

Charitable Gift Annuities

Charitable gift annuities are a very flexible way to make charitable gifts to Southern Wesleyan University, providing a fixed income for life for you and/or others you choose. They are easy to create and can be funded with gifts of relatively modest amounts. [See Example](#)

Here's how a charitable gift annuity works:

- You transfer cash or other assets to Southern Wesleyan University. This is accomplished through the completion of a simple agreement and can normally be done by mail.
- You will receive fixed payments annually (or more frequently, if desired). The amount of your payment is a percentage of your gift at the time your gift is funded and will not change with interest rate and investment market fluctuations.
- You will be entitled to an immediate charitable income tax deduction for a portion of the amount used to fund your gift annuity.
- A part of each payment is received tax free for a period of time.
- If you would like, you can also choose to name another person (often a spouse, parent, or sibling) to receive payments with you, instead of you, or following your lifetime for the remainder of his or her life.
- The assets used to fund your gift annuity will generally be removed from your estate for probate and tax purposes.
- You make a tax-deductible charitable gift to Southern Wesleyan University equal to a portion of the amount used to fund your gift annuity agreement.

Many persons choose to fund more than one gift annuity over time. As payment rates increase with age, each gift annuity generally features larger payments.

When property such as stock, mutual funds, or other securities that have increased in value is given for a gift annuity, the charitable deduction can be based on the full value of the property, not just its original cost.

In addition, part of the capital gains tax that would be due on a sale of the gift portion can be avoided at the time of the gift, and the rest of the gain reported over the annuitant's life expectancy. The use of appreciated, low-yielding assets to fund a gift annuity can thus be an excellent way to completely bypass capital gains tax at the time of your gift, enjoy a current charitable income tax deduction, and gain the advantage of reporting a portion of each payment at lower, more favorable capital gain tax rates for a number of years.

Example



1. Maureen Davis, age 70, will transfer assets valued at \$10,000 to Southern Wesleyan University in exchange for a charitable gift annuity, which will provide payments for life.
2. The payments will be 5.3% of the gift amount annually, which is \$530 per year. For the first 15.9 years, approximately \$312 (about 59% of the payments) will be received income tax-free.
3. The gift will result in an immediate charitable income tax deduction of \$5,040. Additionally, the \$10,000 given in exchange for the annuity will not be subject to estate taxes.
4. At the end of the annuity period the amount of the gift, less the cost of making the life payments, will be used by Southern Wesleyan University to further its mission.

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The assumed date of transfer for this example is December 9, 2022. This example has used the December 2022 IRC Section 7520 discount rate of 5.2% to optimize the charitable deduction.

NOTE: This calculation is provided for educational purposes only. The type of assets transferred, the actual date of the gift, and other factors may have a material effect on the amount or use of your deduction. You are advised to seek the advice of your tax advisors before implementing a gift of this type.

See the [Gift Annuity Rate Table](#) for examples of gift annuity rates for one or two persons at various ages.

Example for Two People

Your rate for a **one-life** gift annuity at age 70 will be **5.3%**

Enter age for a second person here (1/1/1940) and see the **two-life** rate for ages 70 and 83. Your rate for a two-life gift annuity will be **5.1%** and your income tax deduction will be \$4,862.

Enjoy Larger Payments that Begin Later

It is also possible to establish what is known as a “deferred gift annuity.” Using this option, your gift is completed now, and you enjoy an immediate income tax deduction for a portion of the amount donated. The payments are structured, however, to begin at least one year after the gift annuity is funded. Your tax deduction and payment rates are higher as a result. This can be an excellent way to make gifts while providing for a higher income in the future should it be needed.

See [deferred gift annuities](#) for additional information.

See questions & answers about [gift annuities](#)

See advisor content about [gift annuities](#)

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