

## THE GIFT ANNUITY – INCOME FOR LIFE

People sometimes hesitate to make larger gifts to (*Full Name of Charity*) because they cannot afford to surrender an income-producing asset. Loss of income is a particular concern when interest rates on savings are low. Many individuals with guaranteed investment certificates (GIC's) and other fixed-income investments have seen their income decline, and dare not reduce it further by contributing any of their capital. For them, the gift annuity could be a way to support (*Name of Charity*) while maintaining, or even increasing, the amount they have to spend.

### *A Gift That Gives Back*

A gift annuity is an arrangement under which you make a contribution to a charity and receive, in turn, guaranteed payments for life. The payments are typically made to you as donor, but they could be made to another person as well.

**(Note to Charity:** *If the gift annuity is self-insured, include here this language:* “We will invest your contribution, make payments to you, and at the end of your life use the remaining assets for the charitable purpose(s) you have designated, which could be particular programs or possibly an endowment. Your payments are backed by all of the assets of our organization.”) **OR**

**(Note to Charity:** *If the gift annuity is reinsured, include this language:* “We will use a portion of your contribution to acquire from a licensed insurance company an annuity that will assure your payments. The balance will be used for the charitable purpose(s) you have specified, which could be particular programs or possibly an endowment.”).

The amount of these payments depends on your age and the size of your contribution, but they will likely be significantly higher than you are receiving from your present investments. Payments will continue as long as you live, no matter what happens to the economy or interest rates. If you are married, you may choose a joint-and-survivorship annuity which continues as long as either spouse lives.

Below are some sample rates for individual and joint-life annuities. (For a complete schedule of current rates offered by our institution, please call us at \_\_\_\_\_ or send an e-mail inquiry to \_\_\_\_\_.)

**(Note to Charity:** You may substitute your own schedule of rates for the ones listed below. The rates shown are the same for both males and females. For a charity that reinsures gift annuities, the following rates would result in the charity's retaining approximately 25-30 percent of the contribution. If you have a different schedule of rates for male and female beneficiaries, you will need to show rates for each gender. It is easier to market gift annuities when the rates are gender-neutral, but when rates are the same for both genders the financial benefit to the charity will be larger for a male beneficiary than for a female beneficiary.)

<u>Age</u>	<u>ONE LIFE</u> <u>RATE</u>	<u>Ages</u>	<u>TWO LIFE</u> <u>RATE</u>
65	4.4%	65,65	3.9%
70	5.0%	70,70	4.4%
75	5.8%	75,75	5.0%
80	7.0%	80,80	6.0%
85	8.4%	85,85	7.0%

Your gift annuity brings you two possible benefits at tax time: First, all or a major portion of the annuity payments will be tax-free. The tax-free percentage will depend on your age and gender, but for older donors, the payments will be *entirely* tax-free. Second, you will be entitled to a donation receipt that will generally approximate 25-30 percent of your contribution. Once we know the age(s) of the beneficiary(ies) and the contribution amount, we can provide precise information as to the taxation of payments and donation receipt. (The amount of the donation receipt you may use in any given year is limited to 75 percent of your income, but the excess may be carried forward for up to five years beyond the year of the gift.)

Consider these examples based on the above rates:

*Harold and Anita R, both age 80, contribute \$50,000 for a gift annuity. They receive an annual income of \$3,000. The entire amount is tax-free, and their donation receipt is approximately \$13,000.*

*For a contribution of \$25,000, Morton B, age 75, receives an annuity of \$1,450 per year all of which is tax-free. His donation receipt is about \$7,500.*

*In return for a contribution of \$10,000, Rose D, age 70, receives a lifetime annuity of \$500 of which \$466 is tax-free. Her donation receipt is approximately \$2,500.*

Please be aware that the principal cannot be returned to you after the gift is deemed to have been completed. Payments cannot be guaranteed, and tax benefits are only allowed when

the gift is *irrevocable*. You should always retain enough assets to meet your anticipated needs.

***Your gift to (Full Name of Charity)***

To arrange a gift annuity, just let us know you're interested! A representative of (***Name of Charity***) will be happy to provide a *no-obligation* financial illustration showing the amount of payments, how they will be taxed, and your donation receipt based your situation. You should then review that information with family and your financial advisor to confirm that a gift annuity is right for you. When you indicate your desire to proceed, we will prepare the necessary agreements for signature, and you will arrange for a transfer of assets. Your payments will be made on the dates specified in the agreement and deposited directly in your account, unless you have requested another mode of payment.

***THE GIFT ANNUITY --***

***You can be prudent about your own income needs and also have the joy of making the gift you've wanted to make!***

***Full Name of Charity  
Street  
City, Province, Postal Code  
Telephone  
Email  
Website***

*The purpose of this publication is to provide general information, not to render legal advice. In addition, changes in the tax structure may affect the examples presented here. You should consult your own lawyer or other professional advisor about the applicability of this information to your own situation.*