

In touch with
TOUCHSTONE
*A newsletter for members and friends of the Touchstone Endowment Circle
at St. Andrew's Episcopal School*

DECEMBER 2005 / VOL. 2 NO. 1

A BANNER YEAR FOR THE TOUCHSTONE ENDOWMENT

This has truly been a banner year for the St. Andrew's Episcopal School Touchstone Endowment. In January of 2004, the St. Andrew's endowment stood at \$800,000. Today our endowment has grown to more than \$6 million in cash and pledges, a result of the incredible generosity and forward thinking of the members of the Touchstone Circle.

As 2005 draws to a close, we hope that you will once again consider a gift to St. Andrew's in your year-end financial planning. This issue of *In Touch with Touchstone* includes important information about new tax laws that make



giving to St. Andrew's before December 31, 2005, more beneficial than ever before. Please don't miss this limited-time opportunity to support St. Andrew's

and take advantage of this one-time tax benefit.

A touchstone is an ideal – a benchmark against which future efforts are measured. The past year was indeed outstanding for the St. Andrew's Touchstone Endowment, but I have no doubt we will continue to make further strides in the years to come.

Happy holidays, and once again, thank you for your support of St. Andrew's Episcopal School.



REBECCA HIATT COLLINS
Director of Development

A CHRISTMAS
PRESENT FOR ST. ANDREW'S
*F*UTURE



OUIDA DRINKWATER'S FAVORITE CHRISTMAS PRESENT was one she'll be sharing with thousands of Saints. On Christmas morning 2003, Ouida unwrapped a package from her husband, Wayne, and their children, Jennifer and Woods. Inside was a framed letter from the St. Andrew's Office of Development announcing the creation of the Ouida C. Drinkwater Endowment for the Arts, established through a donation by Jennifer, Woods, and Wayne.

"We wanted to recognize Ouida's contributions as a St. Andrew's parent and employee," Wayne Drinkwater says. "We chose an endowment for the arts because that's where our children's interests lie, but people who care about St. Andrew's can give any amount, to support any area they're interested in."

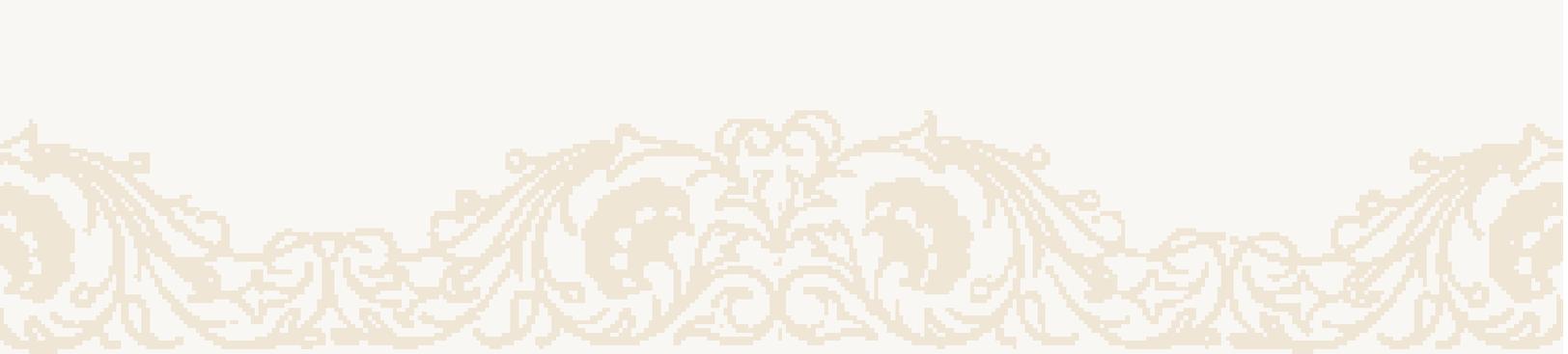
"I was floored," Ouida says. "This was such an honor, better than any material

gift my family could have given me. It brought tears to my eyes."

Still searching for the perfect gift? An endowed fund in his or her honor is the ideal solution. Your gift will permanently honor your loved one and make a difference for generations to come. And as its giver, you'll not only be recognized for your thoughtfulness and creativity, you might even get a tax break.

If you long to give someone a truly memorable, truly meaningful gift this year, please contact the St. Andrew's Office of Development. We'll be happy to help you with all the details and provide a letter or certificate suitable for framing and wrapping.

An endowment for St. Andrew's is one gift you can rest assured will never be returned, exchanged, or recycled.



SPECIAL 2005 YEAR-END TAX SAVINGS AVAILABLE FOR CERTAIN GIFTS MADE BY DECEMBER 31

Hurricane Katrina relief legislation signed into law on September 23 made major changes to the federal tax law to help encourage outright charitable gifts of cash made between August 28, 2005, and December 31, 2005.

The charity does not need to be engaged specifically in Hurricane Katrina relief efforts. Most contributions to a public charity, including St. Andrew's Episcopal School, made during this time period will qualify. Gifts to the Touchstone Endowment, the St. Andrew's Annual Fund, capital gifts, and gifts of cash are eligible. Contributions can be made on an unrestricted basis or for a designated purpose.

Two of the major tax changes made for year-end 2005:

1. The contribution limit for most year-end gifts of cash made to public charities, including St. Andrew's Episcopal School, has increased from 50 percent of the donor's adjusted gross income to 100 percent of adjusted gross income.

Example: Dennis Doe has an adjusted gross income of \$200,000 and has made charitable contributions of \$50,000 to various charities prior to August 28. If Dennis contributes an additional \$150,000 cash to hurricane relief charities or to any other public charities between August 28 and December 31, he will be able to deduct \$200,000 for 2005, resulting in \$0 income tax. Prior to the increase in the deduction limit, Dennis could only have deducted \$100,000 in 2005 (although the excess could have been carried forward for up to five additional years).

2. These same gifts of cash also are exempt from the three percent reduction in itemized deductions for individuals with adjusted gross incomes greater than \$145,950. That is, there is no such adjustment for qualifying cash contributions made from August 28 through December 31. (As with the 100 percent contribution limit, all donations made prior to August 28 and non-cash donations made at any time during 2005 will continue to be subject to this three percent reduction rule.)

Please be aware that cash gifts to a private foundation, a supporting organization, or a donor-advised fund do not qualify for the higher limit or for the three percent rule exemption.

These special charitable contribution deduction rules present some strong planning opportunities for certain taxpayers. For example, it may make sense for certain taxpayers to consider selling appreciated stock, paying the 15 percent capital gains tax, and contributing the cash proceeds as a charitable gift. For other taxpayers, it may make sense to consider charitable gifts from IRAs or other qualified retirement plans.

2005 YEAR-END GIFT OPTIONS – FOR YOU AND FOR ST. ANDREW'S

As you consider your financial and estate planning for year-end 2005, we hope you will also consider St. Andrew's as a part of your plan. Not only can St. Andrew's put your gifts to good use, we can also save you tax dollars through the charitable deduction and the avoidance of capital gains. In some cases we can even increase your current income by reinvesting your assets through a charitable remainder unitrust or annuity trust.

Five of the best planned giving opportunities for year-end 2005:

1. Charitable Remainder Unitrusts

A charitable remainder unitrust allows you to make a substantial gift to St. Andrew's Episcopal School yet continue to receive income from the assets contributed. Your gift is administered separately as a trust. At the time the trust is created, you give instructions to the trustee to pay you or another designated beneficiary(ies) income for life. You may decide, within certain limitations, the rate of return you will receive on the trust's assets. After the life income payments to you and/or the other designated beneficiary(ies) terminate, St. Andrew's receives the remainder of the assets in the trust.

With the unitrust, you receive annually a fixed percentage of the fair market value of the trust's assets, as those assets are revalued annually. Thus, the income paid out will vary from year to year based upon the performance of the trust's investments. The fixed percentage paid out must be at

least five percent. Thus, if you contribute stock that pays a low dividend, the unitrust can sell it and reinvest in assets with a higher income yield – and that higher income can be passed along to you.

Upon the creation of a unitrust, you receive a substantial federal income tax charitable contribution deduction based upon the age of the beneficiary(ies), the rate of return specified in the trust, and other factors. The older the beneficiary(ies), the higher the charitable deduction.

Another benefit of the unitrust is that you generally incur no capital gain on the transfer of appreciated assets to fund the trust.

Example: You create a unitrust to pay you six percent each year and initially contribute \$100,000 to the trust. During the first year, you will receive \$6,000 from the trust. If the trust's assets are valued at \$110,000 at the beginning of the second year, you will receive \$6,600 ($\$110,000 \times 6\%$) for the second year. This same calculation will be made each subsequent year. In addition to this income, you receive a substantial charitable deduction in the year you create the trust. Thus, your effective yield on the trust will be much higher than the actual six percent payout specified because of the tax advantages.

2. Charitable Remainder Annuity Trusts

Annuity trusts are very similar to unitrusts except that, with an annuity trust, the life income beneficiary(ies) receive annually a fixed dollar amount rather than a fixed percentage of the assets in the trust. You may stipulate, for example, that you receive \$6,000 (or some other fixed sum) each year as a result of setting up a \$100,000 annuity trust. This form of trust is appropriate for those who prefer a fixed annual income, unaffected by changes in the stock market, interest rates, and the like.

As with the unitrust, the annuity trust provides a substantial federal income tax charitable contribution deduction. Also, you generally incur no capital gain on the transfer of appreciated assets to fund the trust.

Example: You establish an annuity trust with \$100,000. You specify that you will receive annual income of \$6,000 from the trust, with the payments to be made

quarterly. No matter how well or how poorly the trust's investments perform, you will receive that fixed \$6,000 each year (except in the highly unlikely event that the trust "goes broke").

3. Charitable Lead Trusts

The creation of a charitable lead trust allows you to pass significant assets on to younger family members with little or no gift or estate tax payable to the government. Under this arrangement, you transfer assets to a trustee who would then make annual payments to St. Andrew's for a specified number of years, after which time the assets remaining in the trust would go to your children, grandchildren, or others. For individuals in high estate and gift tax brackets, this trust means the opportunity to transfer substantial assets to younger generations, completely or significantly free of transfer taxes, while at the same time benefiting St. Andrew's Episcopal School.

Example: With \$1,000,000 in assets, you could create a charitable lead trust that would pay St. Andrew's Episcopal School seven percent of the fair market value of the trust each year for 25 years. At the end of the 25-year period, the trust would terminate and the trust principal remaining (including any asset appreciation) could be distributed to your children or grandchildren. Under present IRS tables, there will be no transfer tax payable.

4. Gifts of Life Insurance

Life insurance provides another excellent means for making a gift to St. Andrew's Episcopal School. This can be accomplished either by purchasing a new life insurance policy or by contributing a policy that you currently own but no longer need.

St. Andrew's can be designated as the beneficiary of the policy while you retain the right to change the beneficiary at a later date, and otherwise retain your ownership of the policy. In this instance, no current federal income tax charitable deduction is available to you since you would still be the owner of the policy. However, at the time of



your death, your estate would receive a charitable deduction when the proceeds of the policy are paid to St. Andrew's.

To receive a current federal income tax charitable deduction, you would need to designate St. Andrew's as both the owner and the beneficiary of the life insurance policy. When such a gift is made, the deduction will be approximately equal to the cash value of the policy at the time of the gift. Many donors decide to continue to pay the premiums on the policy after the gift is made, in which case the additional premium payments will be tax deductible each year.

Example: You qualify for new life insurance and purchase a \$100,000 policy, naming St. Andrew's as both the owner and beneficiary. Your premiums on this policy amount to approximately \$650 per year. You can deduct these annual premiums on your federal income tax return as a charitable contribution.

5. Gifts through your will

While you are considering your year-end tax planning, it may also be a good time to consider your estate planning. If your estate is subject to the federal estate tax, a charitable bequest can save significant tax dollars. St. Andrew's Episcopal School can be named as a beneficiary in your will in any one of a number of ways.

Outright bequest: You can specify an outright gift of cash, securities, real estate or tangible personal property. If you bequeath dollars, you may wish to bequeath a certain fraction or percentage of your estate to St. Andrew's rather than a fixed sum; this serves as a hedge against both inflation and unforeseen shrinkage, and assures your heirs their proportionate share.

Residual bequest: A residual bequest provides that after specific bequests are made to named individuals, St. Andrew's receives the "residue" or the amount remaining in the estate.

Contingent bequest: A contingent bequest means that St. Andrew's Episcopal School will receive certain assets only if a named individual does not survive you. For example, you could provide for St. Andrew's to receive a bequest only if your spouse does not survive you. Such a provision recognizes the need to first provide for the security of your loved ones.

Testamentary trust: Such a trust can provide income for another person or persons for life, with the principal ultimately passing to St. Andrew's Episcopal School. In the alternative, you could designate that the income come to St. Andrew's for a certain number of years and the principal ultimately pass to family members or others.

Codicil: If you already have a valid, up-to-date will, you can have your attorney prepare a codicil to your will naming St. Andrew's Episcopal School as a beneficiary without having to rewrite your entire will.

For Additional Information

This information is not intended as specific legal advice. Please consult your attorney or tax advisor when considering any legal matter.

We appreciate your interest and support, and would be pleased to meet with you or provide you with additional information.

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St. Andrew's Named Endowments

The Touchstone Endowment funds scholarships for deserving students, ensures continuing education for our outstanding faculty, and supports a number of programs at St. Andrew's.

Still searching for the perfect gift? With a minimum gift of \$20,000, you can establish

a permanent endowment named in his or her honor. Of course, endowment gifts of any size are greatly appreciated; there is no minimum dollar amount required.

The following endowments were created in honor of St. Andrew's students, faculty, and friends.

Endowed Scholarships

John D. and Scott Adams Alumni Scholarship Scholarship awarded to a child of an alumnus. Created by John and Barbara Adams in honor of their sons. Barbara Adams enjoyed a 33-year career at St. Andrew's, most recently serving as Director of Alumni.

The Christian Alexander Allenburger, IV Honor Scholarship

Merit-based scholarship created by his family in memory of former student Chris Allenburger

Craig D. Bluntson Memorial Scholarship

Scholarship created by family and friends in memory of alumnus Craig Bluntson

Winifred G. & Reynolds Cheney Memorial Scholarship

Scholarship created in memory of St. Andrew's patrons Winifred and Reynolds Cheney. Reynolds Cheney was one of the founders of St. Andrew's.

J. Paul and Dee Tankersley Faulkner Scholarship

Scholarship established by late St. Andrew's patrons J. Paul and Dee Faulkner. Paul Faulkner was a St. Andrew's Trustee.

E. E. Ford Foundation Scholarship Grants

Need-based scholarship for students grades 9-12

Adele Franks Memorial Scholarship

Scholarship created in memory of Adele Franks, a founder of St. Andrew's Episcopal School

Elise Green Herring Memorial Scholarship

Scholarship honoring the daughter of the owner of Green Hall, an antebellum home on North State Street where St. Andrew's School was housed from 1950 to 1966

David V. Hicks Scholarship

Scholarship created in honor of David Hicks, a former St. Andrew's Headmaster

The Malone Family Foundation Scholars Program

An endowment awarded to outstanding private and independent schools for the purpose of providing scholarships to gifted students with financial need

Marsha McCarty Wells Scholarship Fund

Scholarship created by close friends and family in memory of Marsha McCarty Wells, a St. Andrew's parent, Trustee, and patron

Jennifer Mosal Memorial Scholarship

Scholarship created by family and friends in memory of former student Jennifer Mosal

Frank S. Johns Memorial Scholarship for Creative Writing

Scholarship created by the family of Dr. Frank S. Johns for achievement in creative writing

The Providence Foundation Scholarship Endowment

Scholarships through an endowment from the Providence Foundation

Nancy Spencer Memorial Scholarship

Scholarship created in memory of St. Andrew's patron Nancy Spencer

William Watkins Endowed Scholarship for the Arts

Scholarship created in memory of Bill Watkins, a former St. Andrew's art teacher, and awarded to a rising senior chosen by the visual arts department. Bill Watkins generously left his retirement fund to St. Andrew's; that fund was the basis of the scholarship.

Endowments for Specific Programs

John D. Bower Endowment for the Enrichment of the Sciences

Endowment created by Dr. John Bower, Professor Emeritus of the University of Mississippi Medical Center and Chairman of the Bower Foundation, to enhance science programs at St. Andrew's

Rebecca Hiatt Collins Theatre Equipment Endowment

Created in honor of Rebecca Collins, St. Andrew's Director of Development, for purchase or maintenance of equipment for the Center for Performing Arts

Dorothy Davis Library Fund

Endowment supporting the library created in honor of Dorothy Davis, a former St. Andrew's teacher, upon her retirement

Ouida C. Drinkwater Endowment for the Arts

Created by her husband and children in honor of former parent and staff member and St. Andrew's patron Ouida Drinkwater to enhance St. Andrew's visual and performing arts program

J. Paul and Dee Faulkner Endowment for the Fine Arts

Established by late St. Andrew's patrons J. Paul and Dee Faulkner to support the fine arts program at St. Andrew's. Paul Faulkner was a St. Andrew's Trustee.

William Lee Heard, III Endowment for the Band

Given in memory of Bill Heard, III, by his family to enhance and enrich the St. Andrew's band program and concert series

Bishop Keller Memorial

Memorial honoring a St. Andrew's patron and providing support for the ongoing needs of the chapel

Dan Rose Ninth Grade Biology Enrichment Fund

Created in honor of former biology teacher Dan Rose to enhance the ninth grade biology program

Endowments to Support Faculty

The Christian Alexander Allenburger, IV Faculty Award

Faculty development award created by his family in memory of former St. Andrew's student Chris Allenburger

J. Paul and Dee Faulkner Endowment

Endowment for faculty development and enrichment established by late St. Andrew's patrons J. Paul and Dee Faulkner. Paul Faulkner was a St. Andrew's Trustee.

E. E. Ford Foundation

Two grants to endow faculty enrichment and development

Book Awards

Prizes in specific subjects created in memory or honor of St. Andrew's students, faculty, and friends

James Parham Evans, III Prize in American History

Edith Lee Evans Prize in AP Studio Art

Warren D. Reimers Memorial Prize in French

Adele Franks Leadership Medal

Frances Elizabeth Dyess Memorial Prize in Science

Ross F. Bass Shakespeare Prize for Excellence in English

For more information

ABOUT MAKING A GIFT TO ST. ANDREW'S EPISCOPAL SCHOOL OR THE
ANSWERS TO YOUR SPECIFIC ENDOWMENT QUESTIONS, PLEASE CONTACT:

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