

Charitable Gift Annuity Examples

Example 1

Ms. B, age 75, creates a Charitable Gift Annuity using a matured CD valued at \$50,000. The CGA results in an annual payment of \$3,550 of which \$2,357 is tax free and the remaining \$1,193 is taxed as ordinary income (\$334 if she is in the 28% tax bracket). If the CD paid her 3%, she received \$1,080 after taxes. A CGA will return a rate of 7.1% and net \$3,216 after taxes. After 13 years, annuity payments become fully taxable as ordinary income. At the end of her life, the remainder of the CGA will go to a charitable fund she established to benefit her church.

Example 2

Mr. & Mrs. G, ages 79 and 76, fund a CGA with stock that has appreciated to \$50,000 from an original value of \$20,000. The stock had been paying a 2% dividend (\$1,000) that was reduced to \$850 after taxes. Now, they will receive quarterly payments that total \$3,300 each year, or \$2,739 after taxes. In addition to more than tripling their cash flow, they receive a charitable deduction of \$17,844 which results in tax savings of \$5,888. At the end of the life of the surviving spouse, the remainder will be given to an endowment fund already established within The Community



The Community
Foundation of
Shelby County

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Charitable Gift Annuities

**A charitable gift and
life-payment instrument.**



The Community
Foundation of
Shelby County

Build Today...Dream For Tomorrow

Charitable Gift Annuities



Provide a benefit to a favorite cause or charity, to yourself, and even to a loved one.

A charitable gift annuity, or CGA, is a contract between you and The Community Foundation that enables you to make a charitable gift and secure a stream of income for life. Under this agreement, you may transfer assets (cash or securities) to the Foundation in exchange for the Foundation's commitment to pay a fixed amount to you for the remainder of your lifetime.

Most importantly:

- Return rates, calculated by using your age and a national gift annuity rate, are typically much higher than other no risk investments.
- Any balance remaining in the CGA after your death (and that of a second beneficiary, if applicable) goes to a fund you designate at The Community Foundation.
- Minimum age to receive payments is 55. The older you are, the better your rate.

Why use a CGA?

In addition to a high and steady return, CGAs also enable donors to accomplish three things: a current tax deduction, life income that is only partially taxed, and support of a charitable cause or organization.

A gift of stock or cash to establish a CGA is irrevocable; however, beneficiaries often feel that their spendable income has increased because the fixed payments are higher than investment income.

CGA Rates

CGA payment rates are affected by the age(s) of one or two annuitants and are based on the monthly American Council on Gift Annuity rate. Once an agreement is signed, the rate and payment are secure for the beneficiary's lifetime.

Sample rates for a one-life CGA:

Age	60	Rate	5.7%
	65		6.0
	70		6.5
	75		7.1
	80		8.0
	85		9.5
	90		11.3

A two-life CGA is based on the ages of both annuitants. Contact the Community Foundation for an illustration of payments and deductions.

Common Questions

What is the minimum contribution to establish a CGA?

To establish a CGA that will create a new charitable fund, the minimum is \$50,000. To establish a CGA which will add to an existing fund, the minimum is \$10,000.

Can I add to a CGA?

Once a CGA is established, it cannot receive additions. Instead, a second CGA would be created.

Who can be a beneficiary of a CGA?

One life CGAs may benefit the donor or a person named by the donor. Two life CGAs can benefit a husband and wife, a parent and child or two unrelated people. To receive payments, beneficiaries must be at least 55 years of age.

Learn more about Charitable Gift Annuities on our website at www.commfoun.com or call for additional information.

To establish a CGA: Contact Marian Spicer, Executive Director of The Community Foundation of Shelby County at (937) 497-7800. Her email address is mspicer@commfoun.com.