

HOW A CGA PAYS YOU

Jim and Virginia Phillips established a Charitable Gift Annuity with a \$100,000 gift to GBMC. We suggested a maximum annuity rate of 7.1 percent based on the couple's ages (80 and 82 years). We will pay them \$7,100 per year for the rest of their lives.

The Phillipses received an immediate charitable deduction of \$40,543, based on a 4.4 percent charitable midterm federal rate and monthly payments. Unlike an outright gift, the couple's \$100,000 donation is not fully tax deductible, although between 30 percent and 50 percent of it will be (assuming they itemize deductions on their next income tax return). Plus, part of each payment is not taxable, thereby increasing the effective yield of their annuity when compared to a fully taxable investment such as a Certificate of Deposit.

Summary of Benefits

- Jim and Virginia receive a charitable deduction of \$40,543, which in their tax bracket generates a substantial tax savings.
- Of the annual annuity amount, \$4,871 is considered tax-free return of principal for their life expectancy of 12.2 years. Then the entire annuity payment is taxed as ordinary income.
- The actual out-of-pocket cost of the gift is \$88,648, which brings their effective rate of return up to 8 percent.
- Jim and Virginia have the satisfaction of making a generous gift—and leaving a philanthropic legacy for others to follow.

Maximum Recommended Gift Annuity Rates

ONE-LIFE		TWO-LIFE	
Age	Rate	Ages	Rate
50	5.3%	50/55	4.7%
55	5.5%	55/60	5.0%
60	5.7%	60/65	5.5%
65	6.0%	65/70	5.7%
70	6.5%	70/75	6.1%
75	7.1%	75/80	6.6%
80	8.0%	80/85	7.3%
85	9.5%	85/90	8.4%
90+	11.3%	90/90	9.3%

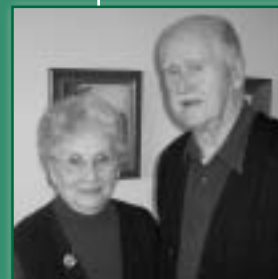
HOSPICE
OF BALTIMORE
& Gilchrist Center for Hospice Care

GBMC[®]
FOUNDATION

John C. Jeppi
Director of Gift Planning
6701 North Charles Street
Baltimore, MD 21204
Phone: (443) 849-3303
jjeppi@gbmc.org

A Better Way

The Charitable Gift Annuity



HOSPICE
OF BALTIMORE
& Gilchrist Center for Hospice Care

GBMC[®]
FOUNDATION

EVERYBODY WINS

WITH A GIFT ANNUITY—YOU AND US

You've worked hard over the years and hopefully made some smart investments. If you are discouraged by low earnings on cash investments, a charitable gift annuity, with its fixed annual payments and numerous tax advantages, may interest you. With a gift annuity, you still feel the satisfaction of making a substantial gift to support our important mission. In addition, you receive tax benefits and regular, fixed payments for the rest of your life and the life of another person if you choose.

HOW YOU BENEFIT

- Lifetime payments for yourself and another, a portion of which is tax-free
- Charitable income tax deduction
- Capital gains tax savings, if funded with appreciated securities

The fundamentals of gift annuities

A gift annuity is a simple contract between a donor and a charitable organization in which the organization pays the donor an amount based on the value of the gift. The transaction can usually be completed within a few days.

The annuity can be set up to continue for a survivor when the donor dies. This is known as a “two-life” gift annuity. The American Council on Gift Annuities meets periodically to determine and recommend the maximum amount annuities should pay out. The rate also takes your age into account; the older you are, the higher the rate. Annuity rates will be slightly higher for a one-life gift, slightly lower for a two-life gift. Rates also increase with deferred annuity plans, when you give now but agree to receive payments later.

Find out more

Charity begins at home. Make sure that your hard-earned nest egg will provide you with a comfortable living income; protect your wealth from unnecessary taxes and inflation; and insure your estate against unexpected ravages such as the cost of health care.

Consult your professional advisors to determine whether a charitable gift annuity fits your circumstances. You can make a gift to help us that gives back to you. ■

Q. What are the best assets to use in funding a charitable gift annuity?

A. Charitable gift annuities (CGAs) are typically funded with cash or from the sale of securities, real estate* or other property. If you fund your CGA with appreciated securities, you can completely avoid the one-time capital gains tax on the appreciation in value since you bought the securities. As you receive the annuity payments, a portion of each one is treated as capital gain income and taxed at a rate of 15 percent throughout your life expectancy. Additionally, a portion of each payment is tax-free, although the tax-free portion is smaller than when an annuity is funded with cash.

Q. Can anyone besides me receive payments from my CGA?

A. Yes, you can arrange to have your gift annuity provide for another person, such as a spouse or even an unrelated individual. If this person survives you, the payments will continue for his or her lifetime.

Q. Can I add to my CGA later?

A. No, but there are no restrictions on the number of gift annuities you acquire or when you acquire them.

*Not all states allow gifts of real estate.

The information in this publication is not intended as legal advice. For legal advice, please consult an attorney. Figures cited in examples are based on current rates at the time of printing and are subject to change. References to estate and income tax include federal taxes only; individual state taxes may further impact results.