

# Charitable Gift Annuities

Giving through charitable gift annuities can be a very flexible way to make gifts to Clearbrook or your favorite charities, while at the same time providing a fixed income for life for you and/or others you choose. Charitable gift annuities are easy to establish and can be funded with gifts of relatively modest amounts. [See Example](#)



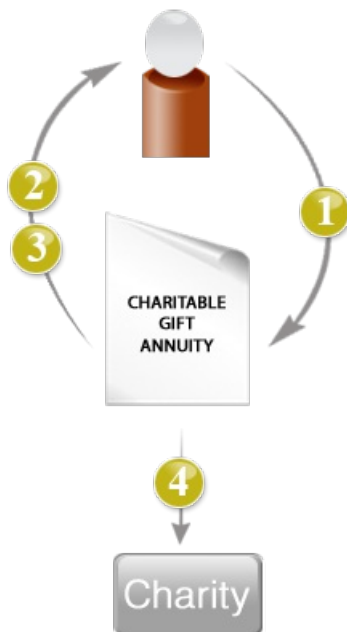
## Here's how a charitable gift annuity works:

- You transfer cash or other assets to the issuer, or the issuing charitable organization. This is accomplished through the completion of a simple agreement and can normally be handled by mail.
- You will receive fixed payments annually (or more frequently, if desired). The amount of your payment is fixed at the time your gift is funded, and the amount will not change with interest rate and investment market fluctuations.
- You may benefit from an immediate charitable income tax deduction for a portion of the amount used to fund your gift annuity, which may reduce your federal and/or state income tax.
- 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.

Many people 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. Additional tax savings may be possible through the reduction or delay in payment of capital gains taxes that might otherwise be owed if the donated property were sold.

## Example



1. Maureen Davis, age 70, will transfer assets valued at \$10,000 in exchange for a charitable gift annuity, which will provide payments for life.
2. The payments will be 5.6% of the gift amount annually, which is \$560 per year. For the first 15.9 years, approximately \$414 (about 74% of the payments) will be received income tax-free.
3. The gift will result in an immediate charitable income tax deduction of \$3,414. 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 Clearbrook or the charitable recipient to further its mission.

 [View Full Text Version](#)

The assumed date of transfer for this example is October 14, 2019. This example has used the September 2019 IRC Section 7520 discount rate of 2.2% to optimize the charitable deduction.

**NOTE:** This illustration 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 **5.6%**

Include the age for a second person (1/1/1940) and see the **two-life** rate for ages 70 and 80. Your rate for a two-life gift annuity will be **5.3%** and your income tax deduction will be \$3,094.

## 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 to charity or Clearbrook is completed now, and you enjoy an immediate income tax deduction for a portion of the amount donated. The payments do not begin immediately but are instead structured 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](#)

© Copyright 2019 by Sharpe Group. All Rights Reserved.

---

---

**Source URL (retrieved on 10/14/2019 - 06:06):** <https://clearbrook.givingplan.net/pp/charitable-gift-annuities/3108>