

CHARITABLE GIFT ANNUITIES: Good for You and Good for Charity

If you want to help charities and promote philanthropy, and you want to protect your income also, a charitable gift annuity will allow you to accomplish both objectives.

In today's unsettling economic times, where caution and security are key, there is a way to obtain a high rate of investment return with a lifetime income and tax advantages, while at the same time assisting those charities whose mission and programs are important to you.

What is a Charitable Gift Annuity?

A charitable gift annuity is a simple contract between the donor and the charity. The charity in return for a transfer of cash or marketable, publicly traded securities agrees to pay a fixed sum of money for a timeframe or lifetime.

The process a donor follows to establish a charitable gift annuity includes these steps & benefits:

- 1. The donor makes an irrevocable gift to a charity of cash or marketable securities (publicly traded).*
- 2. In return, the charity pays the donor, or the one to two annuitants that the donor names, a fixed annuity for a lifetime.*
- 3. The donor receives a substantial income tax deduction for a portion of the gift. And, a portion of each annuity payment is tax-free.*
- 4. There is a reduction of capital gain on the transfer of appreciated securities.*
- 5. Because a part of the annuity payment is treated as return of principal (a cash gift maximizes tax-free return), there is significant tax-free income.*
- 6. Upon the death of the named annuitant(s), the residuum is distributed to the charity for the benefit of the organization that the donor has named.*
- 7. A minimum of \$10,000 is required to establish a charitable gift annuity.*
- 8. You can decide whether you want the payments for yourself or for other beneficiaries you choose.*
- 9. You can decide which assets or combinations of assets you will use to fund the annuity.*

Strategic charitable planning is now more important than ever. A charitable gift annuity is a gift that addresses the concerns often raised during volatile market conditions, such as:

- How can I lock in the gain I have realized in my securities or address the matter of a loss?*
- How can I get a reasonable return on my assets?*
- How can I assure that my assets will provide both income and charitable objectives?*

Rates on gift annuities are quite generous and are based on the age of the annuitant at the time the gift annuity is established. Typically, rates on gift annuities outpace those on traditional fixed-income investments.

If you have a certificate of deposit that is nearing maturity or a low yielding money market fund, you may want to consider converting the funds or a portion of the funds into a charitable gift annuity. This conversion is a simple transaction.

For example: if you have a \$10,000 CD that is about to mature, you may instead consider using the \$10,000 to create a gift annuity. This will result in increased cash for income needs, the creation of a charitable income tax deduction, some tax-free income, and the satisfaction of knowing that you are helping the charities you choose by securing their future as well as yours.

Creation of a charitable gift annuity using appreciated securities has some special advantages. If you transfer \$10,000 worth of stock that you purchased years ago for a lesser amount, you may avoid some capital gain taxation and any remaining capital gain will be reported in prorated amounts over your life expectancy.

Why Are Charitable Gift Annuities Important?

Donors like charitable gift annuities because of their simplicity, multiple tax advantages and the lifetime income they provide the donor or the person(s) the donor names-- while supporting the charitable mission of the organization.

Charitable gift annuities, one of the most popular forms of planned giving, generate billions of dollars for charity. One of the first charitable gift annuities in the United States was issued in 1800s. Since then, gift annuities have grown in popularity. For more information on CGAs or to request an illustration, contact Marie Torrans, Managing Director and Charitable Gift Planning Officer, United Way Foundation: 757-853-8500, ext: 106 or mtorrans@unitedwayshr.org
