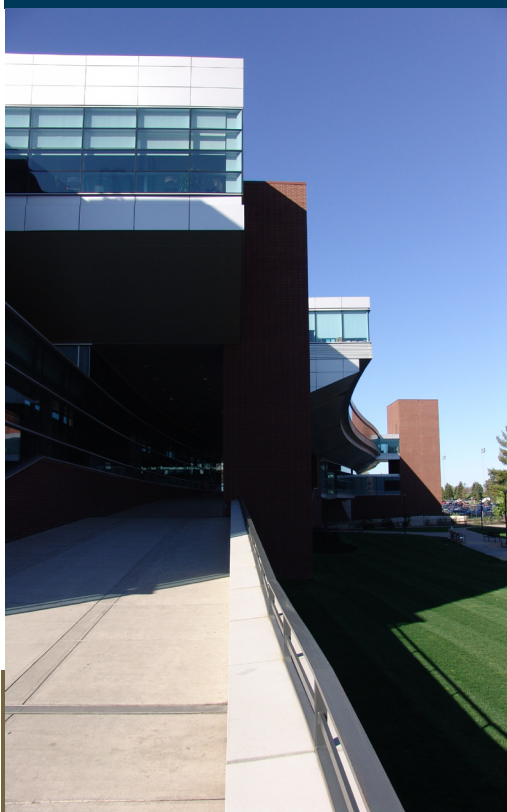


RETAINED LIFE ESTATE



The retained life estate agreement is an opportunity to continue living in or using your home, vacation home, or farm while also establishing a gift now—and to enjoy the benefits, including current tax savings, that usually characterize only lifetime charitable gifts.

Why Fund a Charitable Gift with Real Estate?

Unless you sell the property, your options for receiving current financial benefits from the real estate are usually limited to increasing your debt or renting the property to someone else.

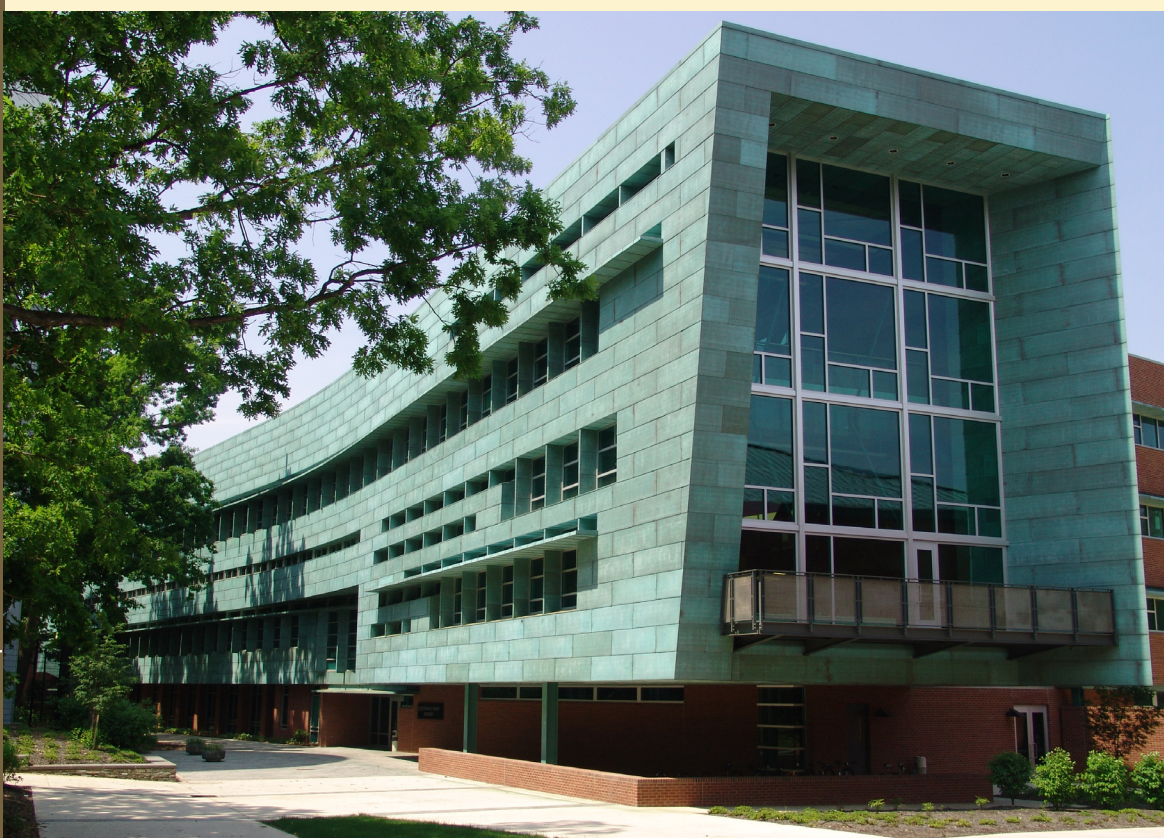
Real property can also present difficulties for estate planning, since it is rarely practical to transfer a single property to more than one heir. The result is a choice between leaving inequitable benefits for heirs or placing the burden—and costs—of selling the property onto your executor and estate. Property located in different states may be subject to additional probate and transfer costs.

How Can I Get Paid for Enjoying My Real Property?

The retained life estate arrangement is an opportunity to fund a charitable gift with your home, vacation home, or farm. While nothing changes in your current lifestyle or use of the property, the retained life estate arrangement generates a sizable income tax deduction for you in the year you establish the gift. At the end of the retained life estate term (usually your lifetime or joint lifetimes), the property goes to Penn State as the charitable recipient.

Gift Planning Tip:

It is possible to generate or replace income from real property (while avoiding or reducing capital gains taxes on the sale of the asset) through a charitable remainder trust or gift annuity. This can be a great tool for supplementing your retirement income while achieving your philanthropic goals at Penn State.



PENNSTATE





Let us help you plan.

Penn State's Office of Gift Planning will confidentially answer your questions about giving and work closely with your legal, tax, and other advisers to come up with an integrated plan that meets each of your personal goals. Please contact us anytime or visit our interactive gift planning Web site at www.giftplanning.psu.edu.

Retained Life Estate Illustration and Frequently Asked Questions

Opportunity

A married couple, ages 73 and 75, wishes to establish a retained life estate agreement for their home, which is valued at \$500,000.

Result

They will receive an income tax charitable deduction this year of \$292,785.

They will continue to enjoy their home for life, after which Penn State will receive the residence.

This illustration is based on a 2.4% AFMR. The tax deduction may vary with specific properties, donors' ages, and date of the agreement.

WHY SHOULD I ESTABLISH A RETAINED LIFE ESTATE ARRANGEMENT?

As with a bequest through your Will, you can retain maximum use and enjoyment of the property throughout your lifetime or for a term of years. Unlike a bequest, however, the income tax deduction is available in the year you establish the retained life estate arrangement.

If you're experiencing high income tax liability, or just a desire for additional cash to spend, the retained life estate arrangement is a painless way to derive cash from liquid property and contribute to Penn State's educational mission. You will also be removing a potential headache, expensive probate item, and taxable asset from your estate.

WHAT IF I DEPEND ON THE PROPERTY FOR INCOME?

A retained life estate agreement will allow you to continue using the property productively or renting it to others during your lifetime. You can then enjoy the income tax savings immediately or save them for the future or for your heirs.

WHAT IF I WILL NEED SOME OF THE PROCEEDS WHEN THE PROPERTY IS EVENTUALLY SOLD?

You may have planned on eventually selling the property and using part of the proceeds to pay for a future need, such as a smaller home or retirement community admission fees. It is possible to establish a retained life estate arrangement for only a portion of the property value. At the end of the retained life estate term, the property can be sold and the proceeds split between you and Penn State.

ARE THERE OTHER OPPORTUNITIES FOR REAL ESTATE?

Through a charitable lead trust, you may often pass real estate intact to heirs while reducing or eliminating transfer taxes and making a significant gift to the University.

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