



CAPE COD
HEALTHCARE
FOUNDATION

Planned Giving

An Investment in Cape Cod's Future

The Charitable Gift Annuity: 12 Ways It May Benefit You

1. Combines a gift with payments to you
2. Generates fixed, assured payments
3. Provides partly tax-free payments
4. Lowers income tax
5. Reduces capital-gain tax
6. Supplements retirement income
7. Possibly saves tax on social security benefits
8. Provides potential estate-tax savings
9. Allows you to provide income to others
10. Creates savings for nontaxable estates
11. Avoids management responsibilities
12. Provides satisfaction of supporting our mission

A gift annuity is one of the simplest yet most versatile of all the charitable gift-planning vehicles. It is often just the right answer for the charitable-planning objectives of both people of considerable wealth and those of modest means. Please see below for a description of the 12 ways that a contribution in exchange for a charitable gift annuity might address your needs.

1. Combines a gift with payments to you

A gift is not always just a gift. With a charitable gift annuity your contribution can return to you payments for life. In exchange for your gift, we promise to make payments for life at attractive rates based on your age and/or the age(s) of any other annuitant(s) at the time of the gift. The following table shows suggested rates at representative ages. *Please contact us for our minimum age and minimum gift requirements.*

Charitable Gift Annuity Rates

One annuitant		Two annuitants	
Age	Rate	Ages	Rate
65	5.7%	65-65	5.0%
70	6.3%	70-70	5.5%
75	7.0%	75-75	6.2%
80	8.1%	80-80	6.9%
85	9.1%	85-85	8.1%

2. Generates fixed, assured payments

Once you establish a gift annuity, the payments you and/or another annuitant receive are fixed for life. They will never go down if interest rates and stock values drop, and they are backed by the full faith and credit of our organization.

3. Provides partly tax-free payments

The rates for gift annuities are attractive, but the “effective rates” are actually even better! **Reason:** A significant portion of gift annuity payments may be treated as a tax-free return of capital for your life expectancy.

Example: Jim T, 75, decides to use \$100,000 from a maturing CD to make a gift to us in return for a gift annuity that pays him \$7,000 (7%) each year, \$5,047 of which is tax-free (for the duration of his life expectancy).

The taxable portion of the gift annuity payments is \$1,953. Since Jim’s tax bracket is 32%, the tax on his payments is \$625 (32% x 1,953). Thus his after-tax annuity payments total \$6,375. It would take \$9,375 of taxable income, taxed at 32%, to generate the same \$6,375 in today’s environment. It is virtually impossible to find fixed-income investments paying \$9,375 interest on \$100,000.

4. Lowers income tax

Charitable gift annuities also produce valuable tax deductions. Jim, in the example above, qualifies for a deduction of \$39,469, resulting in income-tax savings of approximately \$12,630. Those tax savings reduce Jim’s out-of-pocket cost for the gift annuity to \$87,370 (\$100,000 - \$12,630). **Note:** When Jim itemizes his deductions, the exact amount of charitable gifts he can claim will be his total contributions minus a floor, which is .5% of his adjusted gross income.

The following tables show both the tax deduction and the portion of income that is tax-free from a sample gift annuity funded with cash.

\$100,000 Gift Annuity				
One annuitant				
Age	Rate	Payout	Tax-Free Portion*	Charitable Deduction
65	5.7%	\$5,700	\$3,506	\$31,671
70	6.3%	\$6,300	\$4,215	\$34,713
75	7.0%	\$7,000	\$5,047	\$39,469
80	8.1%	\$8,100	\$6,221	\$44,023
85	9.1%	\$9,100	\$7,471	\$52,198
*For the life expectancy of the annuitant				
Two annuitants				
Ages	Rate	Payout	Tax-Free Portion*	Charitable Deduction
65-65	5.0%	\$5,000	\$2,920	\$28,411
70-70	5.5%	\$5,500	\$3,476	\$30,160
75-75	6.2%	\$6,200	\$4,222	\$32,434
80-80	6.9%	\$6,900	\$5,037	\$38,064
85-85	8.1%	\$8,100	\$6,269	\$42,935
*For the life expectancy of the annuitants				

5. Reduces capital-gain tax

If you have highly appreciated stock and are considering selling it, be aware that capital-gain tax could take a significant bite out of your paper profit. For that reason, many of our donors have used such stock instead of cash to fund a charitable gift annuity.

Assume Mary G, also aged 75, bought stock years ago for \$25,000 and it is now worth \$50,000. If she sold the stock, she would realize a long-term capital gain of \$25,000 and could owe federal capital-gain tax of \$3,750 or even more if the gain is taxed at a rate higher than 15%. However, if Mary uses the stock to fund a charitable gift annuity with us that pays her \$3,500 per year, she will be entitled to a tax deduction



of \$19,735. She will also avoid recognizing and paying tax on the portion of the gain attributable to the charitable deduction, namely \$15,133 of the gain.

Even the taxable portion of the gain would be spread equally over the remainder of her life expectancy. In this case, over the next 12 years \$1,262 of Mary's annuity income will be taxed as capital gain each year.

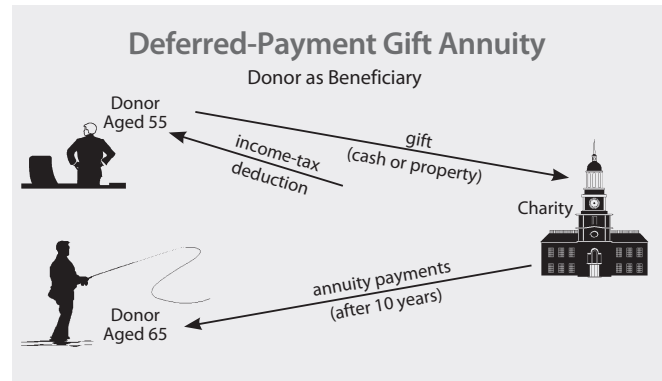
Note: Generally, the tax rates on capital-gain income are lower than ordinary-income tax rates. The amount of gain Mary is taxed on each year reduces the portion of her payments that would have otherwise been tax-free.

6. Supplements retirement income

Retirement-planning options, such as traditional and Roth IRAs, are available to nearly everyone. Many employers offer company-sponsored retirement plans, and there are plans specifically for people who are self-employed.

All of us want to have a financially secure retirement, but qualified retirement plans limit how much you can contribute in any given year. What if you have reached the maximum contribution level for the traditional planning options open to you and you would like still more retirement income? Are there any other tax-advantaged options?

The answer is yes, and one way is through the strategic use of charitable gift annuities: In addition to the *immediate* gift annuity that starts making payments right away, you can create a *deferred* gift annuity that will start paying you at a predetermined point in the future—such as when you reach your anticipated retirement age.



When you defer the receipt of your income payments, two very positive things happen:

- The amount of the income you eventually receive increases significantly—and the longer you defer the income, the more it increases.
- The amount of the charitable deduction generated by the contribution may also increase.

Example: Donald M, 57, is a successful business owner making maximum allowable contributions to traditional retirement plans. He would still like to do more to generate retirement income—particularly if there is a way to achieve added tax advantages in the process.

Because Donald would also like to find a significant way to support our work, he decides on a plan to contribute \$25,000 for each of the next ten years in exchange for a series of deferred gift annuities that will begin making payments to him when he reaches the age of 67—though he may alter or discontinue the contributions at any time.

Donald's first \$25,000 contribution will fund an annuity that will be deferred for ten years. That annuity will eventually pay him \$2,250—or 9%—each year and will generate a current tax deduction of \$10,000. Cumulatively over the next ten years Donald will make



total contributions of \$250,000, resulting in annual retirement income of \$18,375 beginning at the age of 67 and entitling him to \$96,678 in deductions. In Donald's 32% federal tax bracket, those deductions will generate approximately \$30,937 in tax savings. (These numbers are based on current gift annuity rates and an assumed IRS discount rate of 4.4% remaining constant. The exact amount Donald can claim as a charitable deduction each tax year depends on two factors: the total amount of his charitable gifts for each year and his yearly adjusted gross income.)

7. Possibly saves tax on social security benefits

It is important to know that all *income*—even tax-exempt income—counts when calculating the portion of social security benefits that is subject to tax. Depending on your income and filing status, up to 85% of your social security benefits can be subject to federal income tax.

However, a substantial portion of the payments you receive is tax-free, and that tax-free portion is not *income*. It is a tax-free return of the principal that you are deemed to have "invested" in the gift annuity. Therefore, less of your social security benefits may be subject to federal income tax.

8. Provides potential estate-tax savings

In addition to making a gift annuity contribution to support our work during your lifetime, you may create a gift annuity for the benefit of a survivor by way of a provision in your will or trust. Instead of an *income-tax* deduction, your gross estate will be reduced by the amount of the deductible portion of the gift annuity for federal *estate-tax* purposes.

Example: Helen B has an estate valued at \$16 million, which is above the 2026 federal estate-tax exemption of \$15 million. The state in which she resides does not

have a state estate tax. In her will she directs \$1 million to us in exchange for a charitable gift annuity for her son Gene, who is aged 64 at the time of her death. The annuity will pay Gene \$56,000 each year for the rest of his life.

Helen's estate is entitled to a \$311,250 deduction as a result of the gift. This saves \$124,500 of federal estate tax. If her estate had been below the \$15 million exemption, the gift would not have resulted in federal estate-tax savings—but it would still have been a good way to provide a fixed amount to her son and make a charitable gift.

9. Allows you to provide income to others

Gift annuity payments may be made to one or two annuitants. While many gift annuities are established to make payments to the donor or to the donor and a spouse, they can be payable to others—perhaps another family member or a special friend. Thereby, you provide supplemental income to that person while supporting our work.

One creative use of a gift annuity is to help support a family member in a lower tax bracket while providing important support for our work.

Example: Dick and Emily P have been helping Emily's mother Ruth, 84, with her expenses at a retirement home. In their 35% federal tax bracket, Dick and Emily have to earn more than \$18,000 annually pre-tax to provide the \$12,000 annually after-tax they are currently paying for Ruth's care.

Rather than continue making these payments with after-tax interest from CDs and bonds, they decide to contribute \$170,000 of bonds and maturing CDs for a gift annuity that will pay Ruth \$15,130 per year (\$1,261 per month). The bonds and CDs that Dick and Emily contribute are currently paying about \$6,000 per year in taxable interest.

Here is how their cash flow increases:

Loss of interest income they had been receiving from the bonds and CDs	\$ 6,000
Savings from elimination of payments to Ruth	\$ 12,000
Increase each year in Dick and Emily’s annual cash flow	\$ 6,000
Approximate income-tax savings (deduction of \$84,036 x 35% tax rate)	\$29,413

Only \$3,510 of the annual annuity payments is taxable to Ruth and her tax rate is only 12%, so the tax she pays is only \$421. That leaves a net income of \$14,709 (\$15,130 - \$421). Thus her after-tax income is larger than the direct subsidy she had been receiving.

She is also pleased that Dick and Emily consulted with her and that together they decide that whatever remains of the contribution for the gift annuity be used to establish an endowment in the names of her and her late husband.

Note: When a gift annuity is established for an annuitant other than the donor and/or the donor’s spouse, the present value of the annuity may be subject to gift tax. Their annual gift- and estate-tax exemptions would normally be available to offset any gift or estate tax. Except for very high-net-worth individuals, the federal gift tax will not be a concern.

10. Creates savings for nontaxable estates

If you are contemplating a gift to us at your death—known as a testamentary gift—your gift may or may not result in any federal estate-tax savings, depending on the size of your taxable estate and the estate-tax exemption in effect at the time (\$15 million in 2026). You may find that a contribution during your lifetime in exchange for a gift annuity will produce better tax results than will waiting to make an outright gift at your death.

If your estate is not subject to federal estate tax, a testamentary gift will produce no estate-tax savings. On the other hand, if you make a contribution now in exchange for a gift annuity, you will be able to take advantage of valuable income-tax savings.

Even if you do expect your estate to be subject to federal estate tax, making a contribution for a gift annuity during your lifetime may produce better overall benefits for you and your beneficiaries.

The following example shows how establishing a lifetime gift annuity can increase the assets in your estate, leaving more for your heirs.

Example: Jerry H, 80, has an estate of approximately \$6 million and intends to leave \$500,000 to us in his will. When he realized that a gift annuity would provide a lifetime source of income and generate significant income-tax savings, he decided to give us those funds in cash this year in exchange for an annuity that will pay him \$40,500 each year for life—\$31,104 of which will be tax-free for the remainder of his life expectancy. This gift generates a deduction of \$220,115 and saves Jerry approximately \$77,040 in his 35% federal income-tax bracket. The exact amount he can claim as a charitable deduction depends on two factors: the total amount of his charitable gifts (including the deduction described here) and his adjusted gross income.

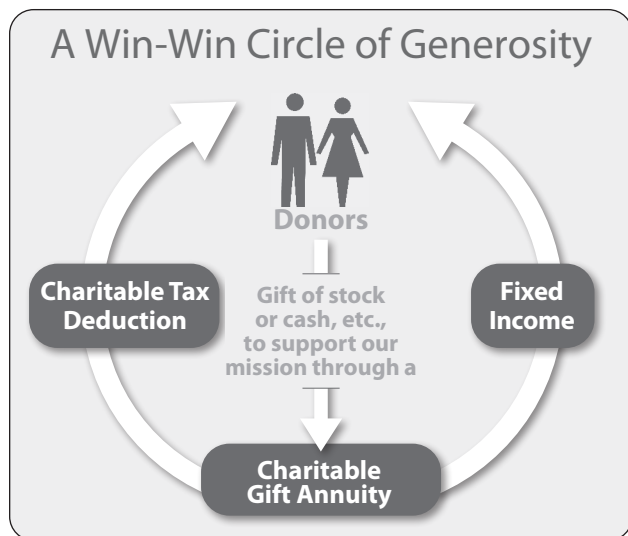
If Jerry had retained all of his assets and left a bequest of \$500,000 to us in his will, as originally intended, the bequest would have qualified for an estate-tax charitable deduction—but there would have been no federal estate-tax savings because his total estate is less than the federal exempted amount, and he lives in a state without a state estate tax.

Note: By making the gift during his lifetime, he realizes significant income-tax savings—which are added to his estate and also increase his cash flow.

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11. Avoids management responsibilities

All traditional investments require some degree of management. At one end of the spectrum, investing in commodities or options usually demands daily—if not hourly—attention. Even at the other end of the spectrum, investing in something as simple as a CD requires vigilance—you need to shop for the best return and term combination to fit your objectives.

Because the amount of return from a charitable gift annuity is fixed, you have one less thing to worry about. We bear all the investment responsibility and risk, but **your gift annuity payments are guaranteed for life.**

12. Provides the satisfaction of supporting our mission

One of the primary joys of giving is the satisfaction of knowing you have made a meaningful contribution to a worthy cause. It is easy to feel that you may have to defer that satisfaction, particularly if you need income from all of your assets to meet the cash-flow demands of your lifestyle.

A charitable gift annuity is a wonderful way to address both personal and charitable goals. As we have seen, a gift annuity may allow you to maintain a stream of income generated by your assets and even increase it due to:

- The attractive rates on gift annuities.
- Sizable charitable tax deductions.
- A substantial portion of the payments you receive being free from income tax.

While you enjoy the benefits of the income stream from your gift annuity, you can also take pride in knowing that you have made a meaningful contribution that will help advance our mission. It is easy to see why so many of our friends have found a gift annuity to be a win-win proposition.

Have Questions? Ask Us.

We hope this guide has given you a better idea of the many ways you can benefit from a charitable gift annuity. Please contact us with your questions about how to create a gift annuity or how a gift annuity may address your planning needs. We welcome the chance to talk with you.

The information contained herein is offered for general informational and educational purposes. The figures cited are accurate at the time of writing. State law may affect the results illustrated. This is not legal advice. Any prospective donor should seek the advice of a qualified estate and/or tax professional to determine the consequences of their gift. **Annuities are subject to regulation by the State of California. Payments under such agreements, however, are not protected or otherwise guaranteed by any government agency or the California Life and Health Insurance Guarantee Association.** A charitable gift annuity is not regulated by the Oklahoma Insurance Department and is not protected by a guaranty association affiliated with the Oklahoma Insurance Department. **Charitable gift annuities are not regulated by and are not under the jurisdiction of the South Dakota Division of Insurance.**



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