

# INTRODUCTION TO CHARITABLE GIFT ANNUITIES

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# What is Planned Giving?

## ➤ Planned Gifts

Transfer of assets that have a charitable dimension and impact financial planning and/or estate planning.

## ➤ Deferred Gifts

Impact not fully realized until some future date, generally at the death of the donor(s).

## ➤ Life Income Gifts

Irrevocable transfer of assets creates a vehicle whereby donor(s) receive income for themselves or their designees, favorable tax treatment, and provide support from their assets to a charity of their choice.

# Planned Giving and Taxes

## ➤ Estate Tax

Tax on right to transfer assets at death

## ➤ Gift Tax

Tax on transfers between individuals with no exchange of value or less than full value exchange

## ➤ Capital Gain Tax

Tax on increase in value of asset

## ➤ Income Tax

# Why Consider a Charitable Gift Annuity?

- Ability to make a gift AND receive “guaranteed income”
- A way to provide for a loved one
- Favorable tax treatment
- Estate plan advantages
- Assets invested consistent with UCC values
- Contribute to the financial health of ministry

# Charitable Gift Annuities

- A contract under which a charity, in return for a transfer of assets, agrees to pay a fixed payment to one or two individuals, for their lifetime
- A pooled fund, so risk is shared among a group of people
- Income dependent on age of recipient
- Income beneficiary must be an individual, remainder beneficiary must be a non-profit(s)
- The charity determines payout rates, but many use rates recommended by American Council on Gift Annuities
- **Minimum Gift - \$5,000**

# Charitable Gift Annuity Illustration

Annuitant	70
Date of Gift	8/1/2018
Principal Donated	\$20,000.00
Cost Basis of Property	\$10,000.00
Payout Rate from ACGA2018 Table	5.6%
Payment Schedule	quarterly at end
<b>CALCULATIONS:</b>	
Charitable Deduction	\$8,031.80
Number of Payments in First Year	2
Annuity	\$1,120.00
Quarterly Payment	\$280.00

## BREAKDOWN OF ANNUITY:

	Capital Gain	Tax-free Portion	Ordinary Income	Total Annuity
2018 to 2018	156.46	156.46	152.73	465.65
2019 to 2033	376.32	376.32	367.36	1,120.00
2034 to 2034	182.84	182.84	754.32	1,120.00
2035 onward	0.00	0.00	1,120.00	1,120.00

Total reportable capital gain of \$5,984.10 must be reported over 15.9 years.

# Charitable Gift Annuity Illustration

Annuitant	70
	64
Date of Gift	8/1/2018
Principal Donated	\$20,000.00
Cost Basis of Property	\$10,000.00
Payout Rate from ACGA2018 Table	4.6%
Payment Schedule	quarterly at end
<b>CALCULATIONS:</b>	
Charitable Deduction	\$6,357.20
Number of Payments in First Year	2
Annuity	\$920.00
Quarterly Payment	\$230.00

## BREAKDOWN OF ANNUITY:

	Capital Gain	Tax-free Portion	Ordinary Income	Total Annuity
2018 to 2018	120.11	120.10	142.29	382.50
2019 to 2041	288.88	288.88	342.24	920.00
2042 to 2042	57.05	57.06	805.89	920.00
2043 onward	0.00	0.00	920.00	920.00

Total reportable capital gain of \$6,821.40 must be reported over 15.9 years.

# Pooled Income Fund

- Donor assets are invested with the assets of all fund donors
- The donor's proportional share of the fund's income is distributed to the one or two people whom the donor named to receive life income
  - Income includes short-term capital gains
  - May not invest in utility stocks or tax-free instruments
  - All income is taxable to recipient
  - Original corpus is never invaded
  - Not all organizations may offer pooled income funds
  - Additions may not be made

# Charitable Remainder Trusts

## ➤ Unitrust

An instrument into which a donor places assets and which then makes variable lifetime annual payments equal to a percentage of the fair market value of trust assets, determined annually. At death, a charitable institution receives the remainder.

## ➤ Annuity Trust

Designed to receive a person's assets subject to the trustee making fixed annual income payments for life equal to at least 5% of the initial net fair market value of the trust at the time the assets were delivered to the trustee.

**Minimum Gift - \$50,000**

# Working with United Church Funds

## ➤ Donor Interface

- Gift illustration
- Attorney-to-Attorney contract
- Preparation of contract
- Execution of contract

## ➤ Post-Gift Process

- Annuity payments
- Yearly tax documents
- Accounting reports
- Remainder payouts

# Questions and Answers

- What is the latest date I can make a gift this year?
- Can I establish a charitable gift annuity through my IRA?
- What happens if I need the money that I used to establish an annuity?
- How can UCF afford to provide this service? How does it benefit?
- What has the UCF experience been in achieving the 50% reminder goal to congregations?

# Contact Us

## United Church Funds

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