



Planning with Charitable Gift Annuities: The Gifts that Keep on Giving

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The first charitable gift annuity is believed to have been created in the 1800s when a man donated \$1,000 to the American Bible Society on the condition that the organization pay his sister \$70 per year for the rest of her life. While much has changed since then, charitable annuities continue to be a valuable tax and financial option for many individuals.

In a charitable gift annuity, the donor contributes cash or appreciated securities to a charitable organization in exchange for income for the rest of the donor's life or the lives of the donor and his or her spouse. The annuity can also be structured for the lifetime of another individual. Payout rates are set by the American Council on Gift Annuities and will vary significantly depending on the annuitant's age. Currently, a sixty year old donor will earn 4.4% while someone ninety or older can count on the 9% payout.

Charitable annuities are attractive mostly for older individuals seeking relatively high and stable source of income coupled with an upfront charitable deduction. If the annuity is funded with cash, the donor will get back with every payment the return of principal and ordinary income. If appreciated securities are transferred to the charity, the donor will receive principal, ordinary income plus a portion treated as capital gains.

Annuities can be structured as immediate or deferred – i.e. the payout can start at some future date as part of retirement planning. When the annuity recipient is anyone other than the donor or spouse, a gift tax for the non-charitable portion should be reported. Testamentary annuities can be incorporated as part of an overall estate plan.

It should be noted that a charitable gift annuity is a merely contractual obligation of the charity - an unsecured promise to pay. Therefore, only larger well-established organizations with substantial assets should be considered.

Individual goals and priorities should be fully vetted before deciding which charitable vehicle would be most appropriate. For more information on charitable annuities or other philanthropic structures, please contact your Anchin Relationship Partner or Jeffrey Perelman, Partner in our Private Client Group, at 212.840.3456 or info@anchin.com.



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