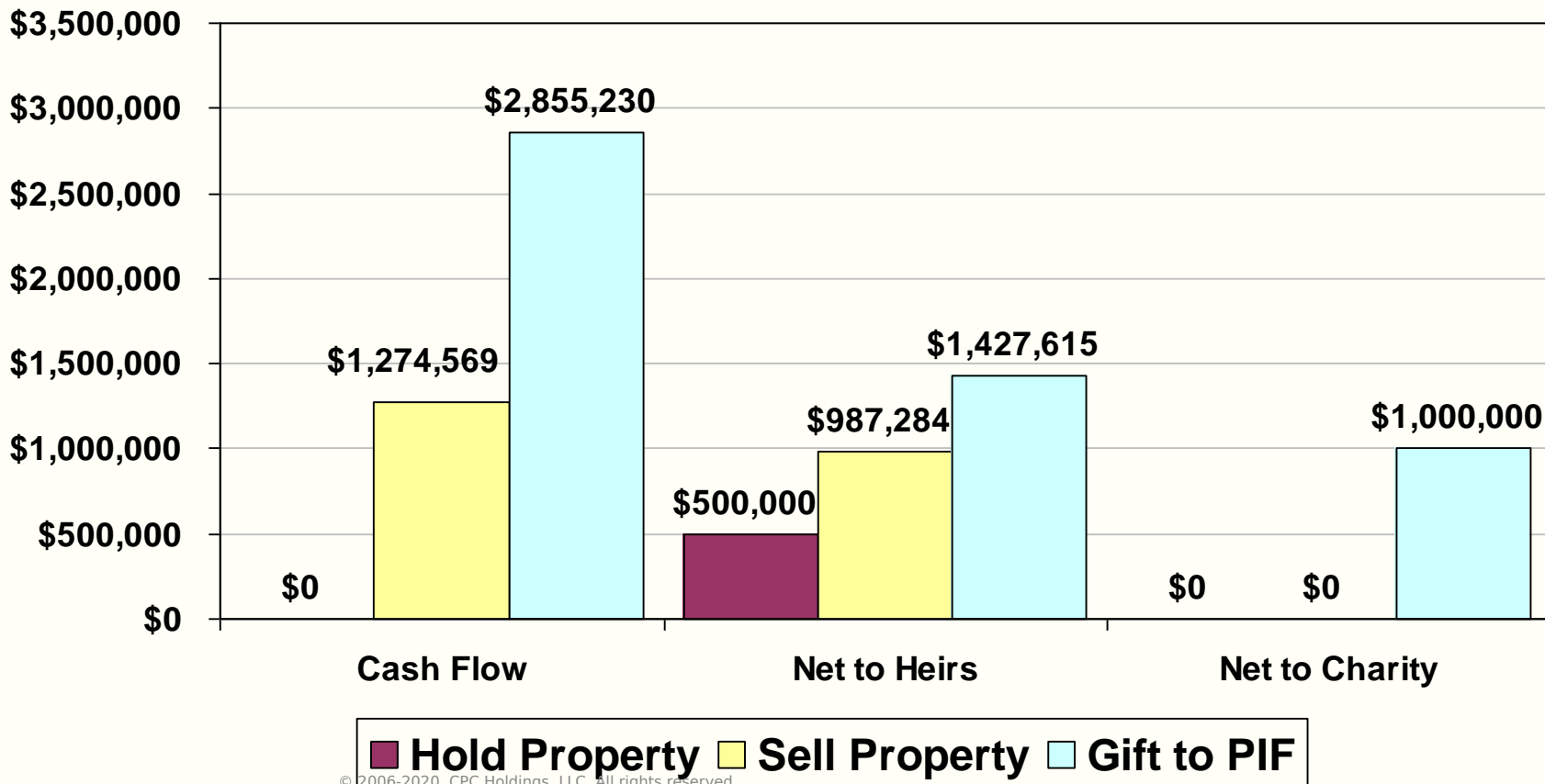
\$1,580,661
\$440,330
\$1,000,000



Hold/Sell Property vs. Gift to Pooled Income Fund

Comparison of Benefits

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

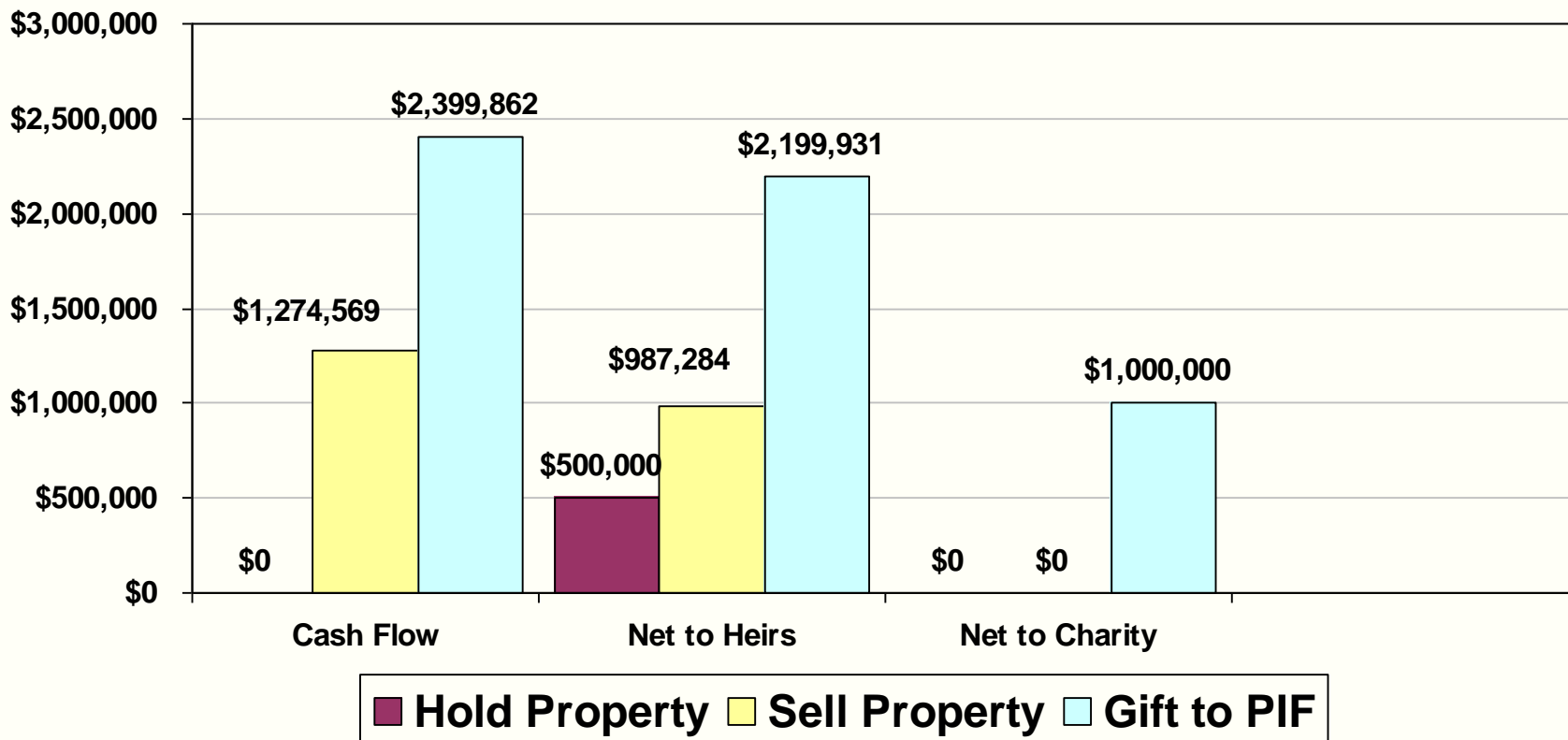




Hold/Sell Property vs. Gift to Pooled Income Fund

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:

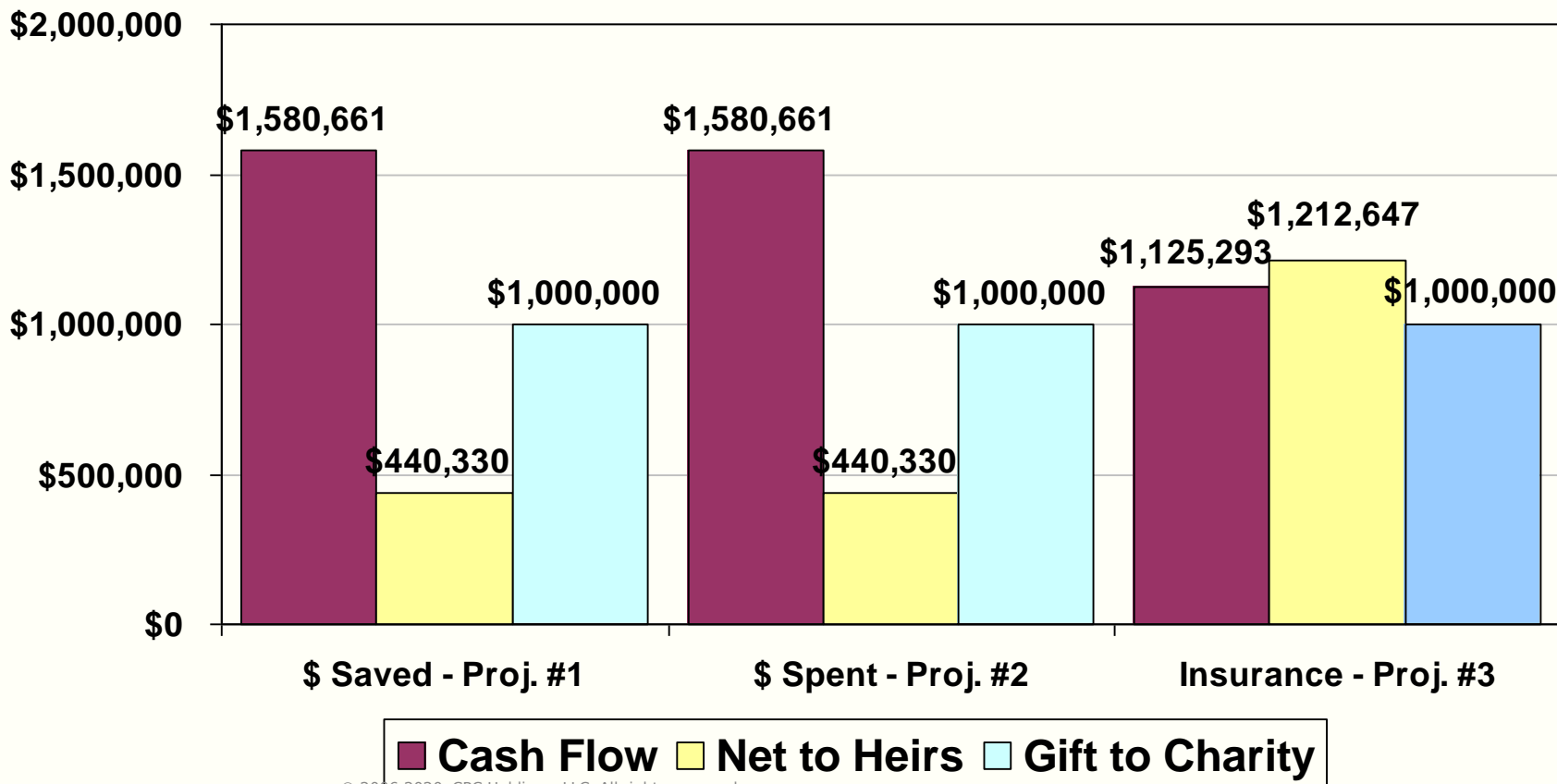
\$1,125,293
\$1,212,647
\$1,000,000



Sale of Property vs. Gift to Pooled Income Fund

Advantages of PIF over Holding

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

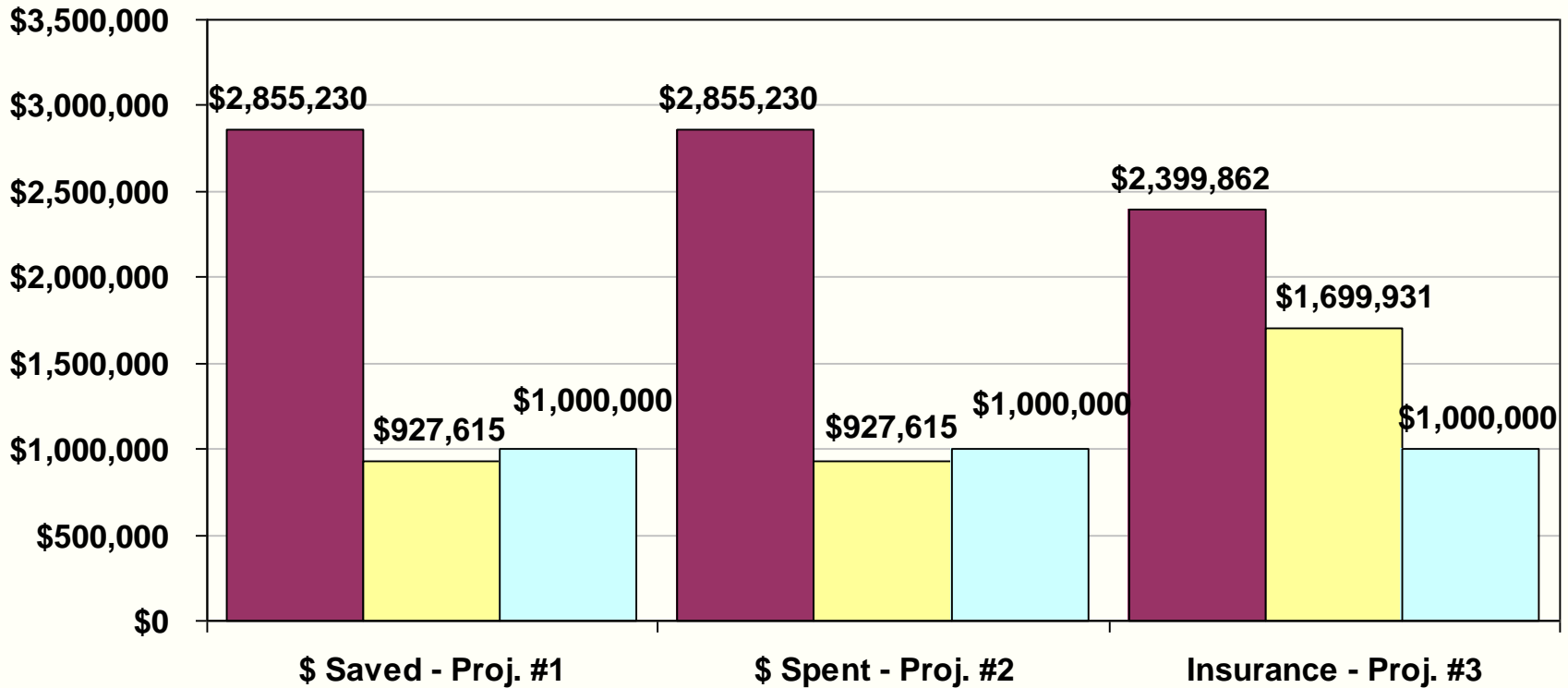




Holding Property vs. Gift to Pooled Income Fund

Advantages of PIF over Holding

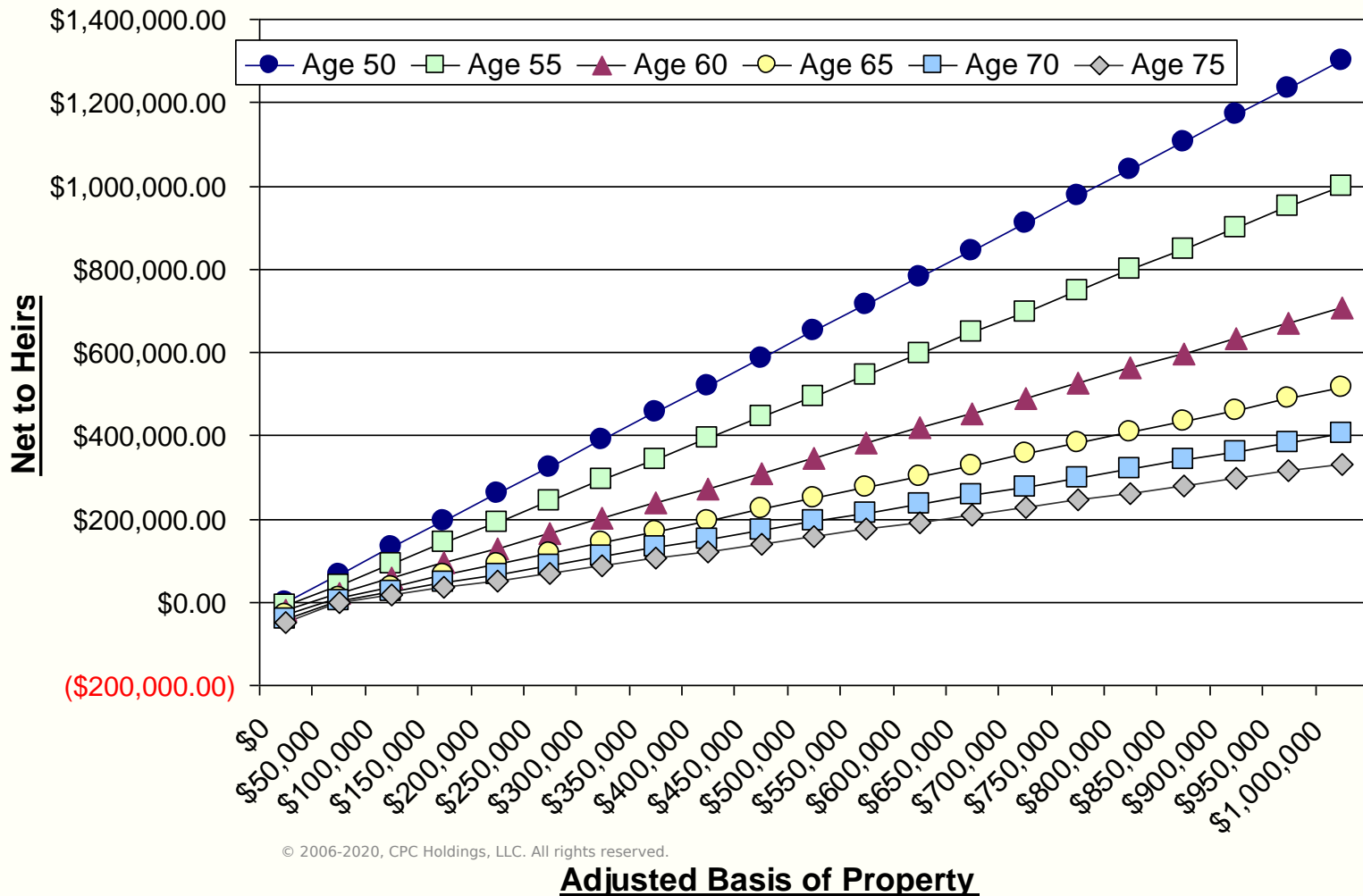
Projections 1, 2 & 3
FMV of Property = \$1 Million



■ Cash Flow ■ Net to Heirs ■ Gift to Charity



Sell & Reinvest Net Proceeds



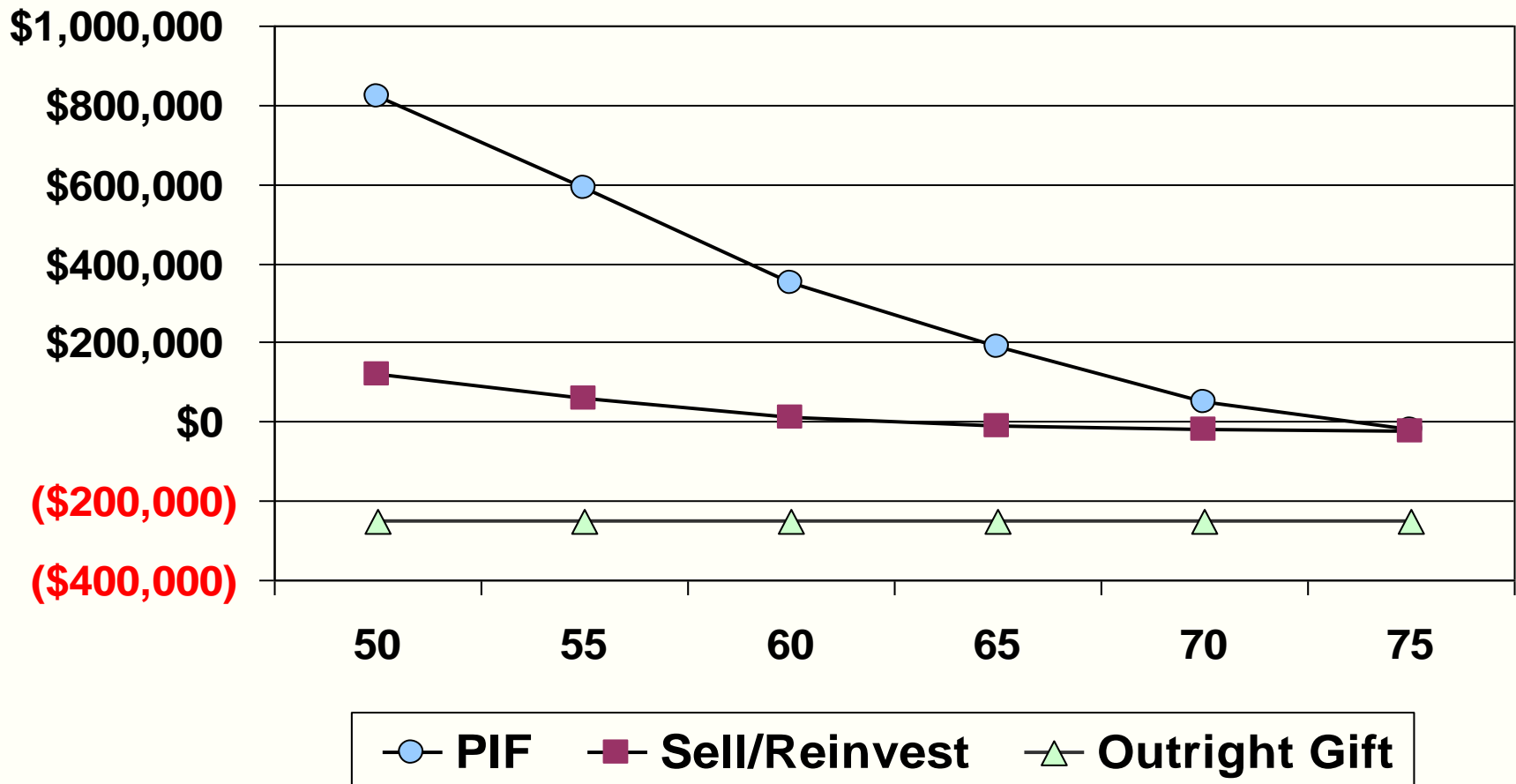
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PIF vs. Sell/Reinvest vs. Outright Gift

FMV = \$1,000,000

Adjusted Basis = \$1,000,000

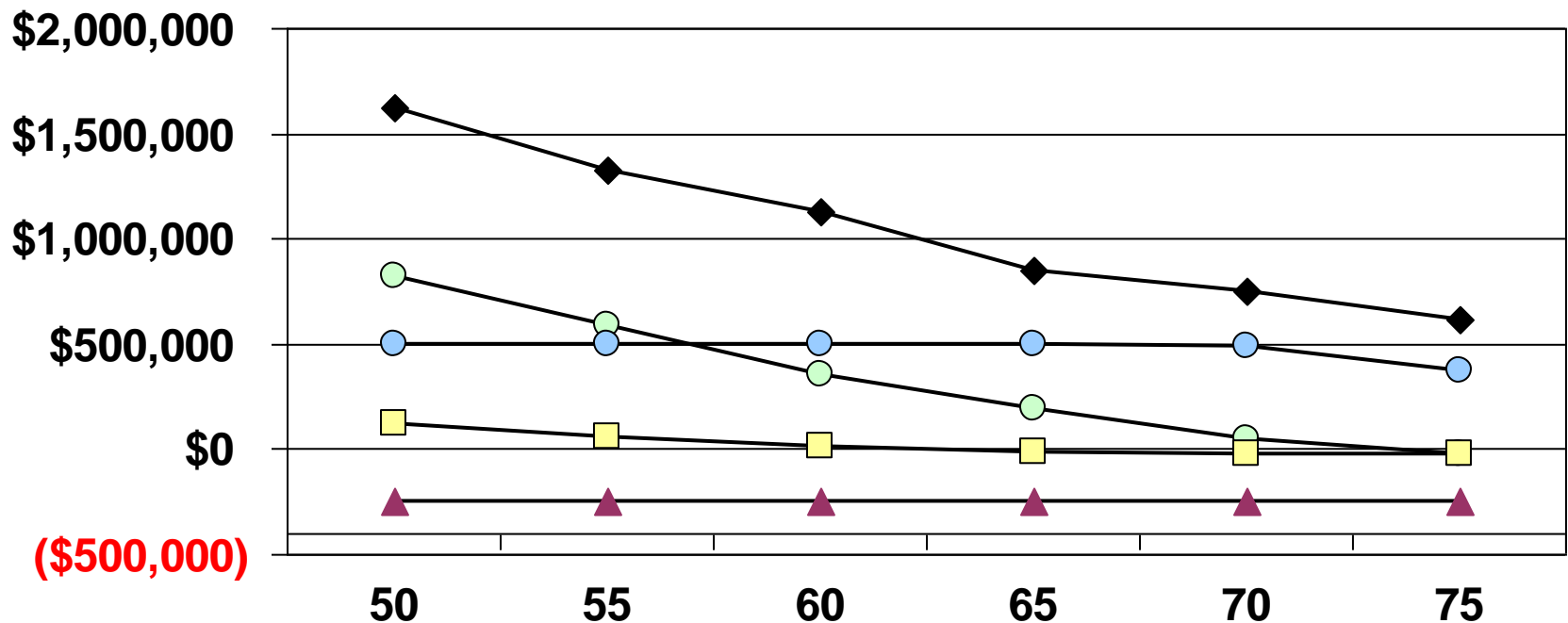




PIF vs. Sell/Reinvest vs. Outright Gift

FMV = \$1,000,000

Adjusted Basis = \$1,000,000



○ PIF

▲ Outright Gift

○ Outright Gift w/ Insurance

□ Sell/Reinvest

◆ PIF w/ Insurance