



## A LEGACY OF HOPE

# The Charitable Gift Annuity

Giving is one of life's great satisfactions, especially when you know that your gifts help to improve the lives of others. Gifts of time, talent, courage, and financial resources all help Unitarian Universalist congregations to thrive. The Unitarian Universalist Association is charged to serve congregations and to advance the values, vision, and voice of our religious community. Cash donations to the UUA help us do this important work, as do deferred gifts such as charitable bequests, designations of retirement plan benefits, and other estate gifts.

Life income gift plans, including charitable gift annuities, also are important to our common future. They offer many benefits that can help you meet your current and long-term financial goals and help you give significant financial resources to support Unitarian Universalism after you are gone. The benefits are so good that some people find they can give more than they originally thought possible. For example, when you give to a charitable gift annuity plan, you can:

- Secure a guaranteed fixed income
- Enjoy some tax-free income
- Increase your income
- Provide for loved ones
- Enjoy a charitable income tax deduction
- Save capital gains taxes on gifts of highly appreciated stock
- Be a philanthropist for the future of Unitarian Universalism

### **What is a Charitable Gift Annuity?**

At its simplest, a charitable gift annuity (CGA) is a contractual agreement between the UUA and one or two donors. In exchange for a donation of \$5,000 or more, the Association promises two things:

1. to pay a fixed dollar amount to one or two people for as long as they live or for a set number of years; and, at the end of the contract,
2. to deliver what remains of the original gift to the charitable beneficiaries chosen by the donor(s) – usually the UUA, and a UU congregation.

For tax purposes, a CGA is technically a “bargain sale” arrangement; it is part charitable contribution and part purchase of an annuity. This type of life income gift offers some unique benefits in the taxable character of the payments made to annuitants.

### **Is there a minimum contribution?**

Yes, \$5,000 is the minimum gift. If you wish to name three charitable beneficiaries, a gift of \$10,000 or more is required.

### **Can my congregation benefit from my gift?**

Yes, any UU congregation, church, or fellowship in the U.S.A. may receive what remains of your gift. Districts, UU theological schools, camps and conference centers, or other UU entities may also be named. To help the Association to continue to provide this free service, we hope you will give at least 25% to the UUA, but you are free to give all or part of your gift to any UU entity.

### **Who may receive annuity payments?**

One or two people may be annuitants. Usually, donors are the annuitants, but some donors give the right to receive income to someone else, a loved one who needs a secure income, for instance. This may be a useful estate planning tool for non-traditional couples and families.

### **Tell me more about the payments.**

Calculated as a percentage of the donation, the annual payment amount is fixed when the gift is completed and it never changes. The rate of payment varies with each annuity gift contract depending on ages of the people receiving payments, the number of annuitants, the timing of the gift, and the date payments begin.

### **How is the rate of payment determined?**

The UUA uses the annuity rate tables prepared by the American Council on Gift Annuities. This non-profit group considers relevant financial, investment, and actuarial trends in setting payment rates for gift annuities. The Council strives to set rates that will preserve at least 50% of the gift over time and produce a good income to the annuitants. Here are a few examples of current rates:

<b>One Annuitant</b>		<b>Two Annuitants</b>	
<i>Age</i>	<i>Fixed Rate</i>	<i>Ages</i>	<i>Fixed Rate</i>
65	6.0%	60, 65	5.5%
70	6.5%	70, 70	5.9%
85	9.5%	81, 85	7.4%
90	11.3%	90, 93	9.8%

*As of November 2007*  
*To find out what rate you would receive, please visit the Gift Calculator at our gift planning website, [www.uua.org/giving](http://www.uua.org/giving).*  
*Rates are subject to change.*

### When are annuity checks sent?

Quarterly, at the end of March, June, September and December, State Street will send checks to your home address or wire payments directly to your bank account. Gifts made near the end of a quarter are held for a full quarter before any payment is issued; the first payment includes a pro-rated amount for the short quarter.

### Can I donate appreciated stock?

Yes. Publicly traded stock and mutual fund shares are great assets to donate for a gift annuity. A personal check payable to the UUA will work, too.

### Do I get a charitable deduction?

Yes. If you itemize, you may claim a charitable income tax deduction for a percentage of your gift, usually between 30% and 60%. Treasury tables set the percentage based on the number and ages of annuitants, the payment rate, and the applicable federal discount rate. Ask the UUA Legacy Gifts staff to estimate the tax benefits you might enjoy.

#### A Sample UUA Charitable Gift Annuity

(Funded in 2007)

Donor Annuitant	age 75
Amount donated	\$10,000
Fixed Annual Rate	7.1%
Annuity amount (7.1% x \$10,000)	\$710
Income tax deduction (46.8% of the donation)	\$4,688
Income tax savings (35% of the donation)	\$1,640
Net cost of the gift (\$10,000 minus \$1,640)	\$8,360
Effective rate of return (\$710 divided by \$8,360)	8.5%
Total projected income earned (2007-2019)	\$8,520
Projected total benefit to UU entities	\$11,700

*These figures are for illustrative purposes only.*

*Please contact us for figures that reflect your particular situation.*

### **How are annuity payments taxed?**

When you fund a CGA with a cash gift, part of your annuity is *tax-free* income—until you reach your life expectancy—and part is reportable as ordinary income. If you fund your CGA with a stock gift, then your annuity income will be part tax-free, part ordinary income, and part capital gains income. When you outlive the actuarial predictions, then all of your annuity is reportable as ordinary income. The more senior the annuitant, the greater the tax-free portion will be. Consider making cash contribution if tax-free income is a priority. If your tax bracket exceeds 20%, a gift of highly appreciated securities could provide additional tax relief.

### **Are there different payment options?**

Yes. You may choose to receive payments right now, defer them for a specific number of years, or defer the first payment and you decide when income payments begin, within a set range of years.

### **Does the rate go up if I delay payments?**

Yes. You may fund a deferred gift annuity, claim a charitable deduction now, and enjoy more income later. The longer you wait the higher the rate.

### **Who manages investments?**

The UUA and State Street Bank and Trust of Boston, MA are co-trustees of the UUA Segregated Annuity Reserve Fund. All gifts are added to this trust account and invested and managed separately from UUA institutional funds. The UUA Treasurer and Financial Advisor monitor investment performance and work with the bank to ensure that socially responsible investing is practiced.

### **May I see more financial information?**

Yes. Prior to completing a gift, every prospective donor receives full disclosure of the asset allocation and investment strategy of the Annuity Reserve Fund, administration and management policies, and historical performance of the investments. As of October 31, 2007, the Gift Annuity Reserve Fund held 304 charitable gift annuities, with a fair market value over \$8.2 million.

### **How will a CGA work for me?**

To request an estimate of benefits you might enjoy, please contact:

**Office of Legacy Gifts**  
**Unitarian Universalist Association**  
**25 Beacon Street**  
**Boston, MA 02108-2800**  
Toll-free: (888) 792-5885  
E-mail: [giftplans@uua.org](mailto:giftplans@uua.org)  
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