



# Charitable Gift Annuities

The Columbus Foundation offers a cost-effective way for donors to improve the community while providing lifetime income for themselves. Some donors would like to increase or begin their support of the community but don't think they can afford to at this time. The charitable gift annuity can make it possible for donors to assist the community in the future while providing lifetime income for themselves.

*A charitable gift annuity can help donors accomplish major charitable objectives to benefit the community, secure lifetime income for themselves and another beneficiary, increase spendable income, eliminate investment concerns, and receive a charitable income tax deduction.*

A charitable gift annuity is a contract between the donor and The Columbus Foundation. It gives the donor the opportunity to make a charitable gift and secure a stream of income for life.

Under this contract arrangement a donor transfers assets, cash or securities, to the Foundation in exchange for a commitment by the Foundation to pay the donor (and a second annuitant, if the donor chooses) a fixed and guaranteed payment for the remainder of his or her lifetime(s). The total annual payment, which can be paid monthly, quarterly, semiannually, or annually, does not change once established. Upon the death of the donor and the second annuitant (if one were designated), the remaining principal is retained by the Foundation to carry out the donor's charitable intentions.

Payment rates for gift annuities are established by the National Committee on Gift Annuities and are based upon the annuitant(s) age(s) at the time of the gift. The older the annuitant, the higher the rate. Sample rates from the Committee on Gift Annuities which are available at The Columbus Foundation appear on page two.

The Foundation has established \$10,000 as the minimum amount and 60 as the minimum age to enter into a gift annuity contract. Contracts will be written for a maximum of two persons. The amount of the lifetime payment to the donor (based on the annuity rate) is agreed upon between the donor and the Foundation after reviewing the Committee on Gift Annuities rates.

The charitable gift annuity has components of both a charitable gift and a financial investment. The gift annuity transfer, therefore, entitles the donor to

*(continued)*

*The tax consequences for each donor depends on the age and number of the annuitant(s), the relationship of the annuitants, if more than one, the type of property transferred, and other considerations. For advice and assistance in specific cases, prospective donors should obtain the services of an attorney or other professional advisors.*

a charitable income tax deduction for the actuarially determined value of the gift amount of the contract.

Example: Helen, contributes \$100,000 in cash to The Columbus Foundation to establish a charitable gift annuity. Based on her age of 75 and a federal discount rate of 3%,\* she will receive an annual annuity at a rate of 6.3%, or \$6,300 (\$100,000 x 6.3%) each year for life.

A question often asked is, “Do I pay income tax on the annuity payment that I receive?” Yes, but a portion of each annuity payment received throughout the period of the donor’s life expectancy is tax free because an assumption of all annuity tables is that principal will be returned during the projected life expectancy of the donor. The entire annuity payment becomes taxable if the annuitant outlives his or her life expectancy.

If the property transferred to the Foundation is appreciated property, part of the return of principal represents capital gains and should be reported as capital gains by the annuitant. The gain, however, is pro-rated over the donor’s life expectancy. The Foundation, as the issuer of the annuity, will provide the annuitant(s) a year end 1099-R showing how the income received is to be reported for tax purposes.

**Committee on Gift Annuities Rates  
(one annuitant)**

AGE	RATE OF ANNUAL INCOME
60	5.0%
65	5.3%
70	5.7%
75	6.3%
80	7.1%
85	8.1%
90	9.5%

\* The federal discount rate is used to determine the charitable deduction for many types of planned gifts, such as charitable remainder and lead trusts and gift annuities. The rate is the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The IRS discount rate is published monthly.

**Deferred Income**

Donors who wish to establish a commitment to the community now but want to defer receipt of income from the annuity contract can make arrangements for a deferred payment gift annuity. As described earlier, part of the contract is a gift and part is a financial investment. Since the community will benefit from the interest earned on the transferred property during the period that payments are not being made, the charitable gift portion of the deferred gift annuity contract is larger, thereby increasing the size of the charitable deduction.

Whether the donor chooses to set up an immediate or deferred payment charitable gift annuity, the assets of The Columbus Foundation stand behind the guaranteed fixed annual payment. The Foundation assesses an annual administration fee of 0.5 percent on each gift annuity contract in order to cover the cost and risk of administering gift annuities.

Should you wish to investigate charitable gift annuities as a life income and deferred giving option, please contact the Foundation.

