

### What is a community foundation?

A community foundation is a public nonprofit organization created by donors and governed by local volunteers who manage a permanent pool of funds providing grants for initiatives and programs that address current and future issues in a specific geographic area.



## THE COMMUNITY FOUNDATION *of Muncie & Delaware County, Inc.*

Where neighbors create legacies

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The Foundation is a member  
of the Council on Foundations and  
the Indiana Grantmakers Alliance.

*Confirmed in compliance with National  
Standards for U.S. Community Foundations.*



# Charitable Gift Annuities



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## Charitable Gift Annuities

### ***1. What is a charitable gift annuity?***

A charitable gift annuity is a creative way to provide funds for the future—yours and the community's. The agreement takes the form of a contract between you and The Community Foundation of Muncie and Delaware County, Inc. You make a contribution to the Foundation and receive a guaranteed lifelong income from that gift. After death, the remaining portions of your gift become permanent funds within the Foundation. These funds are your legacy and carry your name; if you choose, you can have a voice in selecting the charitable programs that your legacy will support.

### ***2. How much must I give to create a charitable gift annuity?***

The minimum contribution is \$10,000, and it can be in cash, securities, real estate or any other acceptable asset. You may specify that the income payments begin immediately or you can defer them until later. You also can arrange to receive your payments annually, twice a year, or quarterly.

### ***3. Am I the only beneficiary or can I include another family member?***

You can specify two income beneficiaries—you and one other person. Both of you must be at least 50 years old. The ages of the beneficiaries at the time you establish the annuity will determine the fixed rate of return. Rates are set by The American Council on Gift Annuities ([www.acga-web.org](http://www.acga-web.org)).

# Charitable Gift Annuities

## ***4. What are the tax benefits of a charitable gift annuity?***

Part of your income may be tax-free or taxed at a reduced rate depending on the kind of property you used to fund the gift. You'll be eligible for an immediate federal income tax charitable deduction for a portion of the value of your gift, regardless of when you begin to receive payments.

## ***5. How great is the risk of investing in a charitable gift annuity?***

Minimal. Income from the annuity is guaranteed for life and backed by the assets of the Community Foundation. Because these assets continue to grow, you might want to check the Foundation's website ([www.cfmdin.org](http://www.cfmdin.org)) for an up-to-date total. Annuities are invested and administered by the Foundation at no cost to donors.

## ***6. How do I decide when to receive income payments?***

Donors who are still employed typically delay receiving income payments until they retire. They fund the annuity now and take their immediate income tax deductions. They have the assurance that their guaranteed rates of return will be higher than if they took payments immediately. Donors who establish an immediate payment annuity sometimes boost their income by transferring cash or low-yielding stocks to establish their annuity. Because the annuity offers a higher rate of return than their gifts, their payments increase.

## ***7. How much input will I have into how my gift is used after it becomes part of the Foundation's assets?***

You can be as involved as you choose. Some donors identify broad areas of interests such as the arts, education or economic development. Others designate specific charitable organizations they want to support. Still others leave such decisions up to the discretion of the Foundation's board of directors.

## ***8. If I want to pursue the establishment of a charitable gift annuity, what is my next step?***

Talk with your attorney, certified public accountant or certified financial advisor. Visit our website ([www.cfmdin.org](http://www.cfmdin.org)) for additional information. Call our office (765-747-7181) and ask for information about all the estate-planning opportunities that the Foundation offers.





# Charitable Gift Annuities



## *Increase your income*

In general, individuals who establish an immediate payment charitable gift annuity at the Community Foundation are interested in enhancing their income with secure and fixed payments. By transferring cash or low-yielding stocks to establish a Community Foundation annuity with a higher rate of return, their income will increase.

### **Example**

Mr. and Mrs. Smith, ages 72 and 70, want to establish a fund in their names to support early childhood education. However, the Smiths need the income from their gift.

They decide to transfer \$50,000 in appreciated low-yielding stock (which they acquired several years ago for \$25,000) to the Community Foundation in exchange for an immediate payment charitable gift annuity. The Smiths benefit from an immediate income tax deduction of \$13,189 and begin receiving an increased annual income of \$3,000, based on an annuity rate of 6.0 percent. Moreover, \$935 of that income is tax-free and \$934 is taxed at the current capital gain tax rate. The balance of their annuity income is taxed as ordinary income.

Since the Smiths are in the 33 percent federal income tax bracket, their effective return is 8.1 percent, based on the tax savings from their charitable deduction and the capital gains tax savings compared with an equivalent, fully taxable investment.

## **Immediate Payment Charitable Gift Annuity**

Income benefits and charitable deduction for a \$10,000 gift (4.0% AFR\*) at sample ages

### **One-Income Beneficiary**

Ages	Annuity Rate	Annual Payment	Charitable Deduction
60	5.7	\$570	\$2,420
65	6.0	\$600	\$2,991
70	6.5	\$650	\$3,498
75	7.1	\$710	\$4,081
80	8.0	\$800	\$4,641

### **Two-Income Beneficiaries (same ages)**

Ages	Annuity Rate	Annual Payment	Charitable Deduction
60	5.4	\$540	\$1,373
65	5.6	\$560	\$1,953
70	5.9	\$590	\$2,555
75	6.3	\$630	\$3,209
80	6.9	\$690	\$3,866

**Disclaimer: Annuity rates and the available charitable deductions are subject to change. Please consult the Community Foundation and your professional advisor.**

**\* Adjusted Federal Midterm Rate**

# Charitable Gift Annuities



## Supplement your retirement income

A charitable gift annuity—with payments deferred for a period of years—can be a useful retirement planning device. You fund your annuity with the Community Foundation today and receive an immediate income tax deduction, but specify that your income payments begin on a future date, typically coinciding with your retirement.

You thereby gain a current income tax deduction and a guaranteed rate of return—both of which are higher than those from an immediate payment gift annuity. If you have reached the limit of allowable contributions to your IRA, Keogh, or other qualified pension plan, the deferred payment charitable gift annuity can be an attractive tax-deductible option to supplement your retirement income.

### Example

Dr. Black, 54, has maximized the allowable contributions to her qualified retirement plan, but would like to supplement her current financial position with a Community Foundation deferred payment charitable gift annuity.

She contributes \$25,000 in cash to the Community Foundation for an annuity that will begin when she reaches age 65. Dr. Black receives an immediate income tax deduction of \$7,959. In 11 years she will receive \$2,550 annually (based on an annuity rate of 10.2 percent), payable quarterly for life. Of this income, about \$856.80 is tax-free.

## Deferred Payment Charitable Gift Annuity

Income benefits and charitable deduction for a \$10,000 gift (4.0% AFR\*) at sample ages

### One-Income Beneficiary

Ages	Number of Years Before Payments Begin	Annuity Rate	Deferred Annual Payout	Charitable Deduction
50	15	12.4	\$1,240	\$7,689
55	10	9.7	\$ 970	\$8,026
60	5	7.6	\$ 760	\$8,040

### Two-Income Beneficiaries (same ages)

Ages	Number of Years Before Payments Begin	Annuity Rate	Deferred Annual Payout	Charitable Deduction
50	15	11.6	\$1,160	\$3,345
55	10	9.1	\$ 910	\$4,026
60	5	7.1	\$ 710	\$4,652

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**\* Adjusted Federal Midterm Rate**

## Charitable Gift Annuities

Charitable gift annuities are only one of several life income plans offered by The Community Foundation of Muncie and Delaware, Inc. If you would like additional specific information on charitable gift annuities or other information, please contact the Community Foundation.

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*The Community Foundation uses rates established by the American Council on Gift Annuities (AGGA), which are changed from time to time depending on prevalent interest rates, mortality rates and overall economic conditions. This brochure is for information purposes only. No legal or tax accounting advice is intended. Persons should consult their independent professional advisors.*

