

## Charitable Gift Annuity Agreements: Doing well by doing good

Q: What is a charitable gift annuity agreement?

A charitable gift annuity agreement is a legal contract that allows a person or a couple to make a charitable gift of personal significance to the endowment fund of the Cope Environmental Center and receive regular, fixed payments – an annuity -- for one or two lives.

Simply put, a gift annuity is a tax-favored way to make a major charitable gift while at the same time diversifying the sources of retirement income for a lifetime.

Q: Why is the Cope Environmental Center offering gift annuities?

Charitable giving is assuming more importance in carrying out our mission. A charitable gift annuity is a new option for people interested in supporting our mission to promote the sustainable use of the Earth's resources through education, demonstration and research.

We see gift annuities as an exciting choice to allow people the satisfaction of making a significant charitable gift to Cope and at an amount that would not otherwise be possible without the annuity payments and tax advantages in return.

Q: Getting started: What are the two types of gift annuities?

There are two types of gift annuity agreements that depend upon when payments begin:

**An Immediate Payment Gift Annuity** Upon funding the agreement, the annuity payments start to be received, usually within six months. The minimum age for an immediate payment gift annuity agreement is 65.

**A Deferred Income Gift Annuity** Individuals younger than retirement age can fund what is called a deferred payment gift annuity. The longer the deferral period, the higher the annuity rate. The deferral period is usually a specific date in the future (such as a retirement date or for payments "later on" in retirement). The minimum age to start the

annuity stream is 65 years old and can be set for an older age as part of a retirement income strategy.

Another option is a Flexible Deferred Income Gift Annuity that allows the donor to choose the year in which their annuity payments will begin.

Q: What are the annuity rates?

Annuity rates are based upon the person's age when the gift is received, and the annuity remains constant (fixed) for the lifetime of one or two beneficiaries named in the agreement.

A sampling of annuity rates for one-life immediate payment gift annuity agreements, effective February 1, 2009 (shown in five year increments-please contact us for a specific age):

AGE when agreement funded  
ANNUITY RATE

65  
5.3%

70  
5.7%

75  
6.3%

80  
7.1%

85  
8.1%

90+  
9.5%

Annuity rates for two-life agreements are slightly lower due to the longer combined life expectancies.

Here are examples of two-life immediate payment gift annuity rates, effective February 1, 2009 (also shown in five year increments):

## YOUNGER AGE

older age  
annuity rate

65

66-70

5.0%

70

72-75

5.3%

75

77-79

5.7%

80

82-83

6.3%

85

88

7.3%

90

93

8.7%

Q: Who sets the annuity rates?

The gift annuity rates offered by the Cope Environmental Center are in accordance with the American Council on Gift Annuities, an association of charities organized in 1927 that recommends uniform rates and procedures. The rates quoted above will be effective on February 1, 2009.

Q: How are gift annuities funded?

Either cash or publicly-traded appreciated securities can be used to fund a gift annuity agreement. In order to best realize the benefits of a gift annuity for the individual and for Cope, the minimum gift amount to fund an annuity agreement is \$10,000.

We strongly recommend that your professional advisor be consulted before making any major charitable gift.

Q: Can appreciated stock be used to fund a gift annuity?

This is an excellent choice and best if the stock has been held (owned) for more than 366 days. Low basis and low dividend stocks are ideal to give as the annuity payments may be greater than the dividend plus there are the tax advantages. There is favorable treatment of a portion of the appreciated capital gain because it is evenly spread over the donor's life expectancy. Read on for more detail.

Q: How are capital gains treated if appreciated stock is used to fund a gift annuity?

There is a double tax benefit. First, there is the charitable deduction that can be claimed in the year the agreement is funded. A portion of the appreciated gain is included in the overall deduction amount. Second, the appreciated gain that survives is equally apportioned over the remaining years of the donors' life expectancy resulting in favorable treatment of capital gains taxation. If the stock had been sold outright rather than given, the appreciation would have been subject to the capital gains tax all at once.

Q: How are the payments made?

The annuity payment is made by check and on the date or dates specified in the agreement. Frequency of payments can be semi-annually or annually as you decide.

The Development office of the Center has the people and software to run gift illustration benefits for a variety of dollar amounts, taxation impact, and personal circumstances. A draft written agreement can be provided for your review and for your advisor's review. Please contact Alison Zajdel for a profile at (765) 855-3188 or email [a.zajdel@copeenvironmental.org](mailto:a.zajdel@copeenvironmental.org).