

Exploring Gift Annuities

Understanding the Basics



Generally accepted wisdom is not always the best advice. Take the maxim that “*A bird in the hand is worth two in the bush.*” It implies that holding onto something, having it in your hands, is generally better than the prospect of having even more. When it comes to financial matters, some choose to place great stock in the wisdom of this little proverb. But as this booklet will show, there is a way to make a financial gift and actually gain something substantial in return – benefits that are the direct result of letting go of something, rather than holding onto it.

Another maxim worth reexamining: if you give away something, you have less for yourself. Actually there are ways to give to important charities such as ours and, at the same time, increase your current income. Careful planning combined with prudent investing can increase the resources available for both you and your favorite charities.

One gift plan that allows you to give away something and have more without high risk is the charitable gift annuity. Certainly, a gift annuity can provide you with very attractive

fixed payments and those payments are backed by our general assets. You receive your income stream on a regular basis for the rest of your life, yet your gift also supports our work.

Little wonder that the charitable gift annuity has become one of our most popular gift plans. In this brochure we address some of the most frequently asked questions about the charitable gift annuity and how it might benefit you.

What Is a Charitable Gift Annuity?

A charitable gift annuity is part charitable gift and part annuity. At the time you fund your gift annuity, we agree to pay you and/or another beneficiary a percentage of the gift amount over your designated beneficiary's lifetime(s).

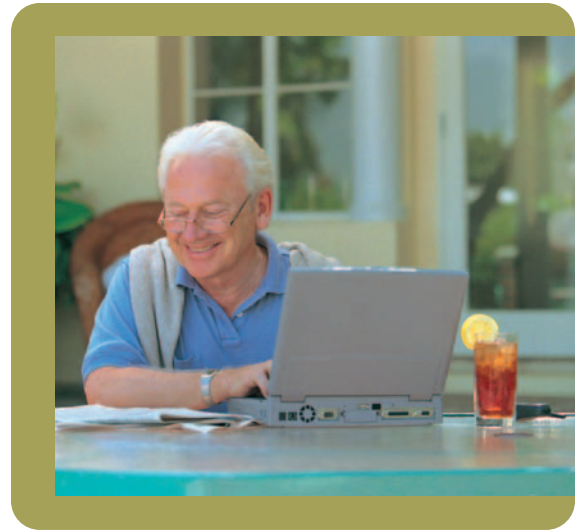
What Payout Rate Can I Expect?

The payout rate depends on several factors. The most important is the age of the annuitant (the person who receives the annuity payments). Another important factor is whether the income is to be paid for one or two lifetimes. Below are some examples of payout rates that you might expect to receive from a charitable gift annuity.

SAMPLE GIFT ANNUITY RATES

Single Life		Two Lives	
AGE	RATE%	AGE	RATE%
65	6.0	65 & 62	5.6
70	6.5	68 & 65	5.7
75	7.1	72 & 70	6.0
80	8.0	75 & 72	6.2
85	9.5	80 & 77	6.7
90	11.3	85 & 82	7.5

NOTE: Charitable gift annuity rates are subject to change. Please call our office for the latest rates, or for the rate for your actual age(s).



Why Has the Charitable Gift Annuity Become So Popular?

First, it gives many people the opportunity to make a meaningful gift that might not otherwise be possible. The minimum gift requirement is quite modest. What's more, donors like the idea of being able to benefit themselves while benefiting their favorite charities. Often they are able to increase their fixed income, save taxes up front and, at the same time, support charitable causes in which they believe.

Example: Madge Templeton, who is 80 and financially conservative, still has much of her savings in money market funds, which are paying a disappointing return. After learning about the charitable gift annuity, she found out that, at her age, she could receive an 8% return for the rest of her life. By making a \$20,000 cash contribution, she now receives \$1,600 annually. That's compared to the \$200 she would have received from her money market funds. Moreover, about \$1,094 of her payment is tax free until she reaches her life expectancy, and she receives an income tax charitable deduction of about \$9,700 in the year of her gift. A long-time annual giver, Madge is pleased to know that her gift will ultimately go to our endowment fund which, in effect, will continue her annual gifts long after she is gone. She is so happy with this win/win arrangement that she is thinking about doing another charitable gift annuity next year. (Example assumes 4.8% AFR.)

What Assets Can I Use to Fund My Charitable Gift Annuity?

Most people use cash or long-term appreciated property to set up gift annuities. We will be happy to help you select the asset that will produce the best financial and tax benefits for you.



What Are My Tax Benefits?

You have three potential tax benefits. First, at the time you set up your gift annuity, you will enjoy a generous income tax charitable deduction. Your deduction will be based on a calculation of the present value of our interest. Second, a portion of the income payments may be tax free until you reach your life expectancy (after which the payments are all ordinary income). How much of your income will be tax free depends on your age and the asset you use to fund the annuity. Finally, if you use an appreciated asset to fund your charitable gift annuity, you can spread out your capital gains tax liability while converting a highly appreciated, low-yielding asset into an attractive fixed income stream. When you fund a gift annuity with an appreciated asset such as stock, part of your income will be taxed as long-term capital gain, part as ordinary income and part will be tax free.

We can provide you with illustrations that spell out your expected tax and financial benefits so that you can see exactly how a gift annuity might work in your particular situation. There is no obligation for this service. After you establish your gift annuity, we will provide you with all the correct tax information each year so you will never have to do the calculations yourself.

Can I Make Additional Contributions to My Charitable Gift Annuity?

No, a charitable gift annuity does not permit additional contributions. However, since gift annuities are so easy to set up, you can always establish a new one. Indeed, some of our donors “ladder” their gift annuities to “dollar average” their payout rates.

Can I Withdraw the Funds I Contribute for An Emergency Such as Health Care Expenses?

No. Your contribution to establish a gift annuity is irrevocable. The amount you transfer to the charity cannot be returned to you, except in the form of the annuity payments.

How Many Beneficiaries Can I Have?

Charitable gift annuities permit up to two beneficiaries. Most gift annuities are for a single life – usually that of the donor or the donor’s spouse. Most two-life annuities are for husband and wife. There are other arrangements that you may want to explore. But you will want to check with us and your tax advisers to consider the tax implications.

Can I Name More Than One Charity as a Beneficiary?

No, a charitable gift annuity is a contractual arrangement between you and our organization. We have had good experiences with gift annuities and a consistent record of thoughtful stewardship.

Can I Defer My Income to a Later Date, Such as Retirement?

Yes, you can. Many of our donors are still working. Others have an income stream that will last for a few years, perhaps from a contract sale of real estate or from a deferred compensation plan. If you do not need to increase your current income, you can choose to have your annuity payments deferred until a later date. By

deferring the payments, say, until your retirement, you will have the benefit of a higher payout rate than with a standard gift annuity, which helps make up for the income you deferred. You also will receive a larger income tax charitable deduction now when you may be in a higher income tax bracket.

The very attractive deductions and payout rates of the deferred gift annuity often make it an ideal vehicle for individuals who want to make a significant gift while supplementing their retirement planning.

Example: At age 55, Dr. Michael Martin is still actively practicing medicine and has no plans to retire until he reaches age 65. He wants to make a significant contribution to our organization and receive an income from that gift. However, he wants the income to be deferred until his retirement years when he will have more need for the income. Dr. Martin learns that with a deferred gift annuity, he can accomplish both goals. Moreover, he will receive a substantial income tax charitable deduction in the year he establishes his deferred gift annuity. This will help trim his income tax bill which otherwise might be quite high. The chart highlights the benefits of Dr. Martin's gift.

Deferred Gift Annuity	\$50 ,000
Annual Payout (starting at age 65)	\$4,850
Charitable Income Tax Deduction	\$20,604

(Calculations based on 4.8% AFR)

Can I Establish a Gift Annuity in My Estate Plan?

Yes. There are situations in which a donor may wish to establish a gift annuity in his or her estate plan. This may be the case when a donor wants to provide for both a surviving relative and our institution. A so-called "testamentary" gift annuity may be used to accomplish both objectives.

Example: Fran Nelson, a long-time donor, has been providing support for her dependent sister, Alice, for the past several years. Fran is worried that if something should happen to herself, Alice might not receive the care that she needs. Fran wants to develop an estate plan that will provide for Alice and also continue

her support to our organization. She decides to use a testamentary charitable gift annuity in her estate plan. Upon Fran's death, Alice will receive fixed annual payments for the rest of her life. Moreover, our organization is also assured of receiving a significant charitable gift from Fran's estate. Finally, Fran's estate will qualify for a substantial estate tax charitable deduction for the present value of the charitable gift. Fran is delighted with this arrangement.



Is It Complicated to Start a Charitable Gift Annuity?

No. All that is needed is a simple written agreement between you and our organization. You will receive a check at regular intervals. At the end of each year we will prepare a statement for you to use in preparing your income tax return. That statement will tell you the total amount of income you received in the current year, and how that income is to be reported on your tax return.

Why Would I Choose a Charitable Gift Annuity Rather Than a Charitable Remainder Trust?

Charitable gift annuities offer several advantages over charitable remainder trusts. First, they are easy to set up, do not require a set-up fee, and are administered by our organization at a much lower cost than a trust. Second, the minimum gift requirement for a gift annuity is considerably less than for a charitable remainder trust. Third, gift annuities are backed by

the complete resources of our organization rather than just the trust assets. Finally, donors like the simplicity of the gift annuity agreement...and the fact that some of the income they receive will be tax free.

How Safe Is My Charitable Gift Annuity?

This is a question that concerns many donors in view of recent scandals involving corporate management and mutual funds. It is important to know when you make a gift that it will be used for your intended purpose, and that it will be well-managed and given proper and dependable stewardship.

Your money will be managed by an experienced team. You should also know that your gift annuity is backed by the general assets of our institution. We have made a commitment

STATISTICS CONFIRM POPULARITY OF GIFT ANNUITY IN TODAY'S MARKET

Gift annuities have increased in number over the past few years. In fact, in a 2003 survey by the American Council on Gift Annuities, 65% of surveyed institutions indicated increased gift annuity activity.

Certainly, a gift annuity is well worth exploring.

to our donors, and we stand by our commitments.

However, charitable gift annuities are not completely risk-free, in that they depend on the charity's ability to make its gift annuity payments. Gift annuity obligations are backed by the full general assets of the charity (i.e., those assets not used to secure specific debt), not just the property you transferred.

How Can I Find Out if a Charitable Gift Annuity Is Right for Me?

You can contact our development office. We will be happy to prepare a personalized illustration showing how a charitable gift annuity may work in your particular situation.

The illustration will show both the projected income stream and tax savings you can expect, based upon the dollar amount of your gift and the kind of asset you use to fund your gift. The benefits are worth exploring, and you can do so without obligation. Let us show you how you might personally benefit from our popular charitable gift annuity program.

You should also confer with your own tax accountant, attorney or other licensed financial advisers to consider whether a charitable gift annuity is appropriate for you in relation to your overall financial situation, objectives and needs.