

## **gift an•nu•i•ty**

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 payment for life.

## **CHARITABLE GIFT ANNUITY**

A charitable gift annuity is an agreement between you and **RMHF**. In exchange for your charitable gift, **RMHF** agrees to pay you and/or your loved ones a fixed annuity for life. The size of the payment is determined at the time the gift is made and will not fluctuate with the market.

Donors who choose to defer income for a period of years can take a larger immediate income tax deduction and will receive a higher payout once payments begin. "Deferred payment" gift annuities and "flexible starting date" gift annuities can be great retirement planning tools for younger donors.

When you establish a gift annuity, you get to decide what program area at the facility, the annuity assets will ultimately support. You receive an immediate income tax deduction for a portion of the gift, and this deduction can be used over as many as six consecutive tax years. If your gift is funded with appreciated assets, you can also reduce your capital gains liability.

## **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.

A specific annuity rate is a matter of agreement between you and the issuing charitable organization. Most non-profits follow the uniform annuity rates suggested by the American Council on Gift Annuities. The rates are based on the assumption that 50% of the gift that funded the annuity will be consumed to make the required payments over the beneficiaries' lifetimes.

*Note: The techniques and strategies above are intended to provide accurate information regarding the subjects covered; however, they are furnished with the understanding that RMHF is not engaged in rendering legal, accounting, or other professional advice or counsel. The foundation encourages the reader to seek competent professional counsel to address any legal or other issues that may arise.*