

# Gifts for the Future

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A Guide to Giving at the National Gallery of Art





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**The National Gallery of Art** is dedicated to building a collection that encompasses the greatest examples of Western art from the early Renaissance to the present; preserving these masterpieces for future generations; fostering an understanding of art through educational and scholarly programs; and presenting special exhibitions that celebrate artistic achievement across centuries and cultures.

Since its opening in 1941, the Gallery has thrived as a partnership between the federal government and the private sector. Millions of people visit each year, either in person or online. While the federal government provides the funding to support the Gallery's daily operations and maintenance, the art collection has been built solely through the generosity of donors. Every work of art in the collection is the result of private philanthropy.

In the years ahead, the Gallery will continue to rely on its donors to sustain the standard of excellence for which it is known. This brochure briefly outlines ways to contribute to the Gallery through planned gifts. The types of gifts described herein benefit the Gallery and its programs, providing the donor with an opportunity to create a lasting legacy for future generations while maximizing the tax benefits of a donation. Such gifts can help the Gallery in many areas, including art acquisition, conservation, international exhibitions and exchange, and educational outreach. The Gallery welcomes your involvement and support in fulfilling its mission now and in the future.



Earl A. Powell III, Director





## The Legacy Circle

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The Legacy Circle honors friends of the National Gallery of Art who make a gift to the Gallery through a bequest, charitable gift annuity, trust arrangement, or other estate-plan provision.

By making long-range, planned gifts, individuals who join The Legacy Circle help strengthen the Gallery's endowment and ensure the vitality and permanence of both its collection and its exhibition programs. Your participation in The Legacy Circle will provide countless generations with the opportunity to view and appreciate great art.

You will not only play a role in the Gallery's future but also remain a part of its history.

By joining the select group of individuals who make up The Legacy Circle, you will receive invitations to exclusive Gallery events and programs and will be recognized in Gallery publications.

## Gifts of Art

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In keeping with the high standards established by its Founding Benefactors, the National Gallery of Art seeks gifts of works of art in the areas in which it collects. Because the Gallery does not deaccession works of art, with the exception of duplicate impressions of prints, gifts of art are held in perpetuity. All gifts of art must be accepted by the Board of Trustees for accession into the collection.

**Outright Gifts:** The Gallery welcomes outright gifts of art that fit within the collection. Depending on your circumstances, an outright gift, if accepted, may entitle you to a current income tax deduction, subject to certain limitations.

**Promised Gifts:** If you would like to donate a work of art but are not yet ready to part with it, you may wish to make a promise to give the work of art to the Gallery at a future date. While the Board of Trustees' acceptance of a promised gift does not entitle you to a current income tax deduction, it assures you that the Gallery wants the work

and will include it in its collection whenever you choose to give it. If you choose to make the gift by bequest, this assurance enables you to develop your estate plan knowing that the value of the work will not be included in your taxable estate.

**Partial Gifts:** Until recently, there were many advantages to making partial gifts of art whereby the donor transfers a fraction of his or her entire interest in a work of art to the Gallery with the promise to transfer the remaining fraction at a future date. The donor may retain possession of the work for a period of time corresponding to the fractional interest retained. Changes in the federal tax law now impose numerous restrictions and conditions on partial gifts made after August 17, 2006, creating certain disadvantages in making such gifts. The Gallery urges a donor considering a gift of a partial interest in a work of art to consult with his or her tax adviser before making such a gift.



## Bequests

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The National Gallery of Art has received bequests from many individuals over the years. Many donors have found it possible to make significant gifts of cash, works of art, or other property through a will. A bequest to the Gallery is deductible against estate and inheritance taxes. Advance planning can minimize these taxes and preserve more of the estate.

There are several types of bequests:

- A bequest of money may be designated for a particular purpose or for general use.
- A residuary bequest allows you to donate what remains of the estate (or a percentage thereof) after all obligations are met.
- A bequest may name a specific monetary amount or an item to be donated.
- A contingent bequest makes the National Gallery the benefactor only if the original beneficiary is unable to accept the bequest.

The creation of a will is a private matter; however, if you are considering a bequest to the Gallery, we encourage you to inform us of your plans so we may ensure that your wishes and the Gallery's needs are fully met by your bequest. In addition, we would be delighted to recognize you as a member of The Legacy Circle. Bequests of art, as always, are subject to acceptance by the Board of Trustees.

Sample wording for bequests:

I hereby give, devise, and bequeath to the National Gallery of Art in Washington, DC, the (state fraction or percentage) of the rest, residue, and remainder of my estate, both real and personal. I also direct that this bequest be unrestricted (or used for \_\_\_\_\_).



## Charitable Gift Annuities

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A charitable gift annuity (CGA) is a simple agreement between the donor and the National Gallery of Art. In exchange for an irrevocable gift of at least \$10,000, the Gallery agrees to pay the donor, or other individual(s) the donor names, an annual fixed income for life—a fixed percentage of the original gift value, which is based on the age(s) of the annuitant(s). The remainder becomes available to the Gallery for its use at the death of the annuitant(s). A gift annuity can be established with a contribution of cash or securities; income beneficiaries must be at least sixty years old. Gift annuities are administered at no cost to the donor. Donors who establish a gift annuity receive an immediate income tax deduction for the gift portion of the original principal minus the value of the income payments to be made to the annuitant(s). If a CGA is created with appreciated securities, the capital gains taxes due will be deferred and, in some cases, reduced.

The annuity payments are guaranteed and backed by the full, unrestricted assets of the Gallery. Gift annuity rates range from 5.0 percent to 9.5 percent, as established by the American Council on Gift Annuities. Part of the annuity may be income tax free, increasing your overall return. The gift annuity may be set up over a period of one or two lifetimes—one of which is often the donor's.

We will be happy to provide a personalized illustration of the payments and deductions available to you. Please contact our Development Office at (202) 842-6372 or at [plannedgiving@nga.gov](mailto:plannedgiving@nga.gov).

Sample rates for a one-life CGA:  
(as of 2/1/09)

Age	Rate
60	5.0 %
65	5.3 %
70	5.7 %
75	6.3 %
80	7.1 %
85	8.1 %
90	9.5 %





# Deferred Gift Annuities

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A deferred gift annuity is similar to other annuities, except that the annuity payments do not begin until a specified future date, chosen by the donor, which must be more than one year after the date of the contribution. Because the payments are deferred, the donor, or other individual(s) the donor names, receives a higher annuity rate as well as a higher immediate income tax deduction.

This type of annuity can also be an attractive supplement to your retirement income. If a donor has reached the limit of allowable contributions to an IRA account, Keogh plan, or other qualified pension plan, the deferred annuity can be an attractive tax-deductible source of guaranteed retirement income.

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Sample rates for a deferred (5 or 10 year), one-life CGA: (as of 2/1/09)

Gift age	Payment age	Rate
60	65	6.4 %
60	70	8.5 %
65	70	6.9 %
65	75	9.4 %
70	75	7.6 %
70	80	10.5 %

## Charitable Remainder Trusts

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Charitable remainder trusts are gift arrangements that enable you to contribute to the National Gallery of Art while providing an income for yourself and/or another beneficiary for life or for a term of up to twenty years. At the termination of the trust, the principal becomes the property of the Gallery. This individually managed trust can be tailored to suit your objectives: to build a retirement account; to potentially generate a higher income from assets you currently own; or to provide for your spouse, family members, or other beneficiaries.

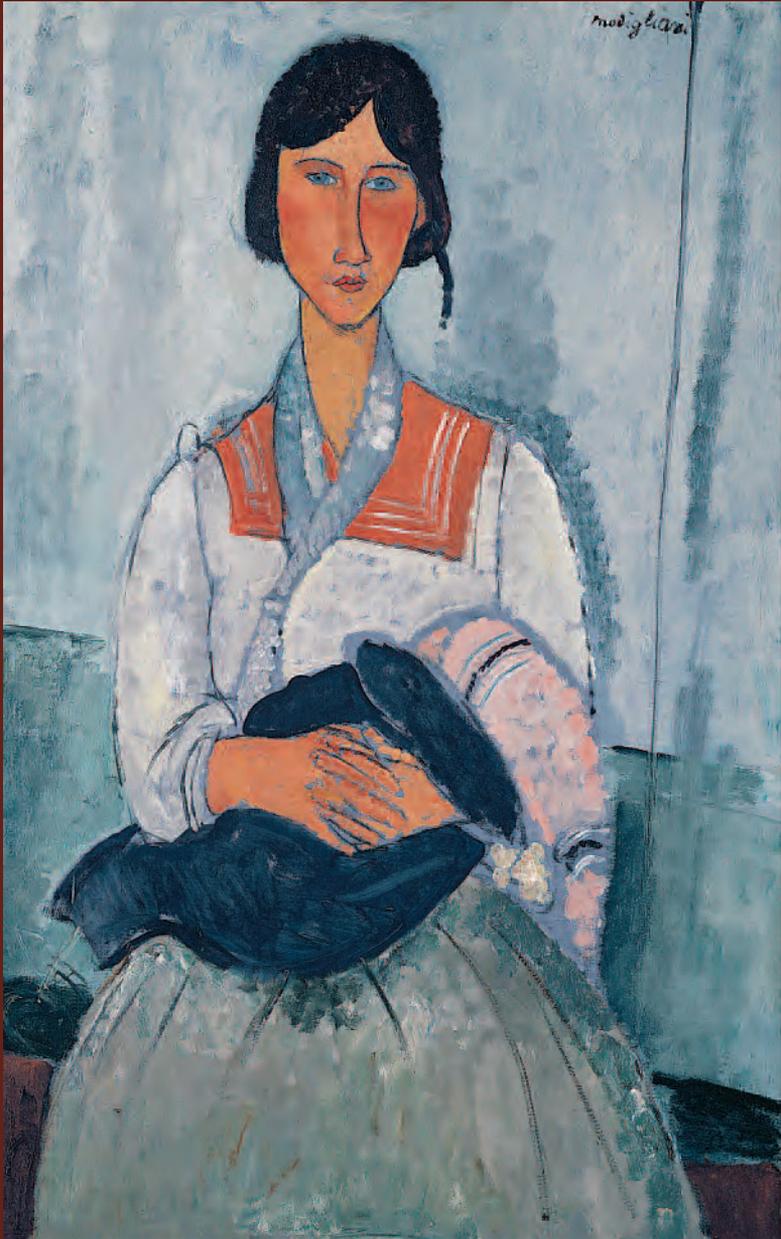
This arrangement allows the donor to make a substantially larger gift in the future than he or she might be able to make at the present time. In addition, when the trust is created, an income tax charitable deduction may be taken (subject to the limitations provided by law) for the present value of the trust as of its termination.

There are two basic kinds of charitable remainder trusts: the charitable remainder unitrust and the charitable remainder annuity trust.

The charitable remainder unitrust provides for payments to the beneficiary or beneficiaries in amounts that may vary and that have the potential to keep up with inflation. The unitrust pays a specified percentage of the market value of the trust's assets, as determined each year; the unitrust may be augmented by additional contributions.

The charitable remainder annuity trust pays a fixed amount each year—a percentage of the original principal set at the outset; it does not permit additional contributions.

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## Example of a Charitable Remainder Unitrust

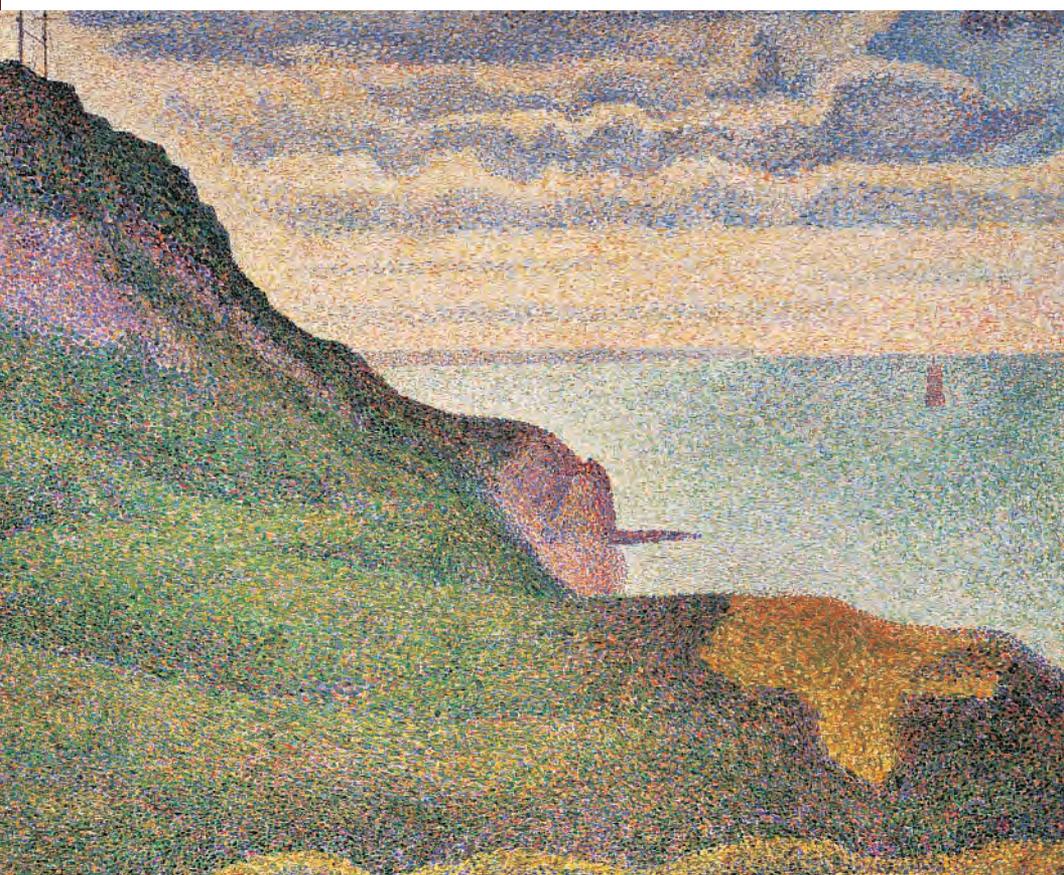
Mr. and Mrs. Steinberg, a childless couple in their late sixties, have been actively involved with the National Gallery of Art for a number of years. Their annual gifts to the Gallery have demonstrated an extraordinary commitment to its future. The remainder of their estate, after other bequests, debts, taxes, and expenses have been paid, will pass to the Gallery, as stated in their wills. Their estate consists of residences, stock, cash, and other property.

To increase their retirement income the Steinbergs set up a charitable remainder unitrust with a vacation home and a rental property they no longer need. The trustee will sell these properties, together valued at \$1.5 million, and invest the proceeds. The couple will receive a fixed percentage of the trust's value each year.

They can add to the trust at any time, and as the trust's assets grow in value, annual payments will increase, allowing for a greater return in their retirement years.

In addition, the Steinbergs are thrilled to know that their gift will help support special exhibitions, which will bring art treasures from all over the world to the nation's capital, and which contribute to art historical scholarship. The couple can take an immediate income tax deduction based on the actuarial value of the properties. They will also defer the recognition of capital gains on the increased value of the properties over and above their basis until the gain is distributed to them as part of an annual payment.

In the process of making a charitable gift, the Steinbergs have increased their income, reduced their tax burden, and clarified their estate plans.



## Charitable Lead Trusts

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A charitable lead trust is created by transferring property, such as cash, securities, privately held stock, real estate, and limited partnerships, to a trust. A charitable lead trust can be funded during your lifetime or through a will. During the term of the trust, which is often a specified number of years, the National Gallery of Art receives either a fixed dollar amount or a fixed percentage of the trust principal, revalued annually. Additional contributions to the trust are permitted. At the end of the trust term, the remaining principal is distributed to beneficiaries—typically children or grandchildren—either outright or in further trust.

With a gift that passes to children or grandchildren, this type of trust can provide substantial gift and estate tax benefits. The transfer allows a charitable gift tax deduction for the present value of the annual payments to the Gallery, thereby reducing the gift tax

on the eventual gift beneficiaries. Upon termination of the trust, any appreciation in the value of the trust property passes to beneficiaries free of estate and gift taxes.

If the trust term is long enough and the annual payment to the Gallery is large enough, the tax on the gift to beneficiaries can actually be eliminated. Additionally, because you have parted with ownership of the trust property, it is not taxable in your estate.

We will be happy to provide a personalized illustration of the payments and deductions available to you. Please contact our Development Office at (202) 842-6372 or at [plannedgiving@nga.gov](mailto:plannedgiving@nga.gov).





## Example of a Charitable Lead Trust

Mrs. O'Dell, a widow, likes to recall the story of her husband's early involvement with museums. As a boy he was known to run away from home on occasion, but he could always be found sitting in front of his favorite painting at the local art museum.

During World War II, Mr. O'Dell was stationed in Washington, DC, and visited the National Gallery of Art frequently. He regularly attended the Gallery's free Sunday concerts and spent a great deal of time walking through the galleries, often lingering in the lounge and reading room provided for servicemen. He was grateful for the respite the Gallery offered. The experience inspired a deep appreciation for the arts and encouraged a pride in himself and his country. When Mr. O'Dell died last year he left behind a successful chain of retail stores. Mrs. O'Dell, now seventy years old, wants to fulfill her husband's wish to make a gift to the Gallery, and thereby to the community. She also wants to pass some of her wealth to her grandson.

Upon the recommendation of her financial adviser, Mrs. O'Dell chooses to create a \$3 million charitable lead trust, naming the Gallery as beneficiary of an annual payment of 8 percent of the trust's assets, valued annually. The Gallery will receive an annual payment amounting to \$240,000 in the first year and a variable amount in each additional year of the trust. When the trust terminates, the assets will pass to her grandson.

In consultation with Mrs. O'Dell, the Gallery decides to use the annual interest generated by the trust to support an art acquisition fund and the Sunday concert series.

By establishing a charitable lead trust, Mrs. O'Dell is able to accomplish many things: she makes a gift to the Gallery in memory of her late husband; she reduces the size of her taxable estate; and she passes on a large gift to her grandson at a reduced taxation level. In addition, she decides to take advantage of a one-time, generation-skipping tax exemption, whereby she can make a tax-free gift to her grandson up to the statutory limit in effect at the time the gift is made.

## Retirement and Pension Plans

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Retirement plan assets are the basis for a financially secure future. There are ways through philanthropy to preserve retirement assets after life as well.

Generally, the undistributed balance of qualified retirement plans is taxed as part of an individual's gross estate for estate tax purposes. Because the funds in retirement accounts usually represent deferred compensation that has not yet been subject to income tax, leaving retirement funds to individual heirs other than a spouse also exposes the funds to income taxes. Retirement dollars can be depleted by this double taxation.

Retirement accounts are often subject to a combined marginal rate that could rise up to 75 percent or higher on large, taxable estates. Yet many of these taxes can be avoided or reduced through a carefully planned charitable gift.

There are several ways to make a charitable gift using retirement plan assets:

- A donor can specify that his or her retirement funds pass directly to the National Gallery of Art as the primary beneficiary.
- Retirement assets can be transferred to a deferred giving arrangement (e.g., trust) that will pay an income for life to family members or other persons of the donor's choosing, after which the remaining assets pass to the Gallery.
- Under the Pension Protection Act of 2006 and through December 31, 2009, an individual age 70 ½ or older is able to transfer up to \$100,000 directly to the Gallery from his or her IRA. Transfers under this provision count toward the donor's minimum required annual distribution and are not subject to income tax.



## Life Insurance Policies

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A gift of a new or existing life insurance policy is a wonderful way to make a sizable contribution that does not tie up current assets, provides immediate tax savings, and helps ensure the future of the National Gallery of Art. By naming the Gallery the owner and beneficiary of a life insurance policy, the cash value of the policy becomes tax deductible. Designating a charity as a policy beneficiary may also remove it from the taxable estate.

The Gallery would expect the donor to make provisions for the payment of any future premiums, which would provide additional tax deductions for the donor.

Alternatively, you can name the Gallery as a contingent beneficiary on a life insurance policy. Should the primary beneficiary die before the insured, the Gallery becomes the primary beneficiary.



# Real Estate

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A gift of real estate can be an attractive way to support the National Gallery of Art and to realize tax and income benefits at the same time. The Gallery will sell the donated property and use the proceeds to support its mission, while the donor receives valuable tax benefits. Income from a rental property can also be donated to the Gallery. By making a gift of real estate, you may be able to reduce significantly the amount of income, capital gain, and estate taxes you otherwise would have to pay.

A primary residence, vacation home, or farm can be given to the Gallery:

- outright
- to create a trust that would pay lifetime income
- through a bequest
- with the stipulation that the donor retains the property for life

## Example of a Gift of Real Estate

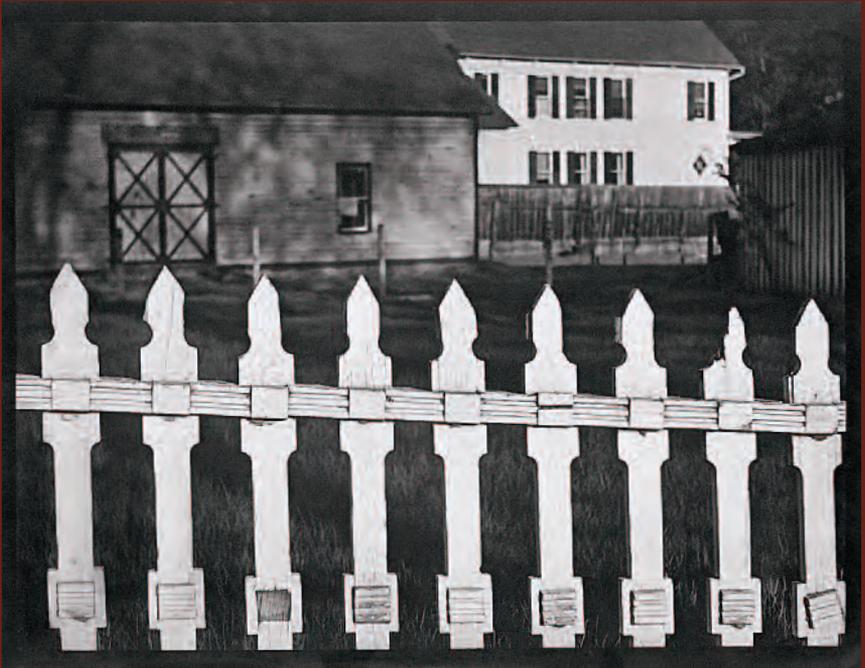
Twenty years ago Mrs. Hill became a volunteer docent at the National Gallery of Art. She is effusive about the training she has received and the friendships she has made, and believes the experience has enriched her life.

Mrs. Hill wants to make a significant gift to the Gallery but cannot afford an outright gift.

Upon her lawyer's suggestion, she decides to pledge a remainder interest in her personal residence to the Gallery.

She will retain the right to use the property during her lifetime and will receive an immediate tax deduction based on her age and the fair market value of the property. There will be no capital gains tax on the sale of the property, and she will reduce her taxable estate.

Mrs. Hill is happy that her gift will be used to support the Gallery's education and family programs.





By making a gift to the National Gallery of Art, you will take part in a wonderful tradition of generous private philanthropy that has helped sustain the Gallery since its founding. Your gift will enable the Gallery to carry on its mission to acquire, preserve, exhibit, and foster the appreciation of works of art at the highest possible standards. You also will enjoy an enduring relationship with one of our nation's great cultural treasures. We warmly welcome your involvement.

This brochure provides a brief introduction to the many ways in which planned gifts can benefit the Gallery while meeting your own financial goals. Given the complexity of the rules relating to tax deductions for charitable giving, it is important that you consult your attorney or tax adviser when planning a gift. If you or your adviser(s) would like additional information on making a gift to the Gallery, please call or write:

Development Office  
National Gallery of Art  
Sixth Street and  
Constitution Avenue NW  
Washington, DC

*Mailing address*  
2000B South Club Drive  
Landover, MD 20785

(202) 842-6372  
[giving@nga.gov](mailto:giving@nga.gov)  
[www.nga.gov/support](http://www.nga.gov/support)

The National Gallery of Art is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, Tax ID number 53-6001666. Annual report is available upon request.

**Cover:**

Claude Monet. *The Japanese Footbridge*, 1899, oil on canvas, National Gallery of Art, Gift of Victoria Nebeker Coberly, in memory of her son John W. Mudd, and Walter H. and Leonore Annenberg

**(page 3)**

Claude Monet. *The Seine at Giverny*, 1897, oil on canvas, National Gallery of Art, Chester Dale Collection

**(page 4)**

Johannes Vermeer. *A Lady Writing*, c. 1665, oil on canvas, National Gallery of Art, Gift of Harry Waldron Havemeyer and Horace Havemeyer, Jr., in memory of their father, Horace Havemeyer

**(page 7)**

Odilon Redon. *Large Vase with Flowers*, c. 1912, oil on canvas, National Gallery of Art, Gift (Partial and Promised) of John C. Whitehead, in Honor of the 50th Anniversary of the National Gallery of Art

**(page 9)**

Georgia O'Keeffe. *Jack-in-Pulpit Abstraction—No. 5*, 1930, oil on canvas, National Gallery of Art, Alfred Stieglitz Collection, Bequest of Georgia O'Keeffe

**(page 11)**

Herbert Adams. *Girl with Water Lilies*, model 1928, bronze, National Gallery of Art, Gift of the HRH Foundation in honor of its founder, Helen Ruth Henderson

**(page 12)**

Edgar Degas. *Woman Ironing*, begun c. 1876, completed c. 1887, oil on canvas, National Gallery of Art, Collection of Mr. and Mrs. Paul Mellon

**(page 15)**

Amedeo Modigliani. *Gypsy Woman with Baby*, 1919, oil on canvas, National Gallery of Art, Chester Dale Collection

**(page 17)**

Georges Seurat. *Seascape at Port-en-Bessin, Normandy*, 1888, oil on canvas, National Gallery of Art, Gift of the W. Averell Harriman Foundation in memory of Marie N. Harriman

**(page 19)**

Edmund Charles Tarbell. *Mother and Mary*, 1922, oil on canvas, National Gallery of Art, Gift of the Belcher Collection, Stoughton, Massachusetts

**(page 20)**

Gustav Klimt. *Baby (Cradle)*, 1917/1918, oil on canvas, National Gallery of Art, Gift of Otto and Franciska Kallir with the help of the Carol and Edwin Gaines Fullinwider Fund

**(page 23)**

Aristide Maillol. *La Méditerranée*, c. 1906, marble, National Gallery of Art, Collection of Mr. and Mrs. Paul Mellon

**(page 25)**

Vincent van Gogh. *Farmhouse in Provence*, 1888, oil on canvas, National Gallery of Art, Ailsa Mellon Bruce Collection

**(page 27)**

Paul Strand. *The White Fence*, 1916, gelatin silver print, National Gallery of Art, Gift of Southwestern Bell Corporation Paul Strand Collection, in Honor of the 50th Anniversary of the National Gallery of Art

**(page 28)**

Joseph Mallord William Turner. *Mortlake Terrace*, 1827, oil on canvas, National Gallery of Art, Andrew W. Mellon Collection

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