



▶ Charitable Gift Annuity (CGA)

CONCEPT APPLIED:

Philanthropically minded individuals find that charitable gift annuities offer unique planning opportunities. Donors can make significant gifts to charity while receiving favorably taxed annuity payments that provide income during retirement.

HOW IT WORKS:

A donor makes an irrevocable gift of cash or property to a qualified charity in exchange for lifetime annuity payments. The payments are based on the age of the income beneficiary, the gift annuity rate, and the amount of the gift. Generally, the older the annuitant, the higher the payout rate. Annuity payouts also enjoy favorable taxation...

- part of the payout is a tax-free return of principal;
- part is long-term capital gain (if the donor used long-term appreciated property, and is also the annuitant), spreading the capital gains tax payments over many years; and
- the remainder is taxed as ordinary income.

WHY IS IT USEFUL?

Charitable gift annuities let donors make significant gifts with a modest amount of cash or property and receive favorably taxed payouts for life, plus potential tax savings through an itemized deduction.

50 words or less

A charitable gift annuity is an agreement between a donor and a charity. The charity agrees to pay fixed payments to the donor for life (and/or the life of a chosen beneficiary). The annuity amount is based on the age of the annuitant(s) and the amount of the gift.

