

# Charitable Gift Annuities

Supporting Utica  
College while creating  
income for life



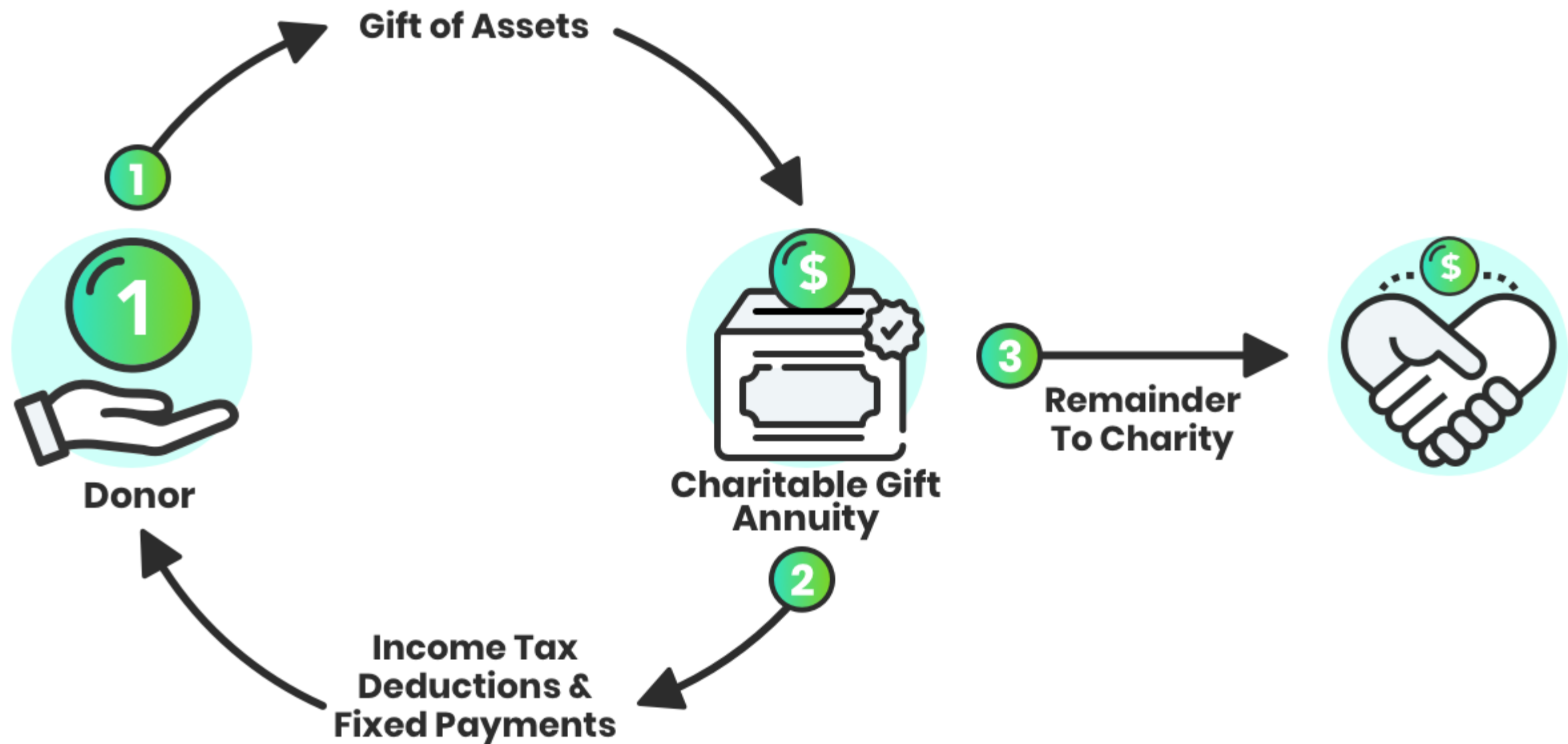
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*Wealth Management Advisor*

# What is a Charitable Gift Annuity?

A charitable gift annuity (CGA) is a contract between a charity and a donor. The donor makes an irrevocable transfer of cash, marketable securities, or other assets acceptable to the charity. In return, the charity agrees to make fixed payments for life to one or two individual annuitants.

The contributed property is generally held by the charity in a segregated gift annuity reserve account designed to fund its payment obligations. However, the annuity payments are a general obligation of the charity.

# How does it work?



# Benefits of Charitable Gift Annuities

- Income stream for the rest of your life
- Immediate (partial) tax deduction, based on your life expectancy and the anticipated income stream
- Potential for a portion of the income stream to be tax-free
- Possibility of donating many types of assets: cash, securities plus personal property
- Reduced or eliminated capital gains tax liability for gifts of appreciated securities and personal property
- Supporting an organization you care about



# Tax Benefits

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- You may be eligible to claim a partial charitable tax deduction for the year in which you set up the charitable gift annuity.
- Why only a partial deduction? The IRS views one portion of your contribution as a gift, to be used immediately by the charity for its tax-deductible charitable purposes. The other portion is viewed as an investment for you, which ultimately generates your payments.

# Taxes on Long-Term Appreciated Assets

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- A second tax benefit may come by donating long-term appreciated stock or other property if the charity is able to accept these assets in place of cash
- By donating non-cash assets directly, it is possible to reduce or eliminate the capital gains tax you'd ultimately pay if you sold them first and then donated the proceeds.

# Income Options

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**Single Life:** Payments last as long as you're alive.



**Joint Life:** Payments last for the lives of you and another person. (Second to die)

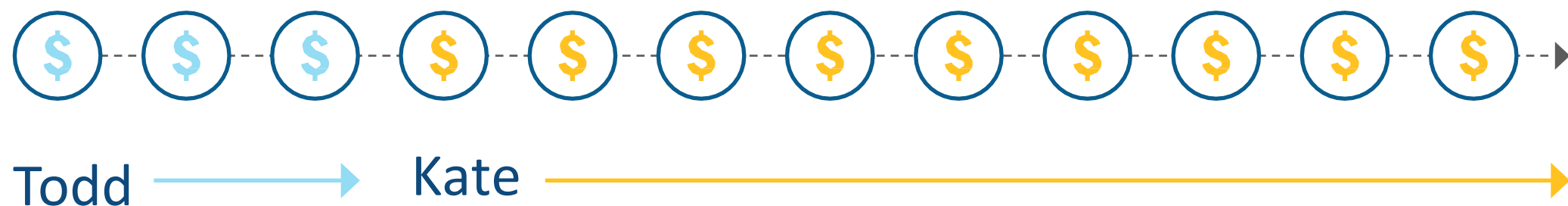
Single life payout rate is generally higher due to it only being tied one life.

# Joint Annuity Example

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Todd and Kate want to have steady monthly income as long as one of them is alive.

- Even if Todd lived only for three years past retirement, Kate would receive payments for the rest of her life.





# Payout Example

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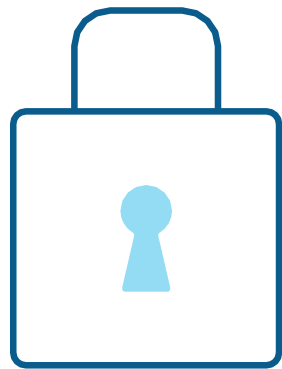
For illustrative purposes, a 60-year-old who donates \$10,000 may receive a rate of 4.4% (paying \$440 annually) while an 85-year-old will see a rate of 7.8% (paying \$780 annually) for the same gift.

# Tax deduction example

Annual Payout	<b>\$4,200.00</b>
Ordinary Income	\$688.90
Tax Free Portion	\$1,755.55
Reportable Capital Gain Income	\$1,755.55
Charitable Deduction	<b>\$30,129.14</b>
Tax Advantage 24% Bracket	<b>\$7,230.99</b>
Payment Rate	4.2%

# Guaranteed Income in Retirement

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Guaranteed  
Income



Pensions



Social Security

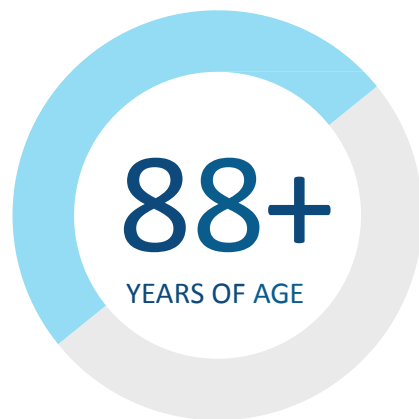


Annuities (CGA)

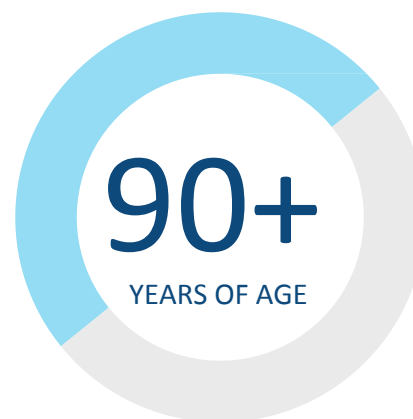
# We're All Living Longer

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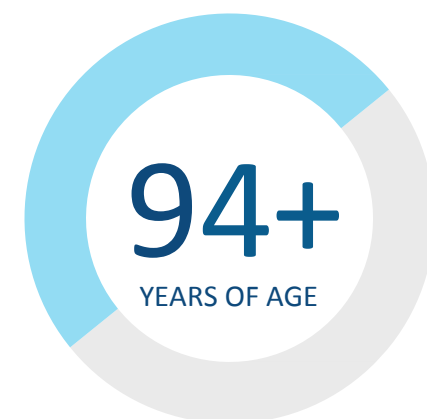
## The risk that you'll outlive your money



Single: 50% chance a  
65-year-old man will live  
beyond the age of 88



Single: 50% chance a  
65-year-old woman will  
live beyond the age of 90



Married: 50% chance  
one of them will live  
beyond the age of 94

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Plan for a retirement that could last 30 years or  
longer.

# To Retirement vs. Through Retirement

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Once you've retired, you switch from saving for retirement to spending in retirement. How you do it makes a big difference in how long your money lasts.

# Investing Time Frame

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When saving for retirement, your investing time frame is known.

When you switch to the distribution phase, time becomes a wildcard.



Time Horizon Known

Time Horizon Unknown



# Risk and Return

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Goal: Get the highest return on your money.

Goal: Generate the most income possible.



> Driving Force: Growth >

> Driving Force: Income >

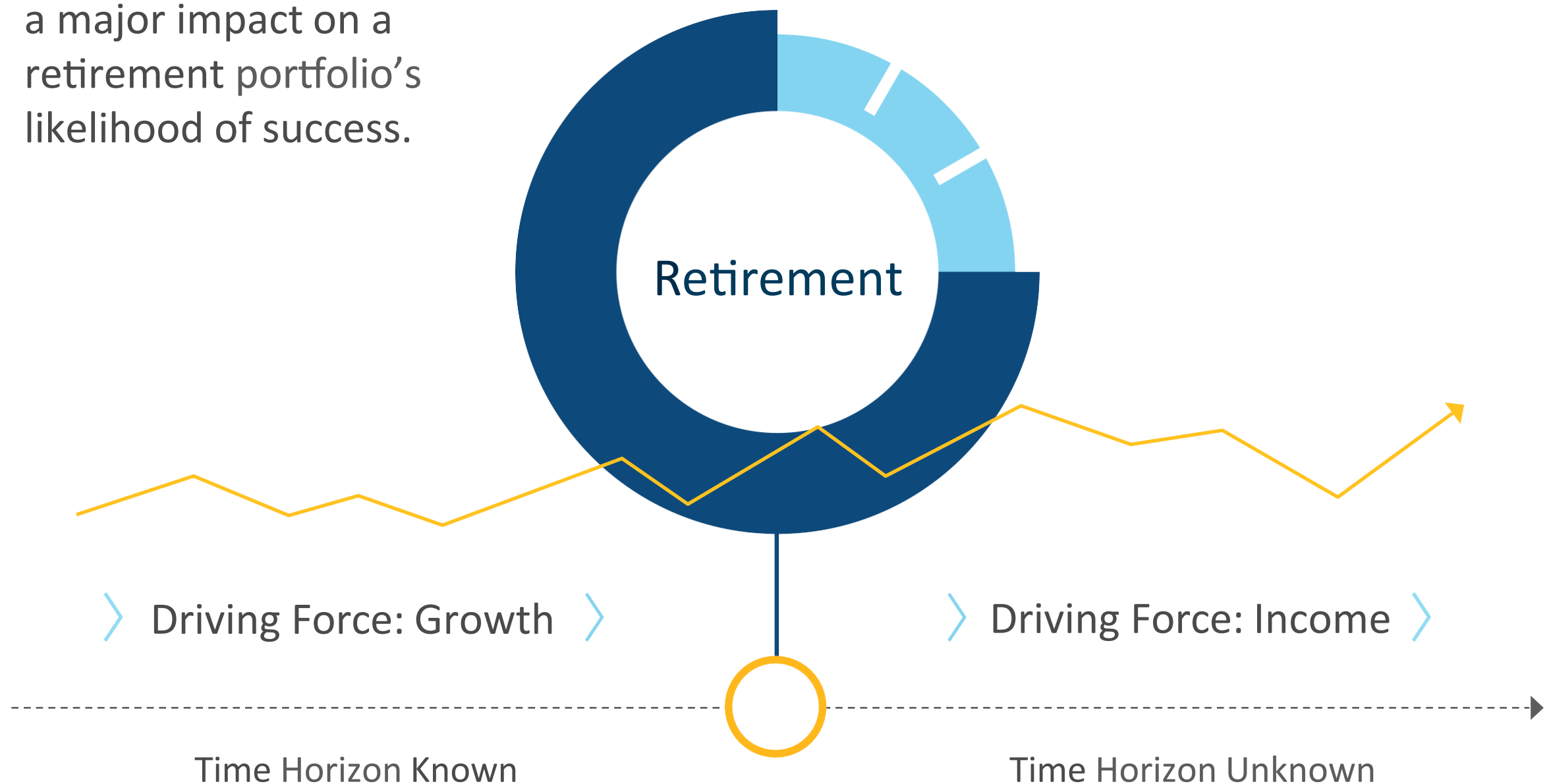
Time Horizon Known

Time Horizon Unknown

# Sequence of Returns

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Timing of losses can have a major impact on a retirement portfolio's likelihood of success.



# Sequence of Returns

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How it can affect your retirement

**\$500,000**

Retirement Plan Savings

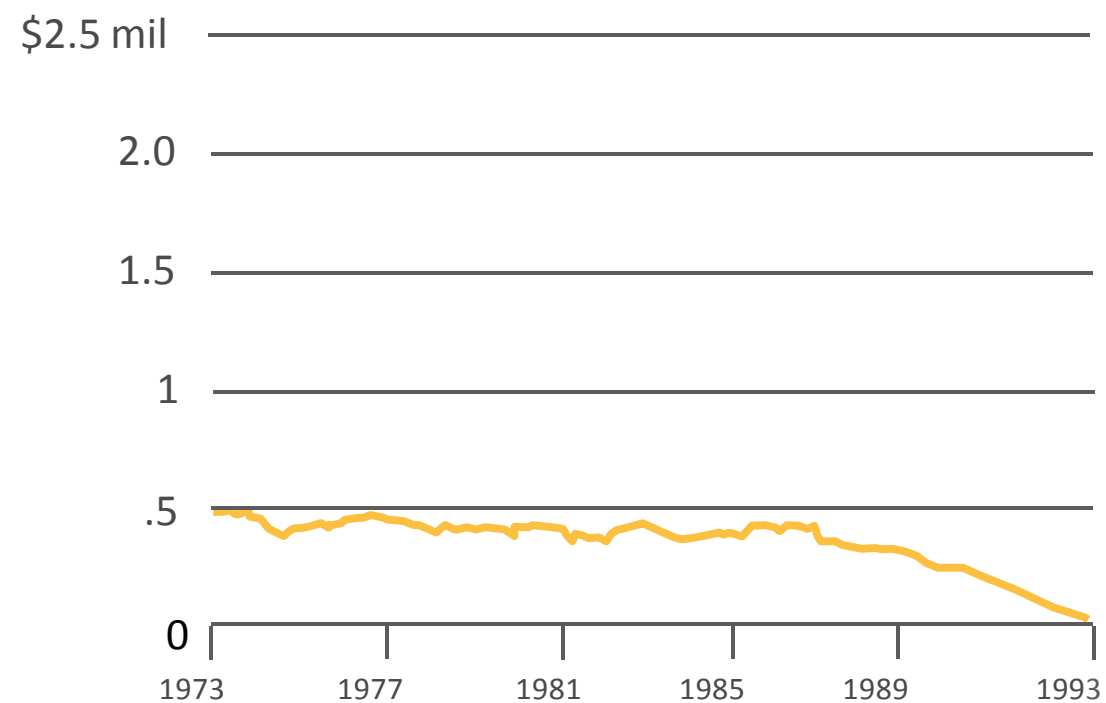
50% STOCKS | 50% BONDS

**5%** a year withdrawal  
starting January 1, 1973

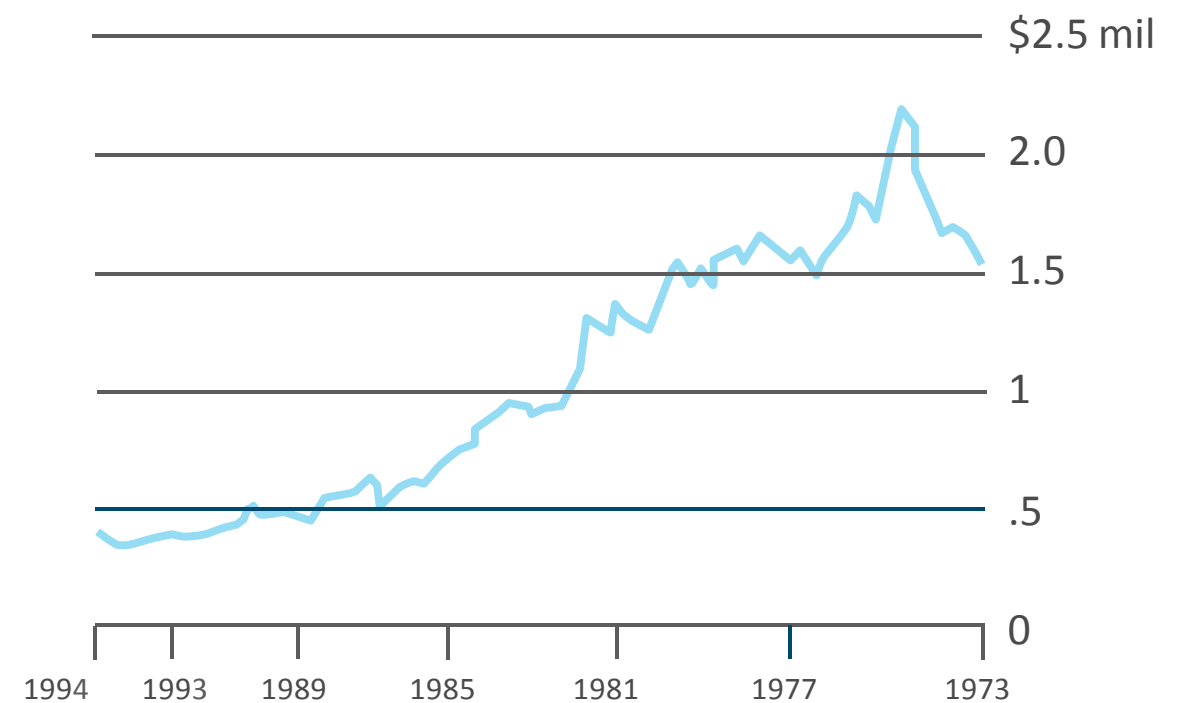
# Sequence of Returns

## How it can affect your retirement

Actual Historical Return Sequence



Reversed Actual Historical Return Sequence



# Creating Guaranteed Income for Life

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## Step 1: Visualize your retirement

- Where will I live?
- What hobbies will I spend my time on?
- Will I need to support family members?



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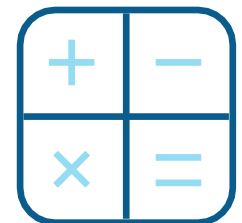
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## Step 2: Develop a retirement budget

- Identify essential and discretionary expenses
- Guaranteed income sources cover guaranteed expenses





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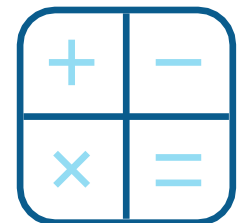
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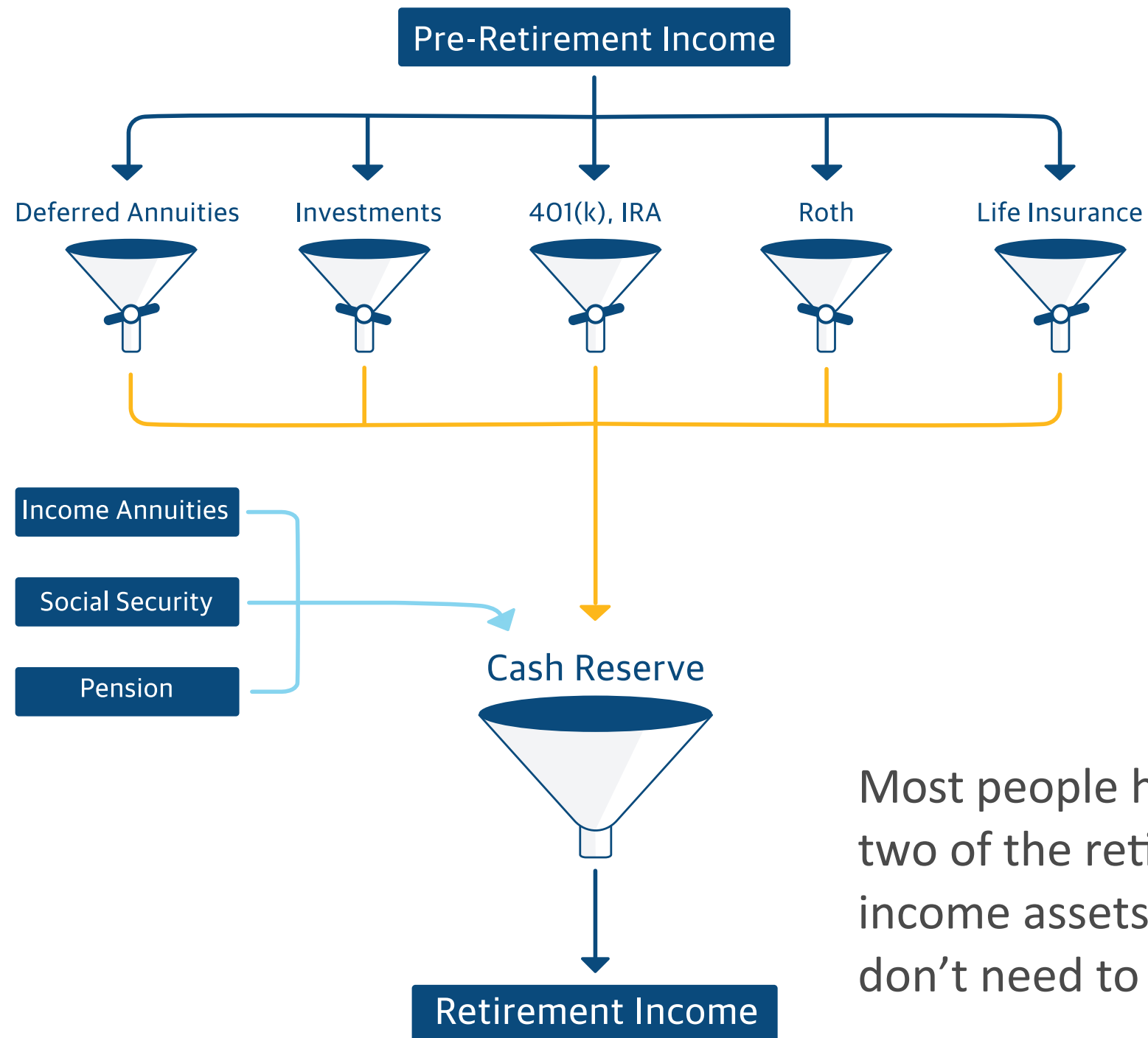
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## Step 3: Options for filling the gap

- Line up your essential expenses against income sources
- Identify possible sources of income

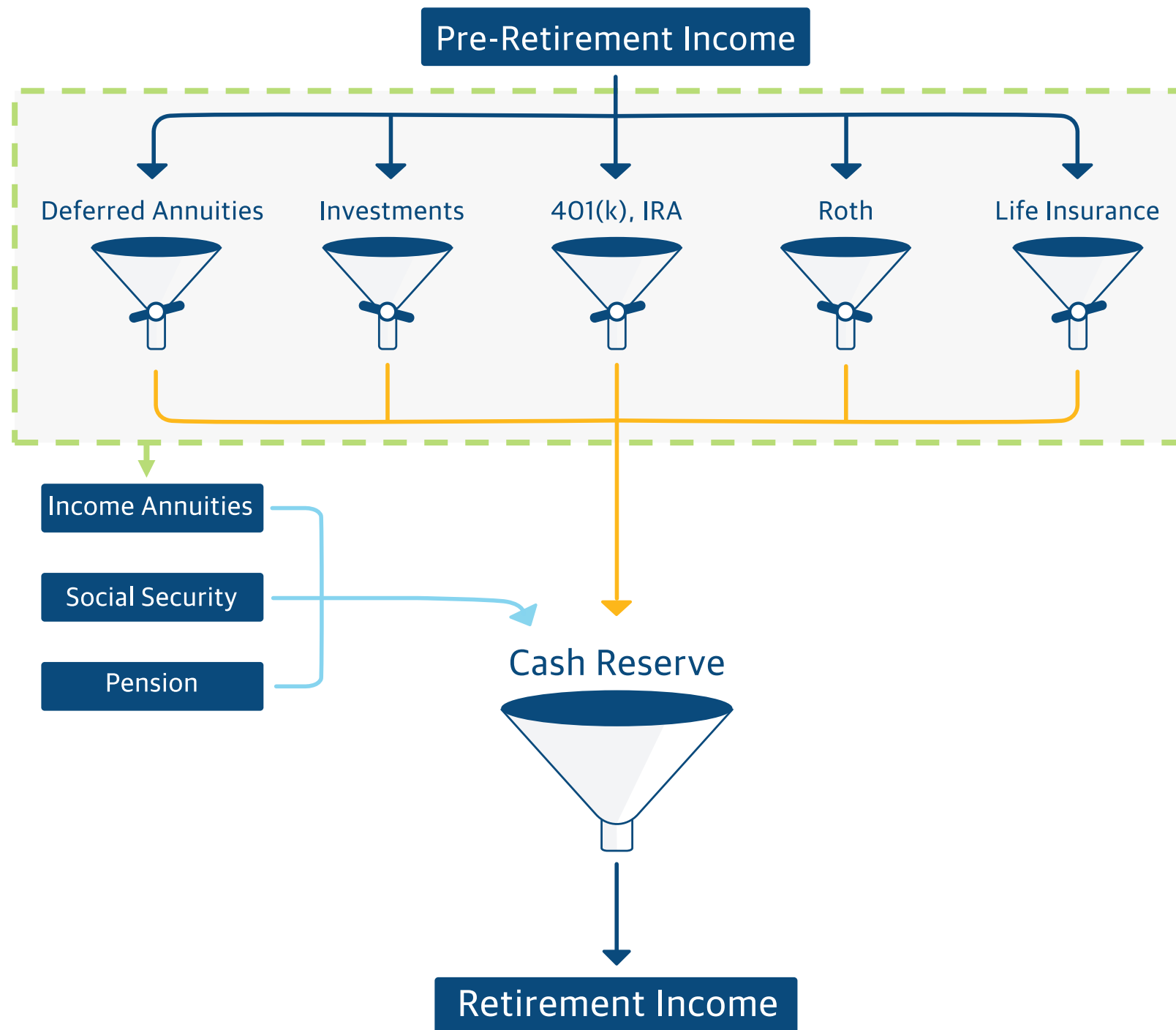


# Your Retirement Income



Most people have one or two of the retirement income assets shown; you don't need to have them all.

# Retirement Income and Taxes



# Questions?