



## **A charitable gift annuity can benefit you *and* a charity**

There are a variety of strategies you can use to satisfy your philanthropic goals while preserving some tax and financial benefits for yourself. The right strategy depends on your objectives.

Are you looking to create a personal legacy by remembering your favorite charities in your will? Or do you prefer to enjoy the fruits of your generosity during your lifetime? Can you afford to part with assets now by making an outright gift? Or do you need to retain the income from the donated assets?

A charitable gift annuity (CGA) offers an attractive combination of benefits for both you and a charity.

### **To give and to receive**

With a CGA, you donate cash, securities or other assets in exchange for a lifetime income stream. The charity receives your gift now and pays you a fixed percentage of the gift annually for the rest of your life. You receive an immediate income tax deduction based on actuarial estimates of the portion of your gift the charity ultimately will keep.

Charities that offer CGAs typically use the annuity rates suggested by the American Council on Gift Annuities (ACGA). The older you are, the higher the rate.

So, for example, if you're 60 years old and purchase a CGA for \$1 million, your income interest will be 5.7%, or \$57,000 per year under ACGA rates as of this writing. If you're 80 years old, the annuity rate is 8%, or \$80,000 per year. You also have the option of purchasing a joint-and-survivor annuity that makes payments for your life or, if longer, for the life of your spouse or another beneficiary.

The ACGA rates generally are lower than those available for commercial annuities because they're designed to preserve a significant portion of your gift for the charity (usually around 50%). For income tax purposes, each annuity payment is treated as part tax-free return of principal, part ordinary income, and — if you donate stock or other property that has appreciated in value — part capital gain.

## **Saving for retirement**

A deferred CGA — where the annuity payments begin at a future date that you specify — is one way to supplement your retirement income or to save for college or other expenses. You still receive an immediate charitable deduction, but you don't pay tax on the distributions until the payouts begin.

One advantage of using a deferred CGA for retirement savings is that you enjoy an income tax deduction now, while your marginal rate is relatively high, but you don't receive the income until after you retire, when you may be in a lower tax bracket. Also, because the annuity payments are delayed, they'll be larger than the payments you would receive from an immediate CGA.

Be aware that a deferred CGA is no substitute for IRAs, 401(k)s or other tax-advantaged retirement plans. But if you've maxed out your contributions to these accounts, a deferred CGA can be a valuable addition to your financial planning arsenal.

## **Do your homework**

Whether a CGA is a good investment depends on the charitable organization's financial strength. Work with an established charity that you expect will be around for many years to come and will have the financial resources to meet its annuity obligations.

You can evaluate a charity's financial strength and efficiency by examining its financial statements or tax returns (Form 990) or by checking with watchdog groups such as GuideStar ([www.guidestar.org](http://www.guidestar.org)), the American Institute of Philanthropy ([www.charitywatch.org](http://www.charitywatch.org)), Charity Navigator ([www.charitynavigator.org](http://www.charitynavigator.org)) or the Better Business Bureau's Wise Giving Alliance ([www.give.org](http://www.give.org)).

## **A powerful combination**

A CGA won't provide the highest return on your investment or generate tax deductions as high as an outright charitable gift. But if you're looking for a combination of current tax benefits, fixed income for life and significant benefits for a charity you care about, a CGA is an option to consider.

*For more information, please contact us via phone or e-mail, or visit us on the World-Wide Web:*

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