

## CHARITABLE GIFT ANNUITIES



### *Fixed income that can't be outlived*

In 1831 when he was 75, American painter John Trumbull created the first charitable gift annuity in the United States with Yale College. Trumbull graduated from Harvard and served as an aide to Gen. George Washington, and later gained fame for his Revolutionary War paintings that hang in the U.S. Capitol Rotunda.

In spite of his prominence and fame, Trumbull was rich in paintings but poor in his pocketbook — widowed and without an income to support himself. Trumbull's niece was married to Yale's first science professor Benjamin Silliman, and through that connection Trumbull came to donate his paintings to Yale in exchange for a "competent annuity for the remainder of my life."

This gift represents the first of what would become the second-most popular planned gift besides bequests, the **charitable gift annuity**.

The same conditions faced by John Trumbull are what drive interest in charitable gift annuities today: the desire for stable income that can't be outlived, and to do something useful and philanthropic with accumulated assets.



*General George Washington at Trenton* by artist John Trumbull (1756-1843), Yale University Art Gallery. This 1792 painting was among a collection of 100 works that Trumbull donated to Yale in 1831 in exchange for a \$1,000 annuity.

### What is a Charitable Gift Annuity?

A charitable gift annuity (CGA) is a simple contract in which a charity agrees to pay fixed lifetime income to one or two individuals in exchange for a gift. The payout rate is determined by the age of the annuitants and the rate recommended by the American Council on Gift Annuities. After the lifetime income is paid, the remainder of the annuity goes to the charity for whatever purpose is designated by the donor.

### Security — Philanthropy — Tax Savings

Beyond the fixed stable income and knowing they are supporting a cause they care about, CGA donors earn several tax benefits upfront and along the way.

- Donations to a CGA qualify for an immediate charitable deduction.
- Annuity payments are partially tax-free income.
- If the CGA is funded with appreciated stock, the tax on capital gains is spread out over the lifetime of the annuitant.

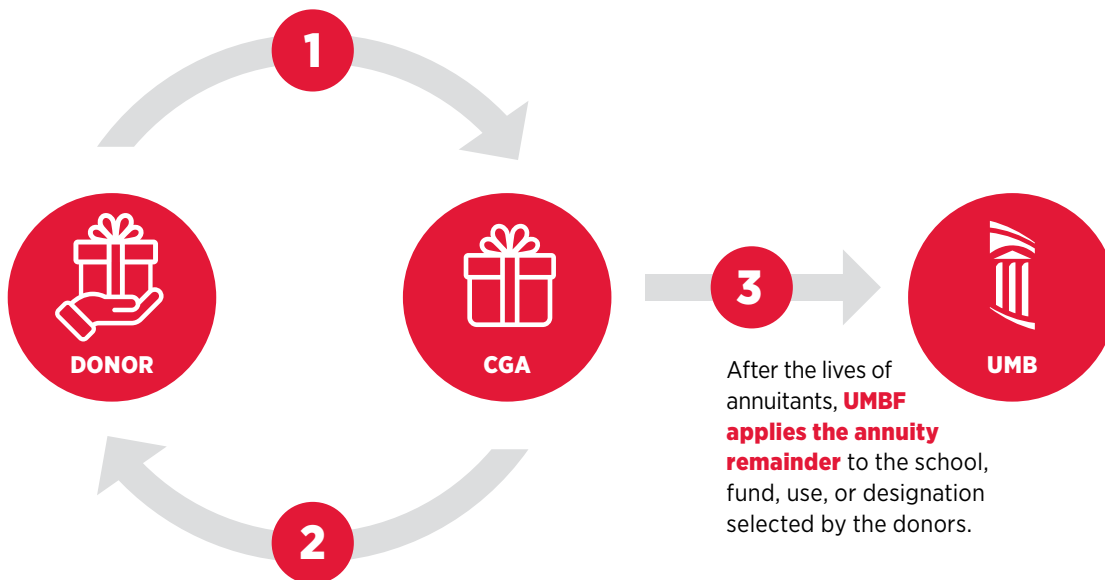
### CGA Income Rates for 2024

Age of Annuitant	Rate	Ages of Annuitants	Rate
65	5.7%	65 and 65	5.0%
70	6.3%	70 and 70	5.5%
75	7.0%	75 and 75	6.2%
80	8.1%	80 and 80	6.9%
85	9.1%	85 and 85	8.1%
90+	10.1%	90 and 90	9.8%

*\*As of Jan. 1, 2024*

### CGA Diagram — How It Works

**Donors establish a CGA with UMBF**, selecting income recipients and date on or after when income begins, with a gift of \$10,000 or greater. Donors receive an immediate charitable deduction equal to the remainder value of the annuity.



**UMBf pays fixed lifetime income** according to age of recipients when payments begin.

CGAs can be established at the University of Maryland Baltimore Foundation (UMBF) with a gift of \$10,000 or greater in cash, appreciated securities, or other liquid assets, by donors in all U.S. states except Hawaii and Washington.

### *Deferred and Flexible Gift Annuities*

Although annuity income usually starts immediately, deferring the start of income to a future date increases both the payout rate and the charitable deduction. Donors can either postpone payments to start on a specific future date, or they can leave themselves the flexibility to decide later when the income should begin.

The only difference between deferred charitable gift annuities (DCGA) and flexible gift annuities is when the income starts, with both starting income in the future. DCGAs start income on a certain date at a certain rate; flexible gift annuities allow the income recipient to later select the start of income, with the annuity paying a higher rate the later the election is made.

#### **Deferred and Flexible CGA Income Rates (with first payment beginning at age 75)**

Age of Annuitant	Rate if Started at Age 70	Ages of Annuitants	Rate if Started at Age 70
60	13.2%	60 and 60	11.4%
62	12.1%	62 and 62	10.5%
65	10.7%	65 and 65	9.3%
68	10.1%	68 and 68	8.2%
70	8.7%	70 and 70	7.5%

*\*As of Jan. 1, 2024*

### *Glossary*

CGA = charitable gift annuity

Immediate CGA = an annuity where the income starts immediately

Deferred CGA (DCGA) = an annuity where the income starts on a certain future date

Flexible CGA = an annuity where the donor later can select the date when the income starts, with the rate adjusting upward the longer the deferral

ACGA = American Council on Gift Annuities, the organization that sets CGA payout rates followed by charities nationwide

Section 7520 rate = Discount rate set monthly by the IRS, used to calculate the charitable deduction for income tax purposes

For additional information or to receive an illustration tailored to your situation, please contact UMB's Office of Planned Giving.

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*This publication is not intended to provide legal, tax, investment, or other professional advice, and should not be relied upon for such advice. In advance of any charitable gift plan, we encourage you to seek the advice of legal, tax, and investment professionals.*

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