INTRODUCTION TO CHARITABLE GIFT ANNUITIES
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**

<table>
<thead>
<tr>
<th>Date of Gift</th>
<th>8/1/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Donated</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Cost Basis of Property</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Payout Rate from ACGA2018 Table</td>
<td>5.6%</td>
</tr>
<tr>
<td>Payment Schedule</td>
<td>quarterly at end</td>
</tr>
</tbody>
</table>

#### Calculations:

| Charitable Deduction | $8,031.80 |
| Number of Payments in First Year | 2 |
| Annuity | $1,120.00 |
| Quarterly Payment | $280.00 |

#### Breakdown of Annuity:

<table>
<thead>
<tr>
<th>Capital Gain</th>
<th>Tax-free Portion</th>
<th>Ordinary Income</th>
<th>Total Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 to 2018</td>
<td>156.46</td>
<td>156.46</td>
<td>152.73</td>
</tr>
<tr>
<td>2019 to 2033</td>
<td>376.32</td>
<td>376.32</td>
<td>367.36</td>
</tr>
<tr>
<td>2034 to 2034</td>
<td>182.84</td>
<td>182.84</td>
<td>754.32</td>
</tr>
<tr>
<td>2035 onward</td>
<td>0.00</td>
<td>0.00</td>
<td>1,120.00</td>
</tr>
</tbody>
</table>

Total reportable capital gain of $5,984.10 must be reported over 15.9 years.
Charitable Gift Annuity Illustration

<table>
<thead>
<tr>
<th>Annuitant</th>
<th>70</th>
<th>64</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Gift</td>
<td>8/1/2018</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Payout Rate from ACGA2018 Table</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>Payment Schedule</td>
<td>quarterly at end</td>
<td></td>
</tr>
</tbody>
</table>

**CALCULATIONS:**

- **Charitable Deduction**: $6,357.20
- **Number of Payments in First Year**: 2
- **Annuity**: $920.00
- **Quarterly Payment**: $230.00

**BREAKDOWN OF ANNUITY:**

<table>
<thead>
<tr>
<th>Period</th>
<th>Capital Gain</th>
<th>Tax-free Portion</th>
<th>Ordinary Income</th>
<th>Total Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 to 2018</td>
<td>120.11</td>
<td>120.10</td>
<td>142.29</td>
<td>382.50</td>
</tr>
<tr>
<td>2019 to 2041</td>
<td>288.88</td>
<td>288.88</td>
<td>342.24</td>
<td>920.00</td>
</tr>
<tr>
<td>2042 to 2042</td>
<td>57.05</td>
<td>57.06</td>
<td>805.89</td>
<td>920.00</td>
</tr>
<tr>
<td>2043 onward</td>
<td>0.00</td>
<td>0.00</td>
<td>920.00</td>
<td>920.00</td>
</tr>
</tbody>
</table>

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