



Charitable Gift Annuities & You

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Please note: The information contained in this presentation is not intended as legal or tax advice. For such advice, please consult an attorney or tax advisor.

About Me

- Associate Vice President of Planned Giving
- 22 years in the nonprofit fundraising world, the last 7.5 at Covenant House International
- A Chartered Advisor in Philanthropy since 2021
- Have worked with hundreds of Covenant House supporters to help them realize their charitable goals



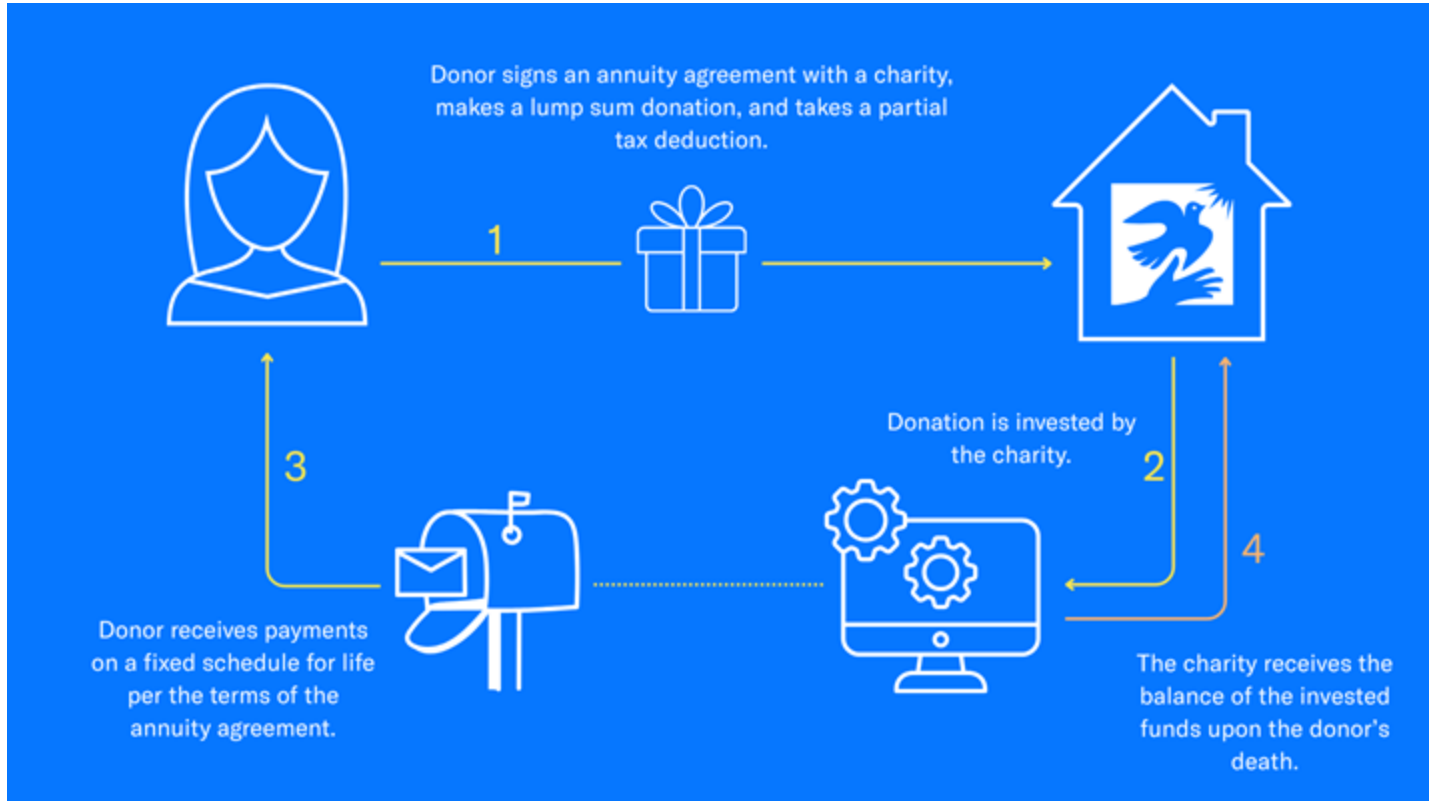
What is a Charitable Gift Annuity?

A Charitable Gift Annuity is a contract between a **donor** and a **charity** with the following terms:

1. A donor makes a donation to a charity using cash, securities, or IRA funds.
There usually is a minimum amount, for Covenant House it is \$5,000.
2. The donor is eligible for a partial tax deduction (unless using the one time QCD withdrawal).
3. The donor - or a beneficiary - receives a **fixed income stream for life**.
4. When the annuitant(s) pass away, the balance is used to support the work of the charity.

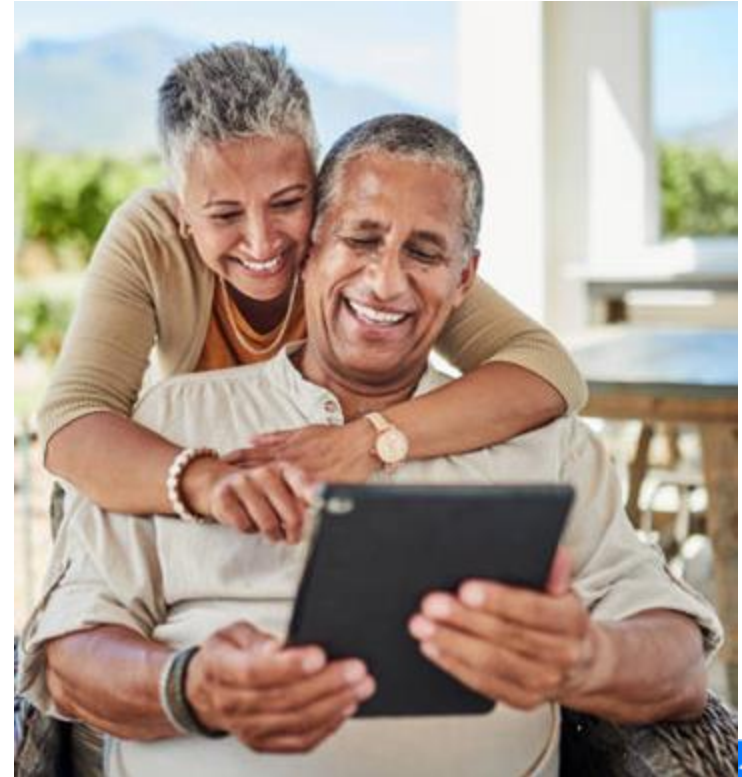


How exactly does it work?



Benefits of a Charitable Gift Annuity

- Fixed payments for **LIFE**, this protects against market volatility and gives you piece of mind.
- Depending on how the gift is funded some of the income may be tax free.
- Provides a charitable deduction today (if funded with cash or securities).
- The beneficiary can be you, your spouse, or someone you care about (that's right you do not have to be the annuitant).
- It supports a charity you care about deeply.



Charitable Gift Annuity Options



There are four ways to customize a Charitable Gift Annuity:

- When the payouts begin.
- How often you receive the payouts.
- Who the beneficiaries are.
- How the annuity is funded.



Charitable Gift Annuities: Payout Options

- Charitable Gift Annuities can either be immediate or deferred to a certain date.
- The longer an annuity is deferred the larger impact it has on the rate.
- An example:
 - Joe is 77 years old and created a \$10,000 charitable gift annuity with cash.
 - An immediate annuity has a payout rate of 7%.
 - If the annuity is deferred 2 years it has a payout rate of 8.1%.
 - If the annuity is deferred 5 years it has a payout rate of 9.4%.



Charitable Gift Annuities: Beneficiary Options

- Annuities can be created for up to two annuitants (called a dual life annuity), which means the payments will last until the last annuitants passes away.
- Interest rates for dual life annuities are slightly lower than single life annuities, below is an example:
 - Jack is 75 and wants a single life Charitable Gift Annuity, his rate would be 7%.
 - Jack & Diane are both 75 and want a dual life Charitable Gift Annuity, their rate is 6.2%.
- A donor can also set up a Charitable Gift Annuity for someone else, as long as they meet the minimum age requirement set up by the charity.



Charitable Gift Annuities: Funding Options

- Charitable Gift Annuities can be funded in many ways but the three most common are:
 - Cash
 - Appreciated Securities
 - The one-time Qualified Charitable Deduction Gift
- Over the past several years the industry has seen more and more Charitable Gift Annuities being funded in ways other than cash as donors are finding out there are potentially more tax savings and incentives to fund in other ways.



Benefits of Funding with Appreciated Securities

The Scenario

- If you are 75 and have \$50,000 in stock with a cost basis of \$10,000 your potential long term capital gains tax would be on \$40,000 of gains.
- If you fall in the 15% Capital Gains tax bracket you would owe roughly \$6,000 if you cashed that stock in this year.
- BUT what if you created a Charitable Gift Annuity with that stock? **Let's see what that would look like**



Benefits of Funding with Appreciated Securities

The Outcome

- You would receive a **7% annuity** with yearly payments of \$3,500 for life.
- You would receive a one time tax deduction of \$20,389.50.
- For the first 12 years of the annuity **\$475 would be tax free** and \$1,900 would be capital gains income with the rest being ordinary income.
- Over the life of your annuity you would pay capital gains tax on **\$23,688 of your \$40,000 gain**. After 12 years the annuity would be entirely ordinary income.



Funding A Charitable Gift Annuity with your IRA

- This was a benefit created the SECURE Act 2.0 in 2022.
- Taxpayers 70 ½ or older, with a qualified individual retirement account, are allowed to fund a Charitable Gift Annuity with a one time gift of up to \$54,000 (in 2025) per person. This means for couples it can be up to \$108,000.
- This Qualified Charitable Distribution can also count toward the Required Minimum Distribution for anyone over 73 years old.



Funding A Charitable Gift Annuity with your IRA

- A few caveats:
 - There is no charitable deduction for a Charitable Gift Annuity funding this way.
 - The Charitable Gift Annuity must begin payouts immediately (within that year).
 - The Charitable Gift Annuity can only be set up for the IRA owner, or the IRA owner and spouse.
 - This is a one time opportunity- even if you do not do the full \$54,000 you can only do this once.



How is my rate determined?

- Your rate is based entirely on your age, unlike commercial annuities that give you a rate based on your commitment, whether you give \$5,000 or \$500,000 everyone gets a rate based on their age.
- Here are just some sample rates based on a single life annuity with an immediate payout:
 - A donor age 65: 5.7%
 - A donor age 70: 6.3%
 - A donor age 80: 8.1%
 - A donor age 90: 10.1%



Why is it a good time to create a Charitable Gift Annuity?

- Currently rates are very high and have been so for the last year.
- It is a secure investment with a rate that won't change - if you're concerned about the market this is about as safe as you can get.
- You do not have to put it off until your next birthday for a better rate
 - If you are 76 and 6 months and 1 day old you will get the rate for 77.
- We can easily create a no-obligation personal proposal for a Charitable Gift Annuity for you with any options you would like to see.



Any Questions?

- Do you have any questions about Charitable Gift Annuities?
- Are there other financial/giving topics you would be interested in a presentation on?

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