

# Charitable Gift Annuities

*Connecting People Who Care With Causes That Matter*

*The York County Community Foundation offers a way for donors to support their favorite charities while receiving a reliable source of lifetime income for themselves or others they name.*

## Using the Charitable Gift

**Annuity to realize his or her giving goals, a donor transfers cash or stock to York County Community Foundation in return for a lifetime annuity. When the Community Foundation has satisfied its obligation to annuitants, the remainder of the donor's gift is available to establish a named fund or be added to an existing fund within the Community Foundation for a charitable purpose meaningful to the donor.**

## Annuity Payments

Annuity payments, a fixed dollar amount yearly, are a general obligation of the Community Foundation and are paid for the lives of the annuitants specified by the donor. The donor can name one or two annuitants to receive annuity payments, as long as the named annuitants are at least 60 years of age when the gift is established. The amount of the annuity payment is based on the number and age of the annuitant(s). In our illustration on the reverse side, a 70-year-old annuitant is offered an annuity of \$1,220 (6.1 % of the value of the initial gift).

## Key Tax Considerations

First, the donor is allowed a federal income tax deduction for the year in which the gift annuity contribution is made. This deduction is calculated by subtracting the cost of providing the annuity income (the donor's "investment in contract") from the amount of the gift. In the illustration, a 70-year-old donor is allowed a charitable deduction of \$6,600 (saving \$2,178 in federal income tax, assuming the 33% marginal rate).

Second, a portion of the annuity income may not be taxable income for federal and state income tax returns. This portion of the annuity payment is considered return of principal (or a return of the donor's "investment in contract"). In the illustration, \$421 of the donor's \$1,300 annuity payment is tax-free for a period of 15.9 years.

Third, with gifts of appreciated property, the donor's capital gain tax liability is reduced by the same percentage used to calculate the charitable deduction. In addition, the capital gain income can be realized over the donor's life expectancy when the donor is an annuitant. In the illustration, the donor's actual gain of \$10,000 on the stock transferred is reduced to \$6,700 reported as \$421 in capital gain income in each of the next 15.9 years.

Fourth, the donor's taxable estate is reduced.

### American Council on Gift Annuities

#### SAMPLE CGA RATES

as of July 1, 2008

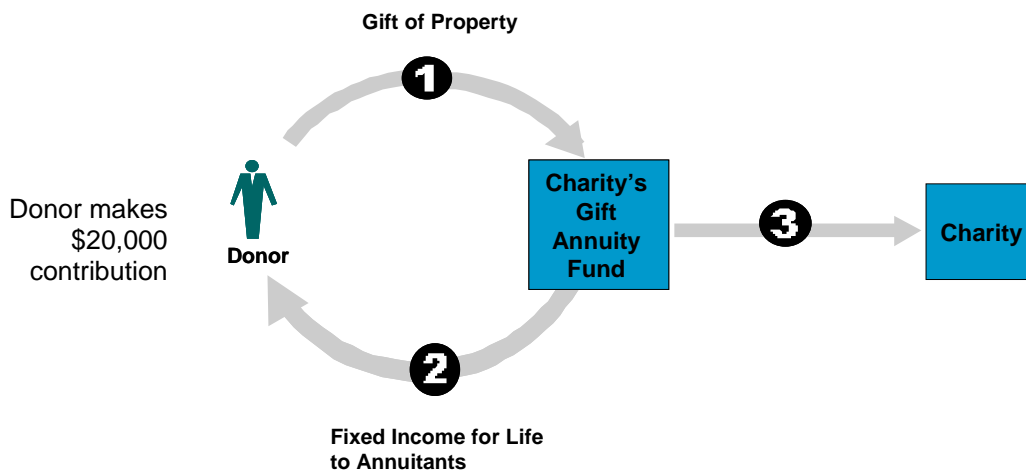
AGE	RATE
60	5.5%
65	5.7%
70	6.1%
75	6.7%
80	7.6%

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### **AN ILLUSTRATION OF A CHARITABLE GIFT ANNUITY: A GIFT THAT GIVES BACK**

A donor, age 70, makes a Charitable Gift Annuity contribution with growth stock (paying no dividend) which had doubled in value, from \$10,000 to \$20,000, during a five-year period. According to the terms of the Gift Annuity contract, York County Community Foundation will pay donor \$1,220/year for the rest of her life.



Foundation agrees to pay donor \$1,220 annuity for life

#### **Summary of benefits...**

- ⇒ Income of \$1,220/year from the Foundation for the rest of the donor's life.
- ⇒ Charitable deduction of \$7,976 in the year the donor makes the gift.
- ⇒ Reduce capital gain tax liability on the stock transferred, from 10,000 to \$6,012, to be reported as capital gain income in increments of \$378.20 each year for 15.9 years.

#### **Minimum Gift Size**

YCCF's Board of Directors has established a \$10,000 minimum for Charitable Gift Annuity contracts.

#### **More Information**

To discuss ways in which the Charitable Gift Annuity can help you realize your charitable giving goals (and to request a confidential illustration of potential benefits given your particular circumstances), please contact the Community Foundation's Development Office at 717.848.3733.