

# The Charitable Gift Annuity

A Smart Way to Give and Receive



# Lifetime Income, Lasting Impact

Many people make tax-wise gifts that benefit our programs and provide them with payments for life. If this sounds intriguing, we invite you to explore the advantages a gift annuity offers—potential tax savings through a charitable deduction, a favorably taxed payout, and the satisfaction of making a meaningful impact.

## A Gift Annuity in Action

Let’s begin by looking at an example. Barbara is 75. Her husband, Harold, was a long-time supporter until his death three years ago. Now, Barbara’s primary goal is to ensure her own financial security. She would like to make a gift to us in her husband’s memory, but she is hesitant to give away assets she might need later.

When Barbara found out that she could transfer cash or appreciated stock to us and receive dependable—and favorably taxed—fixed payments for as long as she lives, she wanted to know more. She learned that she could deduct a portion of the gift on her income tax return if she itemizes (subject to limitations). It seemed the perfect way to memorialize her husband while protecting her own financial future. She was pleased to accomplish her most important personal, financial, and philanthropic goals with one giving tool.\*

## How a Gift Annuity Could Work for You

A gift annuity is a gift arrangement that can help you do more for yourself while making a meaningful impact on our work. In exchange for a gift of cash or securities, we agree to make fixed lifetime payments to you (and/or another beneficiary). In most cases, annuity payments are made on a quarterly basis, although other payment options are available.

Annuity payments are based on the age of the annuitant(s) at the time you make the gift. The table shows the percentage we will pay at typical ages. If, for example, you are 70 years old and make a gift of \$100,000 to our program, we will agree to pay you \$6,300 a year for as long as you live. If you are 80 years old, the payments will be \$8,100 per year.

SAMPLE ONE-LIFE GIFT ANNUITY RATES (effective since January 2024)

AGE	65	70	75	80	85	90+
RATE	5.7%	6.3%	7.0%	8.1%	9.1%	10.1%

Rates are subject to change. Please call our office for current rates, or the rate for your exact age.  
\*All examples are for illustrative purposes only.

## The Tax Impact

Gift annuities save on taxes now and later:

**An immediate income tax deduction.** Your gift qualifies for an itemized income tax charitable deduction, which is generally equal to the fair market value of the property you transfer to us minus the present value of the annuity you will receive. Valuing the annuity depends on the number and age of the annuitants and the monthly applicable federal rate (AFR). We are happy to supply a free illustration for your specific circumstances.

**Favorably taxed income payments.** While part of each annuity payment is taxable, the other portion will be free of income tax until you reach your life expectancy (as measured at the time you make the gift).

**NOTE:** Only donation amounts that surpass 0.5% of your adjusted gross income qualify for an income tax charitable deduction.

## Important Benefits

To understand the many benefits of a gift annuity, consider this example:

Robert, age 70, receives an inheritance and transfers \$100,000 in cash to us in exchange for a lifetime annuity of \$6,300 a year. At his age, assuming a 4.6% AFR, his charitable gift is valued at \$35,748. However, Robert may only deduct the amount that surpasses 0.5% of his adjusted gross income (AGI). Since his AGI is \$200,000, this “giving floor” reduces his deduction by \$1,000 to \$34,748.

Since Robert is in the 35% income tax bracket, his deduction provides an immediate tax savings of about \$12,162 ( $\$34,748 \times 0.35$ ). Factoring in that tax savings, Robert’s net outlay for the gift is only about \$87,838. What’s more, \$4,145 of each \$6,300 annual payout will be tax free to Robert until he reaches his life expectancy.

## A Gift Annuity Is Flexible

A gift annuity is beneficial in part because it is flexible enough to meet your unique needs.

**You choose the beneficiary.** You can arrange a gift annuity for yourself, or establish a gift annuity that will be paid to both you and your spouse, or to other family members or loved ones—for life.

**You choose the gift property.** You can transfer cash or securities in exchange for a gift annuity. Funding your gift with appreciated securities can minimize capital gains taxes. Using assets that provide little or no income is another attractive option.

**You can remove property from your estate.** Property transferred in exchange for a gift annuity that makes payments to you generally will not be subject to estate tax at your death (unless you name someone else as a second beneficiary).



## Find Out More

A gift annuity provides the opportunity to make a difference for yourself while you're making a difference for others. Want more information about how you can benefit from a gift annuity? Simply request a no-obligation, personalized illustration that will spell out the potential tax and financial benefits associated with the gifts you are considering. We look forward to hearing from you.