



Methodist
ElderCare Services

Strengthen Your Future With a Charitable Gift Annuity

Receive an Income for Life and Save on Taxes

The idea of a charitable gift annuity is nothing new, but its benefits will never grow old. In America, one of the oldest gift annuities dates back to 1843, when a Boston merchant donated money to the American Bible Society in exchange for a flow of payments. Today, a charitable gift annuity offers valuable tax benefits. But perhaps more valuable than the financial advantages is the satisfaction of helping continue the mission and good works of a charitable organization such as ours.

gift an·nu·i·ty

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a contractual agreement between a donor and a charitable organization in which the donor gives assets in exchange for the organization's promise to provide the donor with payments for life

Your donation is divided into two parts: an amount attributable to the charitable gift portion and the amount attributable to your gift annuity payments. If you itemize deductions on your tax return, savings from the charitable deduction of the gift portion reduce your gift's net cost.

If you fund your annuity with appreciated property rather than cash, you benefit even more because (1) the gain allocated to the gift portion completely eliminates capital gains taxes, and (2) the remaining portion of gain to be recognized can be spread over your estimated life expectancy (provided that you are the primary annuitant and the annuity interest is assignable only to the charity).

Understanding Annuity Rates

Based on life expectancy, older annuitants have higher annuity rates. As a result, gift annuity contracts are generally more appealing to older donors because the purchasing power of a fixed dollar amount can shrink over a long period of time. Rates also vary according to the number of annuitants, with rates for two-life contracts often lower because of the extended period of time that payments will likely be made.

annuitant

the person receiving the gift annuity payments



organization. Below you will see rates recommended by the American Council on Gift Annuities. Check with your estate planning attorney or our representative for current rates.

A Case Study of Benefits

Linda, 75, plans to donate a maturing \$10,000 certificate of deposit. Because she needs continuing income, she decides to give the cash in exchange for a one-life charitable gift annuity that we will issue at the suggested rate of 5.8 percent, or \$580 per year. At the time of the gift, the charitable midterm federal rate of interest (an IRS figure used in calculating the charitable deduction) is 1.4 percent.

Because Linda itemizes her tax deductions, she earns a federal income tax charitable deduction of \$4,216* (the amount of the \$10,000 donation attributable to the gift portion). With a marginal income tax bracket of 28 percent, the tax savings of \$1,181 will reduce the net cost of her gift to \$8,819.

The second advantage she will enjoy is that for the next 12 years, her life expectancy, \$482 of her \$580 payment will be considered a return of her charitable gift and will not be subject to income tax. The remaining \$98 is subject to ordinary income tax, which nets her \$285 in her marginal bracket for a net total of \$767 in after-tax income. In comparison, Linda would need a 8.7 percent return on the net cost of a fully taxable investment to produce the same \$767 of after-tax income, based on the net cost of the gift.

For more information, our representatives are available to answer any questions and provide projected results for your specific situation, in confidence and with no obligation.

Annuity Rates: One Recipient

Recipient's Age	Annuity Rate
55	4.0%
60	4.4%
65	4.7%
70	5.1%
75	5.8%
80	6.8%
85	7.8%
90+	9.0%

Annuity Rates: Two Recipients

Same Age	Annuity Rate
55	3.5%
60	3.9%
65	4.2%
70	4.6%
75	5.0%
80	5.7%
85	6.7%
90	8.2%

Different Ages	Annuity Rate
55/60	3.7%
60/65	4.0%
65/70	4.4%
70/75	4.8%
75/80	5.3%
80/85	6.1%
85/90	7.3%
90/95	8.8%

*Deductions will vary based on income earned.

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