

Case Study

CHARITABLE GIFT ANNUITIES

Charitable Planned Giving

Fixed Annuity Payment

With a gift annuity, you transfer property — usually cash or securities — to a nonprofit organization, which in turn promises to make annual payments to you and/or a designated beneficiary. The amount of the charitable gift annuity payment is based on a fixed percentage of the original value of your gift. Establishing a gift annuity can provide you with immediate tax benefits and a fixed annuity payment. When your gift annuity is terminated, the nonprofit organization receives the remaining value.

Profile of a Charitable Gift Annuity Donor

A contribution through a gift annuity is an excellent way to fulfill your desire to support a favorite nonprofit organization while aiming to meet your requirements for current or future income. Compared with other planned giving options, many charities accept gift annuities with lower minimums.

A charitable gift annuity may be appropriate for donors who:

- Could benefit from an immediate charitable income tax deduction and who seek to secure income for retirement
- Have highly appreciated securities
- Want to make a significant charitable gift without giving up income
- Want the intangible benefits of supporting a nonprofit organization that is important to them

Potential Benefits

- Enjoy a fixed annuity payment for life
- Receive immediate tax deductions
- Benefit from partially tax-free income
- Defer capital gains taxes
- Reduce estate tax liability

Financial Planning Considerations

Contributing to a charitable gift annuity offers donors a number of potential financial advantages.

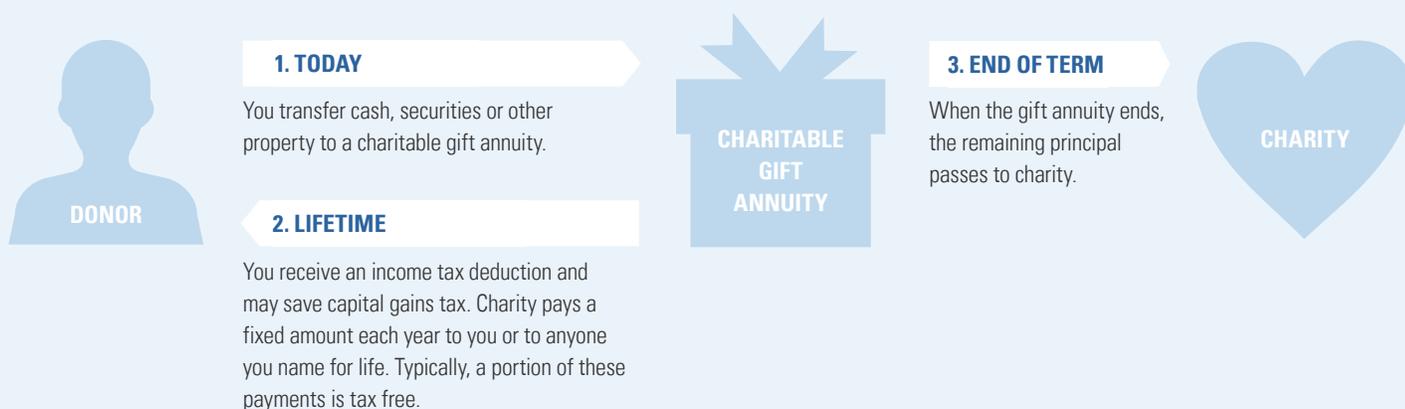
Income Tax Deduction

A gift of this type allows you to take a charitable income tax deduction in the year you make the gift. The amount of the deduction varies, depending on the payment schedule, the ages of the designated beneficiaries and the current IRS discount rate. You may carry forward, for up to five years, any portion of the deduction you were not able to claim in the first year.

Fixed Payment

Through contributions to a gift annuity you arrange — for yourself and/or your beneficiary — a fixed payment as the annuity payment is now an obligation of the nonprofit, backed by its endowment. Depending on the type of asset you contribute, the annual income you receive might be classified as tax free, taxed at the capital gains rate or ordinary income. However, if a beneficiary other than the spouse is named, the donor may owe gift taxes on the income received by the beneficiary. Gifts to charitable gift annuities also help reduce your estate tax liability by removing assets from your estate.

How It Works



Types of Charitable Gift Annuities

If you elect to make a charitable contribution with a gift annuity, you may choose between an immediate gift annuity and a deferred gift annuity.

Immediate Gift Annuity

The amount of the immediate gift annuity payment is based on a fixed percentage of the market value of your original gift. The percentage is determined by the age of the income beneficiary or annuitant. Most charities follow the rates recommended by the American Council on Gift Annuities. Payments start in the year the gift is made.

Deferred Gift Annuity

The deferred gift annuity offers the same fixed payments as the immediate gift annuity – with one important difference. You may elect to postpone payments from your gift until some future date when you may require the payments to maintain or supplement your income level. The amount of the deferred gift annuity payment will be based on the value of your gift, your age at the time payments will begin and the length of time over which payments are deferred.

One of the most common ways to use a deferred gift annuity is to combine the benefits of a retirement plan with the immediate tax benefits of charitable giving. Income can be deferred and income taxes reduced during a period when you are very likely at the peak of your earning power. At a later time – perhaps upon retirement – the deferred charitable gift annuity will provide fixed payments for the rest of your life.

Important Issues

With a gift annuity, your assets are irrevocably transferred to the nonprofit organization. They are never returned to your family or heirs. Before making such a gift, it is important to consider the effect this might have on your family's financial circumstances over the long-term. A charitable gift annuity is a contract between the charity and the donor.

The payments promised under a gift annuity are a legal obligation of the charity. Thus, unlike gifts in trust, the assets of the charity are backing up the payment obligation. Because the charity is contractually obligated to make the annuity payment it is prudent to select a well funded and well run charitable organization. Always consult with your legal and financial advisors before making a planned gift.

About State Street

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with nearly US \$2.9 trillion* under our care.

*AUM reflects approximately \$35.96 billion USD (as of June 30, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

About Charitable Asset Management

We provide consultative and customized planned gift investment management, tax and administration solutions for charitable organizations. Established in 1984, we are a boutique group within State Street Global Advisors dedicated to serving nonprofit organizations and their donors. Today, our planned gift specialists work with over 200 charities and manage in excess of \$3 billion in planned gift assets for more than 34,000 donors and beneficiaries.¹ Our charitable clients include colleges, universities, foundations, private schools and hospitals as well as cultural, environmental and religious organizations.

¹ As of 06/30/2019.

Learn More

Contact us for turnkey solutions so you can achieve your mission.

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