



# LEGACY FORUM

CURRY COLLEGE · MILTON · MASSACHUSETTS

**Dear Friends,**

All of us at Curry College extend our warm greetings to you and your family. I am pleased to present you with this edition of *Legacy Forum*, our newsletter devoted to planned giving topics of greatest benefit to our alumni, parents, and friends.

This issue features charitable gift annuities as a very good way to generate dependable income for you and your designated beneficiary while making a significant gift in support of Curry's mission and students. The charitable gift annuity may also provide a tax advantage to you—which is discussed in this newsletter.



Recognizing that there are a great number of charitable gift annuity programs available to you, it is often difficult to choose. Beyond knowing that your gift will directly support Curry, you may rest assured that your annuity will be well cared for and protected by this 126-year-old College.

When the time is right for you to establish a charitable gift annuity or other estate gift, please consider Curry College in your plan. Thank you.

Sincerely,

*Kenneth K. Quigley, Jr.*

Kenneth K. Quigley, Jr.  
President

## **Inside**

***The Charitable Gift  
Annuity: Benefit  
from Your Generosity***



# The Charitable Gift Annuity: Benefit from Your Generosity

Charitable giving doesn't have to be a one-way proposition. It is possible to make a charitable gift and actually have an income stream flow back to you—all while generating valuable income-tax benefits.

Numerous charitable strategies allow you to realize such benefits. One of the oldest—and one of the most popular—is the charitable gift annuity. The rates for gift annuities are generally higher when compared with fixed investments such as certificates of deposit. This is good news for those who want to make an important charitable gift but who need to retain cash flow based on the value of donated assets.

Perhaps you will find that a charitable gift annuity is just the kind of charitable giving plan for you.

## WHAT EXACTLY IS A CHARITABLE GIFT ANNUITY?

At its heart, a gift annuity is simply a contract between a donor and a charity, such as Curry College. In exchange for a gift of a specified amount, we agree to make specified annual payments for life to one or two beneficiaries (*annuitants*).

**Example:** *Tom B, 65, makes a gift of \$50,000 to Curry College. In return, we promise to pay Tom \$3,000 a year for as long as he lives.*

## ARE THE FUNDS I CONTRIBUTE FOR A GIFT ANNUITY SET ASIDE AND INVESTED TO SECURE MY ANNUAL PAYMENTS?

Actually, our obligation to make gift annuity payments is backed by all the assets of Curry College, not just the amount contributed for any individual gift annuity.

## HOW ARE THE RATES FOR CHARITABLE GIFT ANNUITIES DETERMINED?

All charities are free to set the rates they offer, as long as the rates comply with any applicable state regulations. Generally, charities choose to follow the schedule of recommended maximum rates published by the American Council on Gift Annuities. These recommended

rates change from time to time, based on a variety of economic factors. (Any changes would affect only newly issued annuities.) The chart at left shows the most recent rates recommended for annuitants of various representative ages.

### SAMPLE BENEFITS FOR A \$10,000 GIFT ANNUITY

AGE(S)	PAYOUT RATE	TOTAL ANNUAL INCOME	TAX-FREE PORTION	ALLOWABLE CHARITABLE DEDUCTION
<b>One annuitant</b>				
60	5.7%	\$570	\$308	\$2,566
65	6.0%	\$600	\$346	\$3,110
70	6.5%	\$650	\$403	\$3,594
75	7.1%	\$710	\$471	\$4,155
80	8.0%	\$800	\$564	\$4,696
85	9.5%	\$950	\$721	\$5,099
<b>Two annuitants</b>				
60-60	5.4%	\$540	\$285	\$1,561
65-65	5.6%	\$560	\$317	\$2,108
70-70	5.9%	\$590	\$357	\$2,680
75-75	6.3%	\$630	\$408	\$3,306
80-80	6.9%	\$690	\$477	\$3,938
85-85	7.9%	\$790	\$583	\$4,463

Calculations are based on quarterly payout.

**O**ur obligation to make gift annuity payments is backed by all the assets of Curry College.

**I AM MARRIED. IF I MAKE A CONTRIBUTION IN EXCHANGE FOR A CHARITABLE GIFT ANNUITY, I WOULD WANT PAYMENTS TO BE MADE AS LONG AS EITHER ONE OF US IS ALIVE. IS THIS POSSIBLE?**

Absolutely. A gift annuity can be created to pay one or two annuitants for life. It can pay either the donor or the donor and his or her spouse jointly and then the survivor.

**Example:** *Bill and Ellen J, both 70, make a gift of \$20,000 to Curry College in exchange for a gift annuity. We will make*

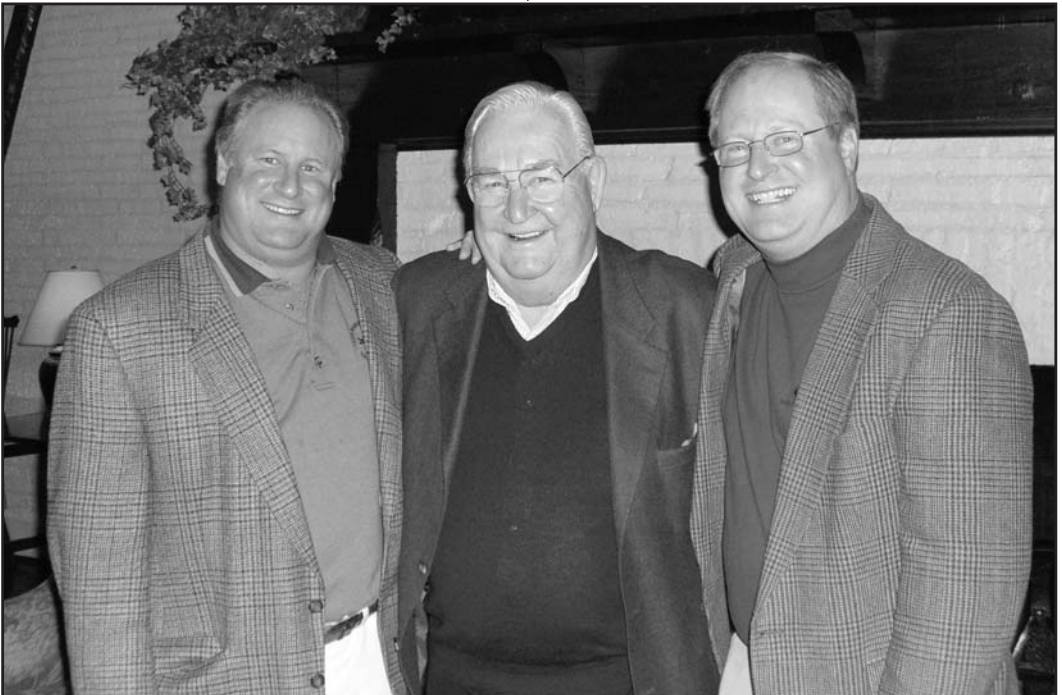
*annual payments of \$1,180 to Bill and Ellen jointly while they are both alive and then pay that amount to the survivor.*

You can also create a gift annuity with payments to someone other than a spouse. Doing so, however, may have gift-tax consequences.

**A** gift annuity can pay either the donor or the donor and his or her spouse jointly and then the survivor.

**HOW IS MY CHARITABLE INCOME-TAX DEDUCTION DETERMINED?**

The charitable deduction is equal to the difference between the amount of the contribution and the value of payments to



***Matthew '83 and Wade '79 Keats with their father, Herbert Keats, who is participating in Curry's charitable gift annuity program.***

the annuitant(s). Deductions are lower for younger people since they are likely to live longer. Similarly, deductions are lower when there are two annuitants rather than one.

**Example:** *Martha M, 75, is considering making a gift annuity contribution to Curry College in the amount of \$25,000. If she designates herself as the sole annuitant, she will receive annual payments of \$1,775 and qualify for a deduction of \$10,387.*

*If she decides to make her husband, Bob, also 75, an annuitant as well, their annual payments will be \$1,575. They will qualify for a charitable income-tax deduction of \$8,265.*

### HOW ARE THE GIFT ANNUITY PAYMENTS I RECEIVE TAXED?

For tax purposes, a gift annuity contribution is treated as part gift and part purchase of an annuity. The gift portion is the amount deductible the year you create the gift annuity.

The balance is treated as the purchase price for the annuity. It is treated as a return of your original “investment” and comes back to you tax-free over your life expectancy.

**Example:** *George N, 68, contributes \$40,000 for a charitable gift annuity with Curry College. Each year he will get payments of \$2,520. Of that amount, \$1,515 is treated as a tax-free return of his “investment,” and the balance is treated*

**P**art of a gift annuity is treated as a gift, while the balance comes back to you tax-free over your life expectancy.

*as ordinary income. If George lives longer than his life expectancy of 17.5 years, all of his payments thereafter will be treated as ordinary income.*

### I DON'T HAVE A LOT OF READILY AVAILABLE CASH. CAN I GIVE STOCK INSTEAD?

Most definitely. If you own stock for more than 12 months, any gain you realize on its sale would be subject to capital-gain tax at rates up to 15%.

On the other hand, if you use appreciated stock to fund a gift annuity and retain annual payments for yourself, only a portion of the gain would be taxable—and recognizable in equal amounts over your life expectancy.

**Example:** *Jessica D, 70, owns stock worth \$100,000 that she purchased several years ago for \$20,000 and wants to use the value of the stock to fund a gift annuity agreement with us.*

*If she sells the stock, she will realize an \$80,000 gain that will*

generate a \$12,000 capital-gain tax. This will leave her just \$88,000 to fund the gift annuity.

Alternatively, if she contributes the stock itself for the gift annuity, her annual payments will be based on the full \$100,000 value. The amount of taxable gain she must recognize will be reduced from \$80,000 to just \$51,250. Better yet, she will have to recognize only \$3,224 of the gain each year over her life expectancy of 15.9 years rather than recognizing—and paying tax on—all of her gain right now.

If you designate someone other than yourself to receive the annual payments, the amount of gain you must recognize is still reduced if compared to a sale, but you must recognize all of it in the year you create the gift annuity.

**I LIKE THE IDEA OF MAKING A GIFT BY MEANS OF A CHARITABLE GIFT ANNUITY, BUT I REALLY DON'T WANT OR NEED ANY ADDITIONAL INCOME NOW. CAN I MAKE A CURRENT GIFT AND DELAY RECEIVING THE PAYMENTS? IF SO, ARE THERE ANY ADVANTAGES TO THIS?**

The answer is “Yes!” on both counts. This is known as a “deferred” charitable gift annuity. You can make a gift now and designate the time in the future when payments are to begin.

**ADVANTAGES:** The total annual amount of the payments that will be made when payment starts

goes up substantially, and the amount of the charitable income-tax deduction is much higher than that for an immediate-payment annuity.

**Example:** Alex W, 50, a successful professional, decides to contribute \$50,000 for a deferred gift annuity that will begin paying him when he retires at 65. His gift generates a charitable income-tax deduction of \$17,201, and Alex will receive payments of \$6,150 each year beginning at the age of 65.

If he had made his gift in exchange for an immediate annuity, his deduction would have been \$7,814 and his annual payments would have been \$2,650.

### **HOW DO RETURNS ON GIFT ANNUITIES COMPARE WITH RETURNS ON REGULAR INVESTMENTS?**

It is important to remember that a charitable gift annuity is a charitable giving plan. It is not an investment. However, if annual net spendable cash flow is a major objective for you, a charitable gift annuity compares quite favorably with regular investments.

**I**t is important to remember that a charitable gift annuity is a giving plan, not an investment.

