

# Charitable Gift Annuities

Income from Gift Annuities is fixed and guaranteed for your life. You will receive tax savings as well. The income from your gift is greater than you think. Sound to good to be true? Gift annuity rates are based on the age of the donor at the time of the gift.

A Gift Annuity (also referred to as a "charitable Gift Annuity" or "CGA") is a contract (not a "trust"), under which a charity, in return for a transfer of cash, marketable securities or other assets, agrees to pay a fixed amount of money (payment) to one or two individuals, for their lifetime, not a term of years.

A person who receives payments is called an "annuitant" or "beneficiary". The fixed payments (called the "annuity") are fixed and unchanged for the term of the contract. The annuity payments are NOT called "income", for a portion of the payments are considered to be a partial tax-free return of the donor's gift, which are spread "ratably" (in equal payments) over the life expectancy of the annuitant(s).

The contributed property (the gift), given irrevocably, becomes a part of the charity's assets, and the payments are a general obligation of the charity. The annuity is backed by the charity's entire assets, not just by the property contributed. Unlike a trust, annuity payments continue for the life/lives of the annuitant(s), and not ONLY as long as assets remain in the Gift Annuity Fund.

With an Immediate Gift Annuity, the annuitant(s) start(s) receiving payments at the end (or the beginning) of the payment period immediately following the contribution. Payments can be made monthly, quarterly, semi-annually or annually. The end of a period is not the first day of a month, but the last day of a month or period, or the anniversary date of the gift. The first payment is customarily prorated from the date of the contribution to the end of the first period, and thus is smaller than the subsequent payments, but it is possible to stipulate that the first payment be for the full amount. All of these factors have some effect on the amount of the charitable deduction.

The annual annuity is determined by multiplying the amount contributed (measured as the fair market value on the gift date, NOT the net proceeds of sale if CGA is funded with securities) by the annuity rate.

Below you will find an application for a Gift Annuity Contract with South Dakota Achieve Foundation, Inc.

The information in this publication is not intended as legal advice. For legal advice, please consult an attorney. Figures cited in examples are for hypothetical purposes only and are subject to change. References to estate and income tax include federal taxes only. Individual state taxes and/or state law may impact your results.