

Blueprint For Charitable Gift Annuities

October 6, 2022

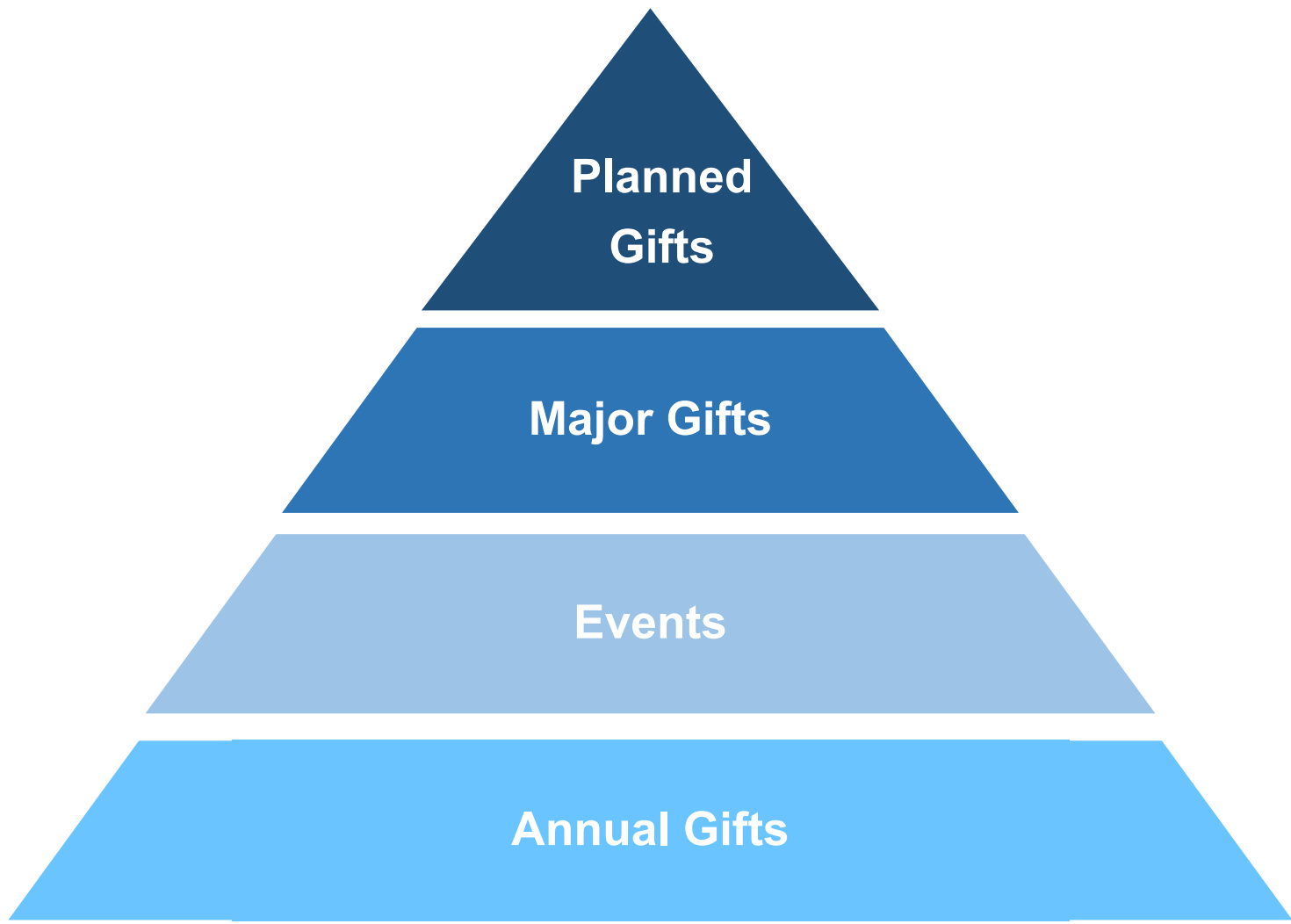
Presented by:

Chip Giese
Sr. Relationship Manager, Planned Giving Group
PNC, Institutional Asset Management®
chip.giese@pnc.com

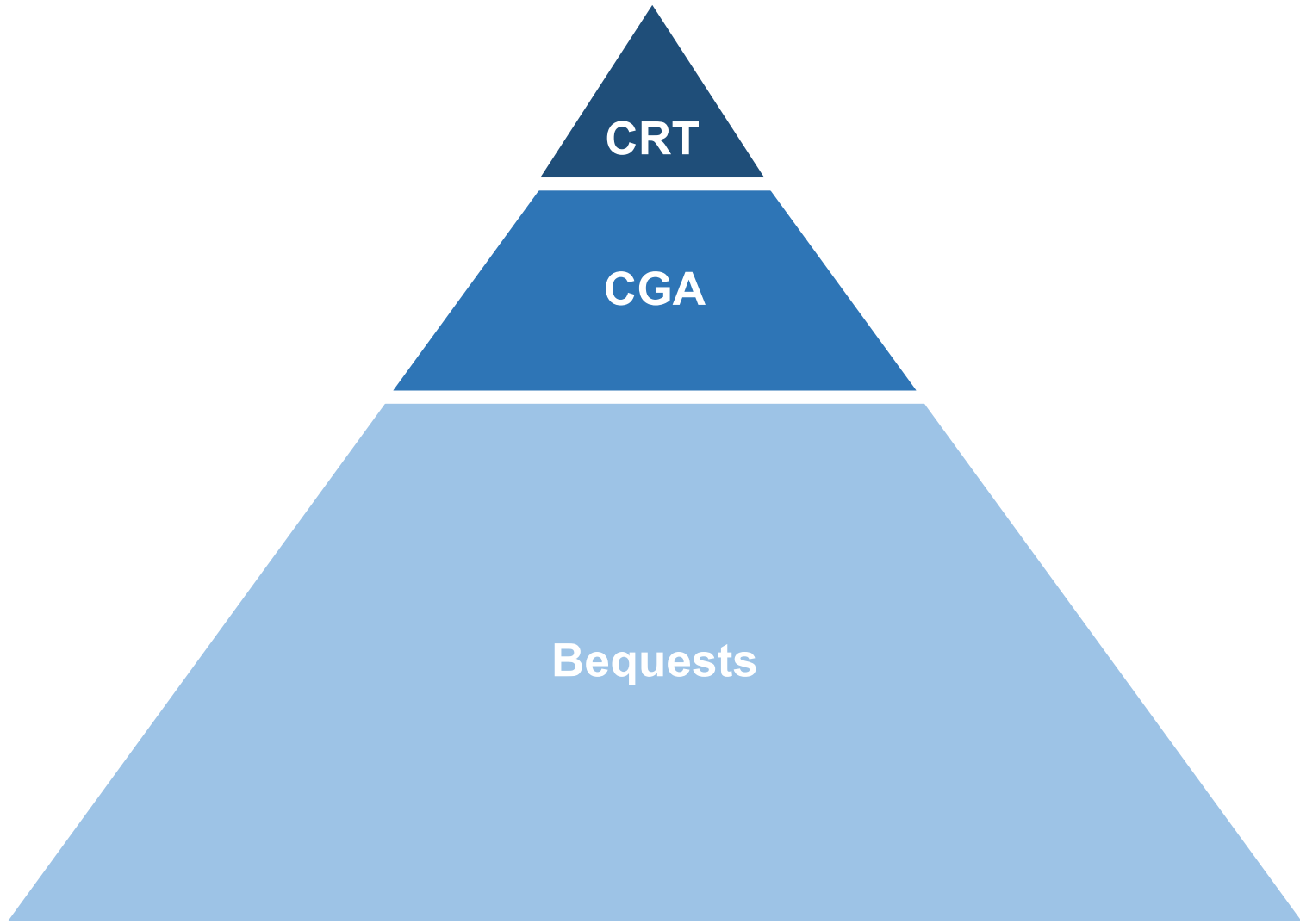
- I. The Essentials and Basics
- II. The Details and Examples
- III. Plant a Couple of Seeds

Goal #1 – To be comfortable with the CGA conversation.

Goal #2 – To absorb at least 3 benefits of the CGA that might ring out when your working with a prospect



Where do CGA's fit?



What is a Charitable Gift Annuity? Historical Perspective

- When did the first donor appear in America? Who was the donor and what was the gift?



1830 John Trumbull, American painter, gave a painting to Yale College in exchange for an annuity of \$1,000 per year for life.

What is a Charitable Gift Annuity? Historical Perspective

- What is the oldest CGA program in continuous operation?
 - American Bible Society
 - Tens of thousands of CGA's since 1843*



- American Council on Gift Annuities (ACGA) founded in 1927



- Philanthropy Protection Act of 1995



* ACGA 2021 Survey of Charitable Gift Annuities report

What is a Charitable Gift Annuity?

A charitable gift annuity is a simple contract between your donor and a Charity.



In exchange for your irrevocable gift of cash, securities, or other assets, the Charity agrees to pay one or two annuitants you name a fixed sum each year for life. The payments are backed by the general resources of the Charity.



The older your designated annuitants are at the time of the gift, the greater the fixed payments the Charity can agree to pay.



In most cases, part of each payment is tax-free, increasing each payment's after-tax value. If you give appreciated property you will pay capital gains tax on only part of the appreciation. In addition, if you name yourself as an annuitant the capital gains tax will be spread out over many years rather than be all due in the year of your gift.

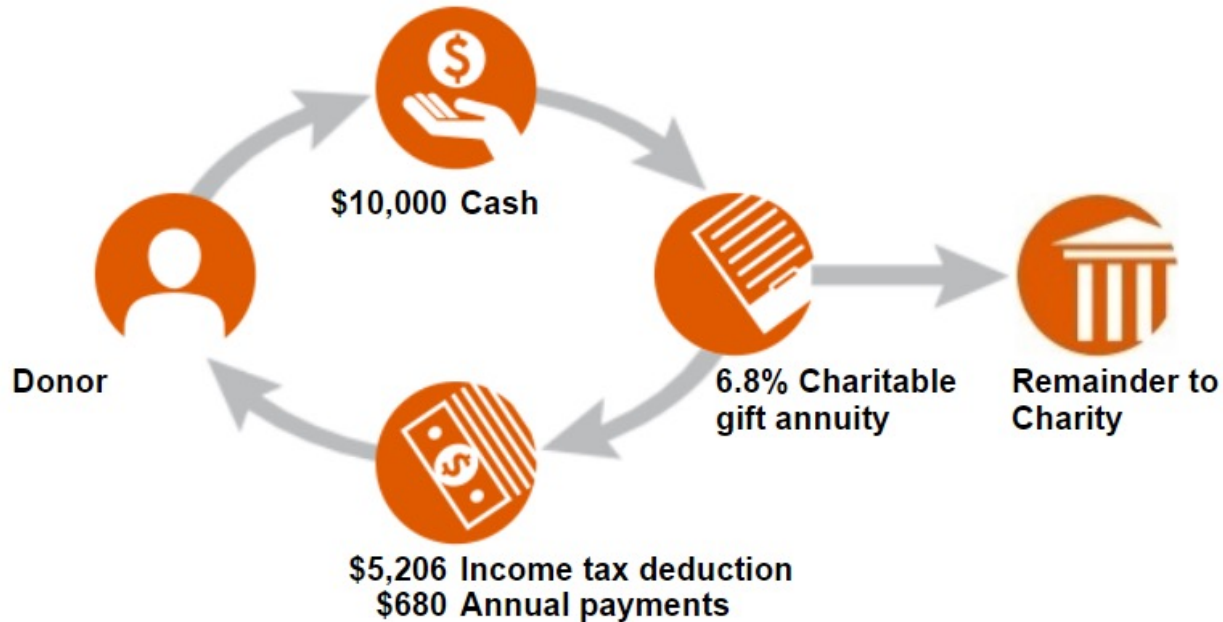


Payments are usually made in annual, semiannual, or quarterly installments.

Why Create a CGA?

Benefits to the donor/annuitant:

Satisfy philanthropic desire , knowledge that their gift will help a favorite cause	Fixed income for life	Charitable deduction (less than gift amount)
Reduction/bypass of capital gains on gifts of stock	Easy to understand, and relatively easy to establish	Donor's estate may enjoy reduced probate costs and estate taxes depending on the donor's circumstances and the size of the gift



1. Donor transfers cash, securities, or other property to Charity
2. Donor may receive an income tax deduction and may save capital gains
 - Charity pays a fixed amount each year to you or to anyone you name for life. Typically, a portion of these payments is tax-free
3. When the gift annuity ends, its remaining principal passes to Charity

Source: PG Calc – PGM Anywhere Software

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly.

Basic Gift Illustrations

Taxation of Gift Annuity Payments

6.8% Charitable Gift Annuity (*Immediate*)

ASSUMPTIONS:

Annuitant	79
Date of Gift	10/6/2022
Date of First Payment	12/31/2022
Principal Donated	\$10,000
Annuity Rate	6.8%
Payment Schedule	quarterly at end

Source: PGM Anywhere
The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly.

Basic Gift Illustrations

Taxation of Gift Annuity Payments



CALCULATIONS:

Charitable Deduction	\$5,205.90
Number of Payments in First Year	1
Days in First Quarterly Period (10/1/2022 to 12/31/2022)	92
Days of Payment Credit in First Quarterly Period (10/6/2021 to 12/31/2022)	87
Annuity	\$680.00
Quarterly Payment	\$170.00
First Partial Payment on 12/31/2022 (87/92 X \$170.00)	\$160.76

BREAKDOWN OF ANNUITY:

	Tax-free Portion	Ordinary Income	Total Annuity
2022 to 2022	114.46	46.30	160.76
2023 to 2031	484.16	195.84	680.00
2032 to 2032	322.20	357.80	680.00
2033 onward	0.00	680.00	680.00

Source: PGM Anywhere
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- Many CGA contracts fit into a single page
- Some common sections include:
 - Description of the Contract
 - Transfer of Property to Donor
 - Payment of Annuity
 - Payment Date: First Installment
 - Birth Date of Donor
 - Irrevocability: Non-assignability; termination
 - Uses and Purposes of Gift
 - Entire Agreement: Governing Law
 - Disclosures

One of the key benefits of a CGA from a marketability standpoint is the potential ease and simplicity of contracts. As with any contract, we recommend legal counsel review for compliance with local, state, and federal regulations.

GIFT ANNUITY AGREEMENT

**One Life - Donor is the Annuitant
Immediate Payments**

Notice to Donor: This annuity is not issued by an insurance company, is subject only to limited regulation by the State of Florida and is not protected or otherwise guaranteed by any government agency.

This Agreement is made between Sample Donor of (hereinafter "the Donor"), and, of <Charity Address> (hereinafter "Charity").

1. Transfer of Property by Donor

Charity certifies that the Donor, as an evidence of her desire to support the work of Charity and to make a charitable gift, on March 1, 2021 contributed to Charity the property described in Schedule A attached hereto, the fair market value of which is \$10,000.00.

2. Payment of Annuity

In consideration of the property transferred by the Donor, Charity shall pay an annual annuity of \$620.00 from the date of this Agreement and shall pay such amount to the Donor so long as she is living.

3. Payment Dates; First Installment

The annuity shall be paid in quarterly installments of \$155.00. The first installment shall be payable on March 31, 2021 in the amount of \$153.33 prorated on the basis of the number of days in the initial payment period. Subsequent installments beginning on June 30, 2021 and continuing every quarter thereafter shall be in the full amount of \$155.00.

4. Birth Date of Donor

The birth date of the Donor is July 2, 1942.

5. Irrevocability; Non-assignability; Termination

This annuity is irrevocable and non-assignable, except that it may be assigned to Charity. Charity's obligation under this Agreement shall terminate with the regular payment preceding the Donor's death.

6. Uses and Purposes of Gift

Upon Charity's satisfaction of its obligation under this Agreement, an amount equal to the residuum of the gift shall be used by Charity for its general purposes.

7. Entire Agreement; Governing Law

This Agreement, together with Schedule A attached hereto, constitutes the entire agreement of the parties. This Agreement shall be governed by the laws of the State of Florida.

This Agreement is effective as of March 1, 2021.

DONOR:

By:

Sample Donor

<Name of Signing Officer>
<Title>

The above sample is for illustrative purposes only.

Single Life

Age	Rate
59	4.4%
64-65	4.8%
70	5.3%
75	6.0%
80	7.0%
85	8.1%
90+	9.1%

Two Lives

Age	Rate
60/65	4.1%
65/70	4.5%
70/75	4.9%
75/80	5.5%
80/85	6.3%
85/90	7.5%
90/95	8.8%

Rates in effect since July 1, 2022

Last reviewed and approved by the American Council on Gift Annuities Board of Directors on May 17, 2022

Source: ACGA website www.acga-web.org

What About?

Deferred, Flexible CGA's

ASSUMPTIONS:

Annuitant Age	60
Date of Gift	10/6/2022
First Payment Start Date in Range	12/31/2027
Last Payment Start Date in Range	12/31/2037
Cash Donated	\$50,000
Payment Schedule	Quarterly

BENEFITS:

Charitable Deduction	\$23,694.00
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Schedule for Elective Payment Start Dates (annuity rates from ACGA 2022 table)

Elective Start Date	Ages at Start Date	Annuity Rate	Tax-free Portion	Ordinary Income	Total Annuity
12/31/2027	65	5.7%	\$1,322.40	\$1,527.60	\$2,850.00
12/31/2028	66	6.0%	\$1,377.00	\$1,623.00	\$3,000.00
12/31/2029	67	6.4%	\$1,436.80	\$1,763.20	\$3,200.00
12/31/2030	68	6.7%	\$1,504.15	\$1,845.85	\$3,350.00
12/31/2031	69	7.1%	\$1,576.20	\$1,973.80	\$3,550.00
12/31/2032	70	7.5%	\$1,653.75	\$2,096.25	\$3,750.00
12/31/2033	71	7.9%	\$1,730.10	\$2,219.90	\$3,950.00
12/31/2034	72	8.3%	\$1,813.55	\$2,336.45	\$4,150.00
12/31/2035	73	8.9%	\$1,904.60	\$2,545.40	\$4,450.00
12/31/2036	74	9.4%	\$2,006.90	\$2,693.10	\$4,700.00
12/31/2037	75	10.0%	\$2,120.00	\$2,880.00	\$5,000.00

The entire annuity will become ordinary income after the life expectancy of the annuitant.

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CGA as a tool to enhance stewardship

Secure future principal gift today

- People do change their Wills
- Creates a permanent connection to the donor/income beneficiaries that allows for ongoing communication

Reminder with each payment received that they support your organization

- Natural contact – check in annually ... Who might an alternate contact be?
- Family connections/ POA... “What is this deposit every quarter..?”
- May afford gentle expansion of relationship through indirect stewardship of family

Special category within legacy society

- Donors created a deferred CGA's to receive a special pin and recognition

Compliment to other giving?

Can lead to additional gifts*:

- 51% of all annuities were repeat gifts

Impact of CGA on annual giving*

- Increase their annual giving – 42%
- No effect of annual giving – 55%
- Decrease their annual giving – 4%

Impact of CGA on Estate Giving (Bequests)*

- Include a gift to your charity in their estate plans – 52%
- Remove a gift to your charity from their estate plans – 3%
- No effect on gifts to your charity from their estate plans – 46%

*ACGA 2021 Survey of Charitable Gift Annuities report.

**Are you
comfortable with
the CGA
conversation?**

**Did you learn 3
new concepts
today?**

Chip Giese
VP, Sr. Relationship Manager
Planned Giving Group
PNC, Institutional Asset Management®
chip.giese@pnc.com

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