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Charitable Gift Annuities: A Way to Give and Receive

By Leslie R. Daff

A Charitable Gift Annuity is a way to benefit your favorite charity and in return receive a guaranteed income for life. After you pass away, any amount remaining from your initial contribution passes to the charity.

A Charitable Gift Annuity enables you to:

- Receive fixed income for life
- Obtain an immediate income tax deduction
- Benefit from annuity rates ranging from 5.5% to 10.5%
- Receive partially tax-free income
- Defer capital gains tax on appreciated assets
- Support your favorite charity

Charitable Gift Annuities are not insured. However, many charities retain ample annuity reserve funds from which to pay the annuities.

To set up a Charitable Gift Annuity, a donor contributes cash, stock, or other assets to the charity and receives an annuity based on the donor's age. The current annuity rates published by the American Council on Gift Annuities are as follows:

Donor's Age	Charitable Gift Annuity Rate
60	5.5%
65	5.7%
70	6.1%
75	6.7%
80	7.6%
85	8.9%
90	10.5%

Generally, 30% to 50% of a donor's capital gain will escape capital gains tax entirely. The remaining capital gain will be reported in small annual installments as part of the donor's annuity payments.

Example: Barbara Donor, age 80, would like to support a favorite charity. She donates stock valued at $100,000 (with a cost basis of $50,000) in the form of a Charitable Gift Annuity. She receives an immediate income tax deduction of $49,611. Assuming a 7.6% annuity rate based on her age, she will receive an annuity payment of $7,600 per year for life. Of this annuity payment, $2,679 is tax free and $2,679 is capital gain. The charity will receive whatever remains of the initial contribution after Barbara passes away.

Charitable Gift Annuities can also be structured to provide annuity payments for other beneficiaries you name.

Thus, a Charitable Gift Annuity can be a valuable estate planning tool. Not only can a donor contribute assets that have appreciated in value but bring in minimal income, the donor and/or other beneficiaries the donor names receive fixed annuity payments, and the donor has reduced the size of his or her estate.

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