



AN EPISCOPAL RETIREMENT COMMUNITY

## **Deerfield's Charitable Gift Annuity Program**

A charitable gift annuity is a way to make a gift to Deerfield, and still receive an income for yourself or others. It is a contract under which Deerfield Episcopal Retirement Community, Inc., in return for a transfer of cash or other property, agrees to pay a fixed sum of money for a period measured by one or two lives. The person who contributes an asset for the annuity is called the "donor," and the person who receives payments is called the "annuitant" or "beneficiary." Usually, the annuitant is also the donor, but this is not always true. The maximum number of annuitants is two, and payments can be made to them jointly or successively.

### **Charitable Gift Annuity Payments**

Payments from a charitable gift annuity are fixed from the outset. They will neither increase nor decrease, whatever happens to interest rates or the stock market. Deerfield is contractually obligated to make the payments, even if it has to dip into its general funds to do so.

### **Factors Affecting the Size of Payments**

The size of the payments from a charitable gift annuity depends on the following factors:

- The gift annuity rate offered (Deerfield follows rates recommended by the American Council on Gift Annuities).
- The value of the contribution.
- The number of annuitants.
- The age(s) of the annuitant(s).

### **Gift Annuity Rates**

Since 1927, the American Council on Gift Annuities (ACGA) has periodically published a schedule of suggested charitable gift annuity rates. Although a charity is free to offer any schedule of rates it wishes – so long as its rates don't exceed the limits imposed by federal and state laws – most charities, in fact, follow the rates suggested by the ACGA. Thus, donors generally find that the rates offered by various charities are identical. This encourages donors to make philanthropic decisions based on the cause of the charities they consider supporting, rather than the rates offered.

Charitable gift annuity rates are lower than those offered by insurance companies to purchasers of commercial annuities so that a significant portion of a contribution will be available for charitable purposes. Though lower than commercial rates, gift annuities are still very attractive to

individuals who want simultaneously to support a favorite charity and provide payments to themselves or others.

**Click here** to go to a charitable gift annuity rate calculator using the current rates recommended by the American Council on Gift Annuities.

### **Persons Who Might Benefit From a Gift Annuity**

Most gift annuity donors are retired, want to increase their cash flow, seek the security of guaranteed payments, and would like to save taxes. A charitable gift annuity could be right for people in any of the following circumstances:

- The interest rates on their CDs and other fixed-income investments have declined, and they would like to increase their cash flow.
- They own appreciated stock or mutual fund shares and have considered selling some of the shares and reinvesting the proceeds to generate more income, but they have hesitated because they don't want to pay tax on the capital gain.
- They would like to count on fixed payments, which are unaffected by interest rates and stock prices and which they cannot outlive.
- They want to assure continuation of payments to a surviving spouse without the delay of probate proceedings.
- They would like to provide financial assistance to an elderly parent, a sibling, or other person in a tax-advantaged manner.

### **Taxation of Gift Annuity Payments**

If the gift annuity is funded with cash, part of the payments will be taxed as ordinary income and part will be tax-free. If funded with appreciated securities or real estate owned more than one year, and the donor is receiving the annuity payments, part of the payments will be taxed as ordinary income, part as capital gain, and part may be tax-free. Deerfield will send a Form 1099-R to the annuitant. This form will specify how the payments should be reported for income tax purposes. For details regarding the taxation of gift annuity payments, it is wise to consult with Deerfield's Fund Development Office as well as your own financial advisors.

### **Income Tax Charitable Deduction**

Taxpayers who itemize deductions can claim a charitable deduction for a portion of the original gift. This deduction can result in significant income tax savings. In short, the deduction is equal to the amount of the contribution less the present value of the payments that will be made to the donor and/or other beneficiary during life. The present value of those payments is determined using IRS tables regarding life expectancy and assumed earnings, and taking into consideration the amount contributed and the gift annuity rate.

There is a variety of software that provides accurate tax calculations. Please **click here** to go to a charitable gift annuity rate calculator using the current rates recommended by the American Council on Gift Annuities to explore whether a gift annuity is appropriate for you. There, you

will be able to enter basic information and see how your income tax situations might be affected by a charitable gift annuity agreement. **Steps to Complete a Gift Annuity**

- Contact Deerfield's Fund Development Office by telephone at **828-2741531 x3206** or by **email (FDO@deerfieldwnc.org)**.
- When you contact Deerfield, ask for a financial illustration showing the amount of payments, how they would be taxed, and the charitable deduction generated by the gift.
- Discuss the financial illustration with your tax and financial advisors. They can help you make an informed decision, taking into consideration all relevant factors.
- When you have made your informed decision, contact Deerfield's Fund Development Office to make an appointment to formalize the agreement.