

Charitable Gift Annuity

A **Charitable Gift Annuity (CGA)** is a great option for individuals who want to support a charitable organization while receiving fixed, reliable income during their lifetime. Here are some of the key benefits of a Charitable Gift Annuity:

Fixed Income for Life

CGA provides predictable, lifetime income. When you set up a CGA, you receive a fixed annual payment for the rest of your life, regardless of market conditions. This is especially attractive for those who are looking for guaranteed income as you transition away from full-time employment.

Charitable Deduction

You receive a charitable deduction on your tax return for the portion of your gift that is considered a charitable contribution. The deduction is based on the present value of the charitable portion of your gift, which can reduce your taxable income in the year the gift is made.

Partially Tax-Free Income

A portion of the income you receive from the CGA may be **tax-free**, depending on your age and the structure of the annuity. This can make the payments more beneficial than other sources of income that are fully taxed.

Capital Gains Tax Benefits

If you fund the CGA with appreciated securities (stocks, bonds, etc.), you may be able to **avoid paying some of capital gains taxes** on the appreciated portion of the asset. Instead, taxes are spread out over time as part of your annuity payments.

Support a Charity You Care About

By making a CGA, you are **helping a charity** with an immediate or future gift. Typically, once you pass away, the remaining funds from the CGA go to the charity, helping to fund its programs and initiatives. A few CGA service providers allow the funds to be distributed to the charity without delay for a small fee.

Flexible Funding Options

You can fund a CGA with **cash, appreciated assets, or other property**, which gives you flexibility in how you make the gift. This also means you can donate appreciated securities and reduce the potential capital gains tax liability.

Favorable for Older Donors

The **older you are**, the higher the income rate is for your CGA. Annuity rates are age-based, and older donors receive a higher percentage of their initial gift as annual payments. For example, someone in their 80s may receive a higher percentage of their gift back as income than someone in their 60s.

No Worries About Investment Management

Once you set up the CGA, the charity manages the investment of the gift. You don't need to worry about how the funds are invested or fluctuations in the market—this makes it ideal for donors who prefer simplicity.

Estate Planning

A CGA can be part of your **estate plan**. The gift helps reduce the taxable estate, and the charity will receive the remaining balance after your death. This can be an effective way to both reduce taxes and leave a lasting legacy.

Example:

Let's say you're 75 years old and you donate \$100,000 to create a CGA. Based on your age, you may receive a fixed annual income of 5% of your gift, or \$5,000 per year for the rest of your life. You'll also get an immediate tax deduction for the charitable portion of your gift, and you might avoid capital gains taxes if you fund the gift with appreciated stock.

Considerations Before Setting Up a CGA:

- **The charity must be sophisticated.** CGAs are only available through certain qualified organizations (usually large, well-established nonprofits).
- **Your income is fixed**—so if your needs change and you need liquidity, this may not be the best option.
- **There may be administrative fees**, although most reputable charities keep these minimal.