

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.

Q: What is a gift annuity?

A: A gift annuity is an arrangement under which you make a contribution to a charity in exchange for 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 you have designated, which could be a particular program or possibly an endowment. Your payments are backed by all of the assets of our organization.”) (**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 you have specified, which could be a particular program or possibly an endowment.”).

Q: Can the payments continue to a surviving spouse?

A: Yes, the annuity can be written so that payments are made as long as either spouse is living. When the first spouse dies, the survivor will continue to receive the full amount without interruption.

Q: Is the amount of my payments subject to change?

A: No, the payments will remain constant throughout your lifetime, unaffected by changes in interest rates or stock values.

Q: How large will my annuity payments be?

A: The amount of your payments depends on the amount you contribute, whether payments will be made for the life of one or two persons, and the age or ages of the person or persons who will receive payments. 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%

Q: What are the tax benefits of a gift annuity?

A: There are two possible benefits. 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.

Q: Can I get my principal back when I want?

A: No, the principal cannot be returned 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.

Q: How do I go about arranging for a gift annuity?

A: 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 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.