



## CHARITABLE GIFT ANNUITY

A Charitable Gift Annuity (CGA) allows you to make a substantial gift and receive tax advantages now, and enjoy annual annuity payments and additional tax benefits for your lifetime.

### **What is a Charitable Gift Annuity?**

A CGA is a gift to The Community Foundation of Western North Carolina (CFWNC), from which you, you and your spouse or partner or your other designated beneficiaries receive annual payments for life. The payment amount is determined by the amount of the gift, age(s) of the beneficiary(ies), and annuity rates in effect at the time of the gift. Once the beneficiary(ies) are deceased, the residuum is added to an endowed fund at CFWNC.

### **What are the advantages?**

- A CGA provides an immediate tax deduction when created. When funded with appreciated property, a CGA can help manage capital gains taxes.
- A CGA funded with low-yield assets can often increase your current income.
- Payment of your annuity is backed by CFWNC's assets.
- You determine when to begin receiving annuity payments, at the time the annuity is established or at a future date.

- Payments from a CGA can provide income for anyone: you, your spouse, another relative or a friend. (Beneficiaries must be age 60 or over when payments begin.)
- Because annuity payments are fixed over the term of the annuity, they provide a stable source of income regardless of changes in the economy.

### **What can I give?**

A CGA can be created with cash or readily marketable securities, such as stocks, bonds, or mutual funds. Other assets may be used in some circumstances.

### **How do I create a Charitable Gift Annuity?**

A CGA is a contract between you and CFWNC and requires only a simple agreement to establish. Contact Becky Davis, Senior Development Officer at 828-367-9905 and we will create your agreement and handle all the details.

While you do not need the services of an attorney to establish a gift annuity, we encourage you to consult with your legal and/or financial advisors to ensure that a CGA is a good fit for your overall financial and estate planning goals.

## Scenarios

Peter, age 72 and his wife, Jane, age 70, contribute \$25,000 in cash to CFWNC for a CGA, naming themselves as the beneficiaries. As long as either of them lives, they will receive payments of \$1,275 per year (an annuity rate of 5.1%). For the duration of their life expectancy, \$890 of their annual payments will be tax-free. They also receive a charitable deduction of \$7,476 (based on an IRS discount rate of 2.8%).

Anne, age 75, contributes \$100,000 of securities (with an original cost of \$25,000) for a CGA for herself. With an annuity rate of 6.2%, she receives guaranteed payments of \$6,200 per year as long as she lives. For the duration of her life expectancy, \$1,138 of her annual payment is tax-free; \$3,413 is taxed as capital gain; and \$1,649 at ordinary income rates. She also receives a charitable deduction of \$43,577 (based on an IRS discount rate of 2.8%).

John wants to help support his mother, Faye, age 85, who lives on a modest fixed income. Because of escalating property values, property taxes on Faye's home total \$4,000 each year – a significant financial burden for her. John establishes a CGA with a \$60,000 gift, naming Faye as the beneficiary. John takes an immediate \$32,773 tax deduction for his gift, and Faye receives a guaranteed yearly payment of \$4,980 for as long as she lives. For the duration of her life expectancy, \$4,004 of her annual payment is tax-free; and \$976 is taxed at ordinary income rates (based on an IRS discount rate of 2.8%).

For more information, contact Becky Davis at [bdavis@cfwnc.org](mailto:bdavis@cfwnc.org) or 828-367-9905.