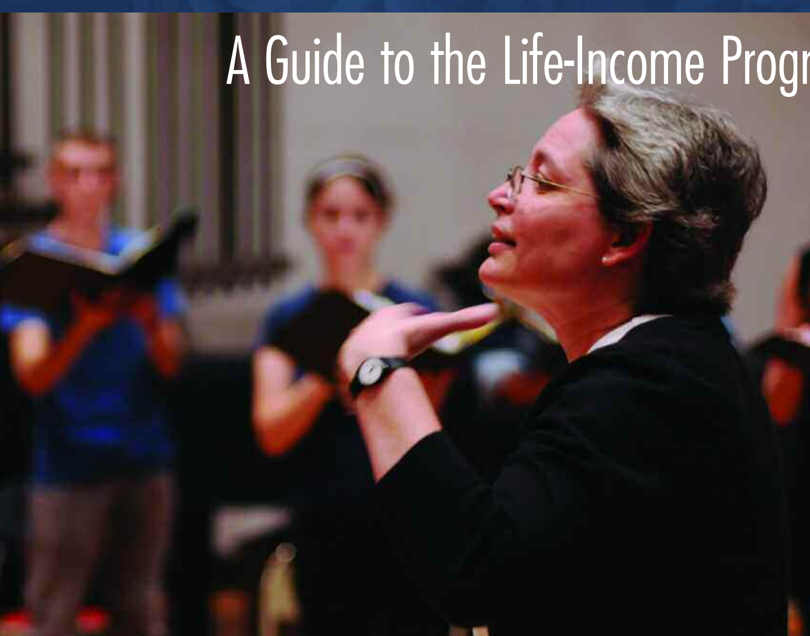
THE POMONA PLAN

A Guide to the Life-Income Program Offered by Pomona College



Campaign | Pomona
DARING MINDS

"The resources with which Pomona College has been blessed give us the opportunity and the moral obligation to prepare students to be leaders both within and beyond the boundaries of the campus."

—President David Oxtoby

A Message from the President

For over 70 years, the Pomona Plan has set a high standard for excellence and integrity in life-income agreements. During those years, it has served generations of people seeking to secure their own financial futures while playing a role in educating tomorrow's leaders.

Participants in the Pomona Plan benefit from our long, accomplished history in managing life-income programs. Pomona was a pioneering institution in this area, issuing its first charitable annuity in 1892. Today, it still sets the standard for planned giving programs among our peer institutions. This brochure illustrates the varied financial instruments that the Pomona Plan offers.

The opportunities here may help you meet your individual needs, whether your primary focus is financial or philanthropic. Our Trusts and Estates staff offers extensive technical expertise in trust and tax law. They are committed to serving your personal interests and objectives in helping you to assess potential options, without expectation or obligation. They will strive to earn your confidence and trust while offering comprehensive service.

I invite you to join in a partnership with Pomona College in helping to prepare our remarkable students to make a difference in the world.

David W. Oxtoby

David W. Oxtoby

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A Few Facts About Pomona

- **Students:** 91% of our first-year students ranked in the top 10% of their high school graduating classes; the graduation rate for students who enroll at Pomona is 96%.
- **Academics:** Pomona offers 47 majors in the natural sciences, humanities, social sciences and fine arts and in ground-breaking interdisciplinary fields.
- **Campus:** Pomona's campus sits on 140 acres about 35 miles east of Los Angeles, bordering on the campuses of our six Claremont peer institutions, which—together with Pomona—total over 550 acres.
- **Commitment:** Approximately 22% of the College's operating budget is spent on financial aid, supporting a "need-blind" admissions process. Admission to the College is based solely on educational merit, without regard to financial capacity.
- **Honors:** Recent Pomona graduates have received Rhodes, Marshall, Beinecke, Rotary, and Goldwater scholarships; Watson, NSF, Mellon, and Rockefeller fellowships; and other prestigious awards. Since 2004, 126 graduates have won Fulbright Fellowships for study in other countries.

Pomona College

Established in 1887, Pomona College is widely regarded as one of the premier liberal arts colleges in America. An independent, coeducational institution located in Claremont, California, 35 miles east of Los Angeles, Pomona is the founding member of the Claremont Colleges, a consortium of seven independent institutions of higher learning.

Pomona provides excellence in undergraduate instruction in the natural sciences, social sciences, humanities and fine arts. With a commitment to undergraduate study and a long history as a residential college, its distinguished faculty, accomplished students and extraordinary facilities ensure an educational experience second to none.

When the founders of Pomona created "a college of the New England type" in California in 1887, they not only emulated the eastern institutions they had attended, but they built a college that would itself become a model for higher education. Ever since then, Pomona has balanced the liberal arts and sciences tradition that inspired it with insight and innovation.

In Fall 2012, the College enrolled 1,560 students, drawn from 46 states, the District of Columbia, and 22 foreign countries. Pomona is one of a very small number of institutions that admits students entirely on their merits without regard to their ability to pay. As a result, more than 53% of the student body receives financial aid. The total aid provided to Pomona students was $29.8 million in 2011-12. Because they are selected for academic achievement and promise, Pomona students are among the most highly qualified in the country.

The faculty of approximately 191 professors provides a student-faculty ratio of eight to one. Faculty above the rank of instructor hold Ph.D. degrees, except where a doctorate is not customary. The College has 65 endowed professorships.

As of February 28, 2013, the College's endowment stood at $1.87 billion. Total assets at June 30, 2012, were $2.35 billion, and the 2011-12 annual budget was approximately $134 million.

Through an academically challenging curriculum, outstanding faculty, extraordinary students, and intimate size, Pomona College provides an unparalleled environment for intellectual development and personal growth.

The Pomona Plan

Pomona College has offered annuity agreements to alumni and friends since shortly after the College was founded in 1887. In the early 1940s, an expanded life-income agreement program—the first of its type in the country—came into existence. This program, recognized as the *Pomona Plan*, has gone on to win a national reputation for its leadership and integrity. Since 1941, Pomona's alumni and friends have invested more than $216 million through the Pomona Plan, thus offering tremendous support of the College's programs.

The benefits of a Pomona Plan agreement begin when you transfer assets to the College for free professional management. You then receive payments for life, a portion of which are tax-free, along with an income tax charitable deduction in the year of the gift. Moreover, you avoid most or all of the tax on any capital gains on long-term appreciated assets. The expense and delay of probate are avoided with respect to the assets transferred to the College. In addition, your estate may realize an income or estate tax savings as a result of investing in the Pomona Plan.

In 2011-12, the Pomona Plan participants contributed an approximate total of $7.4 million in the form of new life-income agreements and trusts. Today, the College and its investment advisers manage more than $142 million for over 500 beneficiaries.

We are grateful for the loyalty and generosity of our Pomona Plan participants. The College's financial strength is underscored by AAA bond ratings from Fitch's, Moody's and Standard & Poor's—one of only a few liberal arts colleges in the country to be so rated.

Is a life-income program right for you?

How Does the Pomona Plan Work?

You transfer assets to Pomona College for management. You receive payments for life based on those assets and afterward the remainder is released to the College.

What Assets Can I Use?

- Cash
- Securities
- Real property

What Are the Advantages to Me?

- Increased income due to favorable annuity rates
- Tax savings on income taxes, capital gains, gift and estate taxes
- Avoidance of probate for the assets transferred and free investment management
- Ability to fulfill philanthropic and financial goals simultaneously

What About My Residence?

A special plan allows you to continue to occupy your home while you enjoy significant tax benefits.

Why Choose the Pomona Plan?

A proven program, it has over 70 years of experience and $142 million under management for over 500 life-income payees.

Becoming Part
of the Pomona Plan

We appreciate your interest in the Pomona Plan. Our experienced staff members are available to discuss your objectives by telephone, email or through a personal visit.

Following our conversation, we will prepare a detailed written proposal of how a Pomona Plan agreement might help you to meet your goals. The terms of an agreement take into account your financial plans and philanthropic objectives and will be individually tailored to provide you with attractive tax and income benefits. However, we urge you to consult with an experienced attorney and your own tax advisor.

Once you have decided to fund a Pomona Plan annuity or trust, appropriate assets are given to us. Some assets, such as cash or securities, can be transferred quickly, while others, such as real estate, may take longer to process. Upon receipt of your gift, we will prepare a contract confirming the agreement and a detailed letter with the information necessary to report the charitable deduction and tax consequences on your income tax returns.

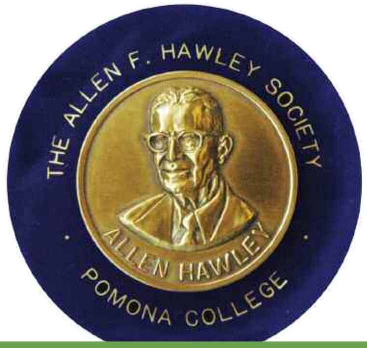
Our professional staff administers your trust or annuity. Your payments will be issued by electronic deposit to your bank account. Each tax year, we will send you the required income tax return reporting information, such as an IRS Form 1099-R or Schedule K-1, to reflect the character of the income distributed to you.

We strive to offer stellar customer service to our Pomona Plan participants. Your comments and feedback are welcome.

"We benefit financially thanks to Pomona …"

When we consulted Pomona about leaving a bequest to create scholarships for future generations of students with financial need, we were delighted to discover that not only could we express our gratitude to the college for the help one of us had received, but that we ourselves could benefit financially during our retirement thanks to the Pomona Plan's charitable gift annuity program.

—Linda Avak '58 and Ed Avak '59



The Allen F. Hawley Society of Pomona College

The Allen F. Hawley Society was created in 1978 to recognize and honor those individuals who have supported Pomona College through Pomona Plan agreements.

The Hawley Society commemorates Allen F. Hawley, Class of 1916, for his remarkable contribution to Pomona College and to American higher education. Allen Hawley is considered by many to be the founding father of planned giving. In the early 1940s, he developed an innovative program of life income contracts, which came to be known as the Pomona Plan. This concept is used today by thousands of charities that manage billions of dollars for their contributors.

Pomona is indebted to members of the Hawley Society for their generous support that helps ensure the future well-being of the College.

What Type of Agreement is Right for Me?

“How can I earn more from a stock that yields just 2%?”

Gift Annuity

Mr. and Mrs. Casey, ages 79 and 78, have owned Whitney Travels stock for many years. The stock is valued at $50,000, a significant increase over the $5,000 they paid for it. Last year, the stock paid dividends of about 2%. The Caseys would like to receive more income but don’t want to pay tax on the $45,000 of capital gain.

By giving the stock to Pomona College in return for a gift annuity, the Caseys will convert their 2% yield into a return of 7.8% for life. The income will be distributed as capital gain, tax-free and ordinary income. A portion of the capital gain (roughly 89%) will be prorated annually over the Caseys’ life expectancy of 13.8 years. During this time, the annuity income of $3,900 will be reported as 8% tax-free income, 75% capital gain and 17% ordinary income. After 13.8 years, the entire annuity will be reportable as ordinary income.

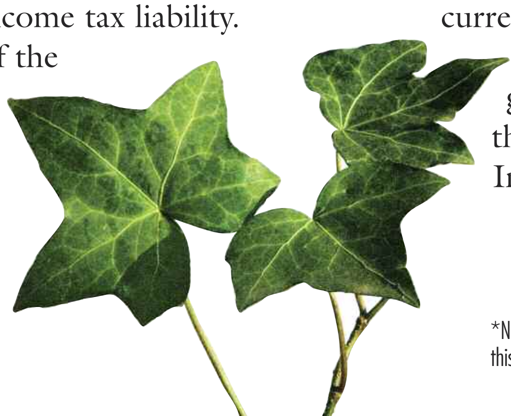
A charitable gift annuity constitutes a present income interest to the annuitants and a future remainder interest to the College. As a result, the Caseys will be able to claim a charitable contribution deduction of $5,356 on their income tax returns. They will be able to use the full amount of deduction over the six-year period allowed by the IRS.

*Pomona is proud of the fact that the College has earned AAA bond ratings from both Moody’s and Standard & Poor’s. Its promise to pay is a dependable one.**

A charitable gift annuity issued by Pomona College will provide a stream of fixed annual payments for the lives of one or two individuals.

Establishing an annuity agreement during your life is a useful way to increase after-tax income. Your gift allows you to claim a charitable deduction on your tax return to reduce your income tax liability. In addition, a portion of the annual payment is tax-free for the actuarial life expectancy of the payee(s). If a gift annuity agreement is funded with appreciated assets, a significant portion of the long-term capital gain will be avoided.

The promise to make payments is a legal obligation of Pomona College and is backed by all the assets of the College (please refer to page 3 for the College’s current financial statistics). In addition, Pomona College gift annuities are regulated by the State of California Insurance Commissioner.



*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

"I'm Working Now, But I'd Like to Have Retirement Income When I Need It."

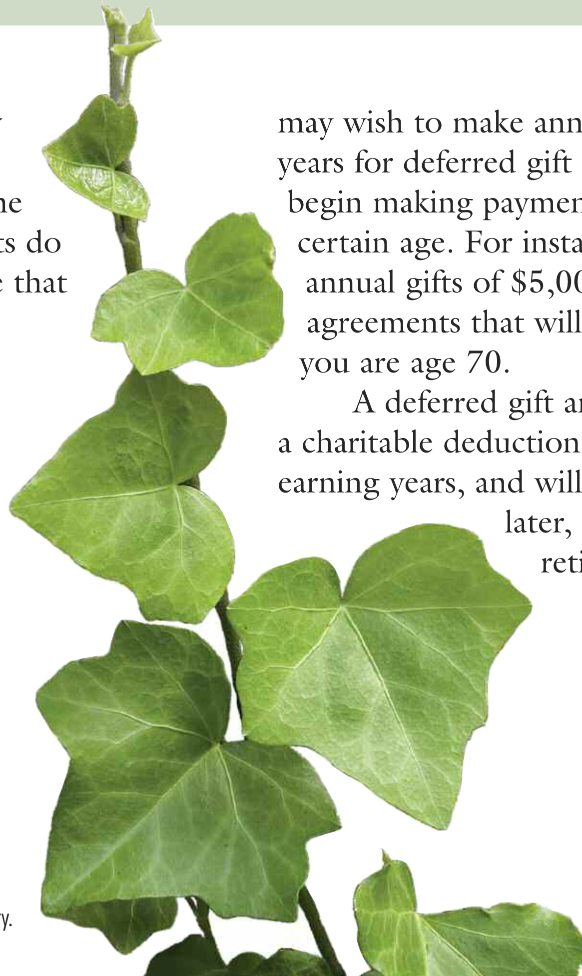
Deferred Gift Annuity

Susan Smith is age 60. She has just sold her interest in a real estate venture that appreciated substantially over the 5 years that she owned it. She would like to put part of the proceeds into retirement savings. Susan will reinvest the rest of the proceeds in another piece of property. She decides to give Pomona $100,000 to fund a deferred gift annuity that will begin to make payments to her when she turns 67.

Seven years from now, the College will begin to make payments to Ms. Smith at an annual rate of 7.4%. Each year, it will pay her $7,400. These payments will continue for the rest of her life.

Ms. Smith will be able to claim a charitable deduction of $10,523 from her gift now, thereby partially offsetting the capital gains tax incurred by sale of her real estate. If she can't use all of the deduction in the year of the gift, she can carry forward the balance for five additional years.

*Susan's payments will be nearly 66% tax-free, thereby increasing the tax benefits of her gift when her annuity begins. The balance will be ordinary income.**



A **deferred gift annuity** is essentially the same as a regular gift annuity, with the exception that the payments do not start until a future date that you select.

This type of agreement resembles a tax-deductible Individual Retirement Account (IRA) and can be a valuable supplement to such an account. You may wish to make annual gifts for several years for deferred gift annuities that will all begin making payments when you reach a certain age. For instance, you may make annual gifts of $5,000 for 10 years for agreements that will begin paying when you are age 70.

A deferred gift annuity can give you a charitable deduction now during peak earning years, and will give you income later, similar to a retirement plan.

*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

Summary and Comparison

	Gift Annuity	Basic Unitrust
TYPES OF ASSETS		
Cash or Appreciated Securities	Yes	Yes
Real Property	In Special Cases	No
INCOME		
Annual Income	Fixed	Variable
TAXES		
Charitable Deduction	Discounted Fair Market Value of Assets, Calculated	
Income Tax	Partially Tax-Free	Depends on Funding
Capital Gains Tax	Partially Taxable	None
Estate and Gift Tax		Often Reduced
INVESTMENT MANAGEMENT		
Management Fee	No Fee	No Fee
How Invested*	Endowment	Model Portfolio*

*Beginning in 2014, the College may allow interested donors to select Pomona College's endowment as an investment vehicle for their trust.

Net Income Unitrust & "Flip" Unitrust	Term-Certain Trust	Pooled Income Fund	Charitable Lead Trust	Retained Life Estate
Yes	Yes	Yes	Yes	No
Yes	In Appropriate Cases	No	In Special Cases	Residence or Farm
Variable	Usually Variable	Variable	Gift to Pomona	None
According to Your Age, the Payout Rate, and the IRS Discount Factor			No Charitable Deduction	Discounted Fair Market Value
Asset and Character of Trust Income		Fully Taxable	May Be Taxable	None
None	None	None	May Be Taxable	None
or Avoided (Usually No Gift or Estate Tax on Transfers to Spouses)				
No Fee	No Fee	No Fee	No Fee	No Fee
Model Portfolio*	Model Portfolio*	College Directed	Donor Directed	Not Applicable

Flexible Gift Annuity

"Are There Planning Options That Provide More Flexibility?"

Max Keene, currently age 72, is planning for his later retirement years. He is interested in the security of a Pomona Plan gift annuity and attracted by the College's favorable rates. He plans to establish a gift annuity now, but would prefer some future flexibility in choosing the date when his annuity payments will start. Max predicts that he will need the annuity payments to start in 4 years, at age 76. His other investments may yield a better return than expected in the same time period, but he certainly can't count on it.

Max decides to establish a flexible gift annuity with $50,000 cash through the Pomona Plan. He chooses a range of dates to begin payments:

4 years @ age 76	*11.0%*
6 years @ age 78	*13.1%*
8 years @ age 80	*15.6%*

*The longer Max waits to begin receiving payments, the higher the applicable annuity rate. Max likes this plan as he knows he can rely on the annuity income if other assets do not provide a favorable yield. Alternatively, if Max does not need the income from the annuity at age 76, he may reassess his situation over the following 4 years.**

A **flexible gift annuity** is another variation on the deferred gift annuity concept highlighted on page 7. This type of agreement offers maximum flexibility when dealing with unpredictable income sources as you prepare for retirement.

The annuitant(s) may elect to start receiving payments on any one of a range of dates. These dates and their corresponding payment amounts are listed as part of the formal annuity agreement.

The older the designated annuitants are at the time of the gift and the longer they elect to defer payments, the greater the fixed income that Pomona College can agree to pay.

*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

Basic Unitrust

“We’ll Let the College Invest for Us!”

Mr. and Mrs. Brody, who are both age 75, establish a basic unitrust with Pomona College using a specific stock holding valued at $100,000. Over the past 10 years, they have tailored their investments to reduce risk and increase income.

This one stock holding is the only position remaining in their portfolio that makes the Brodys uncomfortable. They appoint the College as trustee of the unitrust and agree to a payout rate of 6.0%. As trustee, Pomona will sell the stock and reinvest the proceeds in a diversified portfolio which is formally managed by the College’s investment counsel. The College will tailor the investment objective to the terms of the trust, such as the payout rate and the ages of the beneficiaries.

Mr. and Mrs. Brody are entitled to a charitable deduction for income tax purposes of $42,767. Though their cost basis was only $27,000, they will pay no tax on the $73,000 of capital gain. These combined factors will result in considerable federal and state income tax savings.

*During the first year, Mr. and Mrs. Brody will receive 6% of $100,000, or $6,000 in income. If the value of the assets increases to $110,000 in the second year, the payment for that year will increase to $6,600. If the asset value declines to $90,000, the income will decrease to $5,400 for that year. The College sends quarterly trust statements to the Brodys for their reference and information.**

A **basic unitrust** provides the beneficiary with income payments that are a fixed percentage of the annual valuation of the trust assets. The percentage, agreed to by both you and the College, must be at least 5%. The trust assets are valued at the beginning of each year. Since the value of the assets will change somewhat from year to year, the payments to you will also vary somewhat each year.

A unitrust offers additional flexibility as it allows for additional contributions in future years. Each addition will entitle you to a charitable deduction for income tax purposes in the year that it is contributed. This type of agreement can be structured to fit your own personal situation. The College is willing to serve as trustee and will cover investment and administration costs.†

*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

† Beginning in 2014, the College may allow interested donors to select Pomona College’s endowment as the investment vehicle for their trust.

Net Income Unitrust

"How Can I Provide Supplemental Income to My Children for Their Retirement?"

Mr. and Mrs. Hathaway have two adult children, now ages 52 and 54. They would like to help them save for retirement. They decide to give the College an investment property to fund two trusts for their children. The trust agreements establish a maximum payout of 6% of the asset value each year, with quarterly payments. Until each child reaches age 65, however, the trusts will be invested for growth, and the children will receive minimal income from the trusts. When each child turns 65, his or her trust's assets will be reinvested with an emphasis on income. For the entire term of the trusts, the College as trustee will manage and administer the trusts without charging fees.

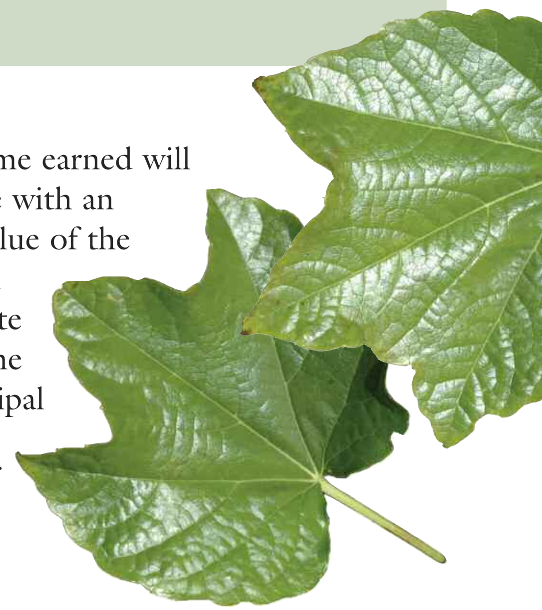
Based on a recent appraisal, the value of the rental house is $450,000. The Hathaways bought it in 1971 for $120,000. None of the $330,000 of appreciation will be subject to capital gains tax. The Hathaways may claim a total charitable deduction of $107,197 on their income tax returns.

In the first year of the trusts, the trustee sells the house and reinvests the proceeds in securities. For the next 13 years (for the younger child) and 11 years (for the older child), the assets will be invested in a balanced portfolio with a focus toward growth.

*After the period of growth investing, the trusts' assets will be transitioned to a portfolio with a focus on generating income. If the trusts are then each valued at $400,000 and they each earn $20,000, all $20,000 will be distributed to each child. The trusts would permit a maximum of $24,000 to be distributed ($400,000 x 6%).**

A **net income unitrust** provides for payments of the actual interest and dividend income earned by the trust each year, up to a maximum amount. The maximum amount is calculated as a fixed percentage of the value of the trust assets. Capital gains are retained in the trust.

If the trust earns no income in any year, it may defer payments of income to you until it again receives income. Increases in value of the principal benefit the beneficiary, because the income earned will generally increase with an increase in the value of the principal. Since it does not distribute appreciation to the beneficiary, principal is also reserved for the benefit of the College.



*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

"I'd Rather Spend My Retirement Traveling Than Managing Real Property."

Flip Unitrust

Tom and George Toueg are brothers, ages 66 and 68 respectively. Together they invested in a duplex apartment during their prime wage earning years and shared the responsibility of managing the property themselves. Now, 20 years later, they are ready to be relieved of this burden.

Based on a recent appraisal, the value of the duplex apartment is $500,000. Tom and George bought the duplex in 1986 for $140,000. None of the $360,000 appreciation will be subject to capital gains tax. Tom and George will split the total charitable deduction of $149,685 since they each own an undivided 50% in the property.

The Toueg brothers agree to a 6% payout rate with the objective of allowing the trust principal to appreciate and support a higher payout amount when they are older. In the first year of the trust's term, Pomona College sells the duplex and reinvests the proceeds in a balanced growth portfolio.

*The College prepares the deed, transfer documents and trust document without charge; the Director of Real Property will work directly with the broker and handle the marketing and sale of the property. The Toueg brothers will be relieved of this process as well as property management duties. They will avoid the capital gains tax based on the asset's $360,000 appreciation and benefit from claiming a charitable deduction.**

"Flip" unitrusts combine the benefits of the net income unitrust and the basic unitrust. These vehicles are the best alternative when handling real estate or other valuable personal property that will take some time to sell. They are also tailored to donors who would like a trust that will pay little or no income to them for a period of years as the assets appreciate, followed by a period in which the trust will pay regular income.

Flip trusts begin as net income unitrusts, which are invested to provide for growth. During this period, the trust can hold low-income earning assets. When the beneficiary reaches a certain age, or another triggering event occurs, the trust changes its nature to become a basic unitrust. The trust then begins making payments at a fixed percentage of the value of the trust assets, as established annually.

A flip trust that is funded with real estate will distribute net income until the property is sold. Then the sales proceeds are invested and the trust "flips" to become a basic unitrust, distributing a payout each year that is based on the unitrust payout and the annual valuation of the trust's assets.

*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

Term-Certain Trust

"Supporting Our Grandchild Through College While Supporting Our College."

Mr. and Mrs. Blake, both proud Pomona alumni, wish to help with the expense of a college education for their grandson, Michael, while also making a significant contribution to Pomona's Daring Minds *capital campaign. The Blakes aim to distribute installments directly to Michael to cover travel, books, entertainment, and a new computer. And they intend to have the residual of their gift support a new scholarship in the arts. They wonder if the Pomona Plan can facilitate these goals.*

They establish a charitable remainder trust with a term of five years naming Pomona College as trustee. The trust will make annual distributions to Michael over the five-year term. The Blakes fund the trust with highly-appreciated securities valued at $250,000. The cost basis of the securities is $90,000 and the current dividend yield is 2% or $5,000. The terms of the trust provide for an annual payout of 6% of the trust's asset valuation, or $15,000. The donors specify that the trust is to distribute payments to Michael on a quarterly basis, consistent with the college academic calendar.

*Mr. and Mrs. Blake will realize several benefits from this trust. The income tax charitable deduction, primarily a function of the number of years during which the trust is to be in existence, amounts to $183,910. The Blakes will be able to claim the deduction over a period of six years. When the trust sells the securities contributed to it, the long-term capital gain of $160,000 is not subject to income tax.**

Just as important to the Blakes, they will establish a new scholarship endowment of $251,238 for Pomona at a net expense of just $115,972 after taking into account the trust payments and tax benefits to them. This represents an excellent "return" on their charitable investment.

Charitable remainder trusts are usually written to provide income for the lifetimes of named beneficiaries. However, trusts may also be written to provide income for a fixed number of years. The number of years may be between one and 20.

Term-certain trusts offer larger charitable deductions than trusts for lifetimes in cases where the payees are young or where a number of payees are named. Term-certain trusts may be structured as net income unitrusts, basic unitrusts or annuity trusts. The above example is a basic unitrust.

*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

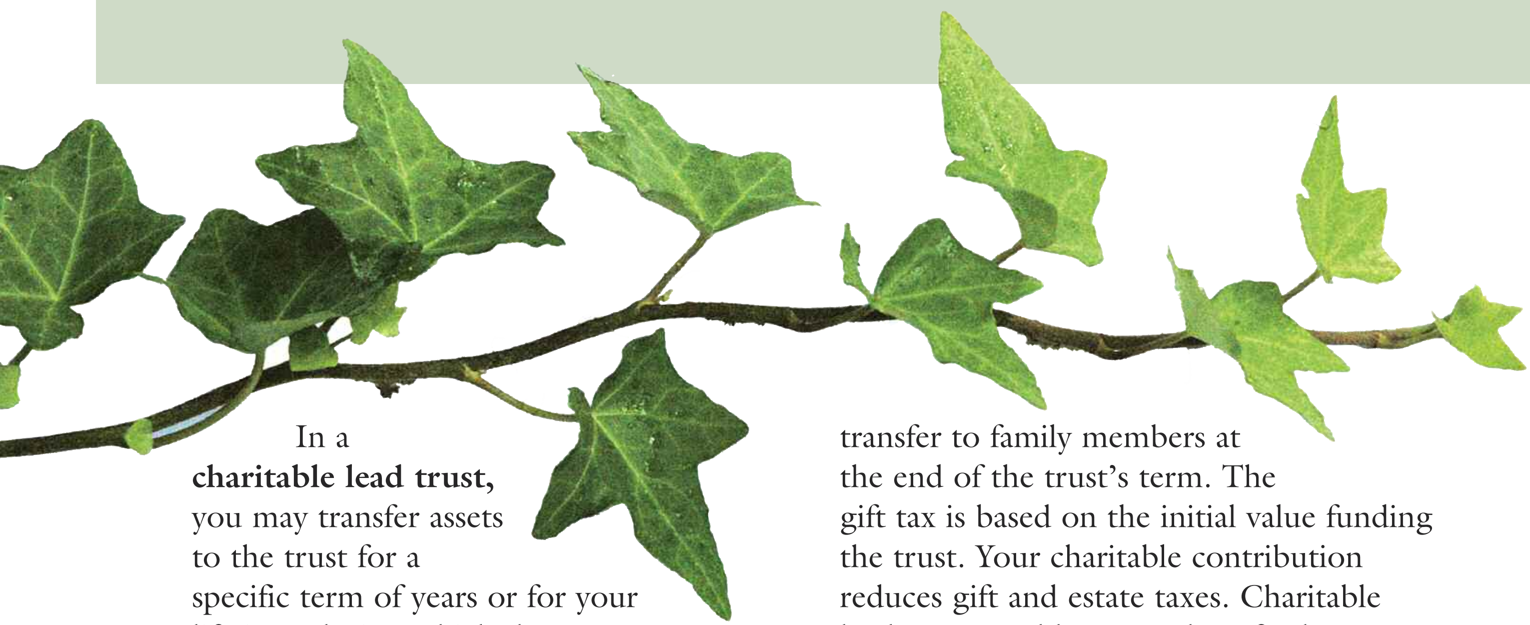
Charitable Lead Trust

"Do I Still Need to Worry About Estate Tax?"

It is difficult to know how to plan effectively for estate taxes, especially considering today's environment with uncertainty about the estate tax exemption levels or estate tax rates. Congress's current position may change again sometime in the future. No one knows for sure.

*Beatrice Purdue decides that it is likely that her $7 million estate will be subject to some level of estate tax. She holds a certain equity position that she would like to give to her children without having its value reduced by taxes. She decides to fund $2 million into a charitable lead trust that will distribute $100,000 a year to Pomona for the next six years. This avoids substantial gift tax now, and it reduces her estate to $5 million.**

Beatrice's children applaud this plan. They might have received more from their mother's estate without the gift, but a larger amount probably would have gone for estate taxes. With the trust, the total payments to Pomona of $600,000 will establish the Purdue Family Scholarship Endowment as a family legacy to provide support for deserving students. These students will be known as the Purdue Scholars. At the end of the six years, the trust assets will be distributed to the Purdue heirs, and at the end of Beatrice's life they will receive the rest of her estate.[†]



In a **charitable lead trust,** you may transfer assets to the trust for a specific term of years or for your lifetime, during which the trust provides payments to the College. The trust assets may appreciate over the term of the trust and the remaining assets will transfer to family members at the end of the trust's term. The gift tax is based on the initial value funding the trust. Your charitable contribution reduces gift and estate taxes. Charitable lead trusts enable you to benefit the College and, at the same time, pass assets to family members with substantial tax benefits.

[†] Which is less than the estate tax exclusion of $5.25 million that congress has recently passed into law.

*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

Retained Life Estate

"We Want to Stay in Our Home."

Don and Mary Dawson, ages 78 and 80, have a house in Claremont, California. They value the quiet atmosphere and participate in the educational community of the Claremont Colleges.

Although the Dawsons intend to stay in their house for the rest of their lives, they would like to receive a financial benefit for this asset in the form of a substantial tax deduction. Their house is now worth $500,000.

They decide to give Pomona a deed to the house, retaining a life estate for both of their lifetimes. This will provide them with a charitable deduction of $384,700. Since they can't claim all of the deduction in the year in which they make the gift (their Adjusted Gross Income is $166,430), they can carry forward the balance for an additional five years. Because their combined federal and state income tax rate is 34%, this will provide them with a cash benefit of $130,798.

*The Dawsons have directed the future proceeds from the house to establish the Dawson Fund for the Arts to support the programming they always enjoyed as community residents. If they decide later that they would like to move to a retirement community, the College will discuss selling the house. They will be entitled to the net proceeds on the then-value of their life estate.**

You may give various types of real estate to Pomona College and retain the right to live in or use the property for the rest of your life. This right is referred to as a **"retained life estate."** It is not necessary that the property be your principal residence; for example, a vacation home will qualify. However, unencumbered property is most suitable for agreements of this type.

When you transfer real estate irrevocably to the College subject to a retained life estate, you are entitled to claim a current income tax charitable deduction. The deduction will reduce your income taxes. The life tenant is responsible for maintenance, insurance, gardening, and property taxes pertaining to the contributed property.

At the death of the last life tenant, the College is free to dispose of the property and use the proceeds for its educational purposes.

If the life tenant(s) decides, after creating a retained life estate, that he or she wishes to move out of the property, several alternatives are available. The conditions of each case may require a customized approach. However, the College may sell its remainder interest, join in a sale of the residence with the life tenant or negotiate a life income agreement in exchange for the retained life estate.

*NOTE: The calculations and tax benefits included in this case study are estimates; actual benefits may vary.

Trusts and Estates Staff

Our professional staff offers specialized expertise in trust and estate planning, with over 55 years of combined experience in this area. For more information, contact us at 800-761-9899. Here are the members of the staff with whom you may consult:

Robin Trozpek
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Pomona College

Trusts and Estates

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