

# The Charitable Gift Annuity

**Enjoy financial benefits while you are alive;  
Provide simple, decent housing after your lifetime**

## What is a Charitable Gift Annuity?

A Charitable Gift Annuity (CGA) is a contract with Habitat for Humanity International that guarantees fixed payments to one or two annuitants for as long as any annuitant survives. The payment obligation is backed by the full faith and credit of Habitat for Humanity International. When no annuitants survive, the remaining balance of the CGA is released to the *Otero County Habitat for Humanity* affiliate. As a result, you can make plans now to help eliminate poverty housing after your lifetime.

## What is the CGA payment rate?

The rate in effect when you purchase the annuity is the rate you receive for the rest of your life. Rates are higher for older annuitants, and lower if there is more than one annuitant.

<u>Single Life</u>		<u>Two Lives</u>	
<u>Age</u>	<u>Rate</u>	<u>Ages</u>	<u>Rate</u>
60	5.7%	60 & 65	5.5%
70	6.5%	70 & 75	6.1%
80	8.0%	80 & 85	7.3%
90 and over	11.3%	85 & 90	8.4%

*Rates became effective July 1, 2003, and are subject to change without notice.*

## What other benefits are involved?

Purchasing a CGA results in a partial charitable income tax deduction, so if you itemize, you may save on income taxes. Also, a portion of the annuity payment may be free from income taxes for a period of time. And of course, you will have the satisfaction of knowing that deserving people will have a hand up out of poverty housing after your lifetime.

## What about appreciated stocks?

In addition to cash, CGAs can also be funded with appreciated stock. If you transfer such stock directly to *Otero County Habitat for Humanity*, you will usually be able to avoid a significant portion of the capital gain.

## Do I have to receive income right away?

No, there is a deferred version of the CGA that allows payments to start at a later date. In return for waiting, you will receive higher payment rates.

## **How about some examples?**

A single annuitant, age 72, who purchases a \$10,000 CGA will receive 6.7%, or \$670.00 per year for life, payable in quarterly installments of \$167.50. Of the total annual payment, \$425.45 is free from income taxes for the first 14.5 years, with the balance taxed as ordinary income. After 14.5 years, the entire annuity payment is taxed as ordinary income. The charitable deduction is \$3,835, usable at up to 50% of adjusted gross income, with a 5-year carry forward of unused amounts.

A couple, ages 83 and 80, purchase a CGA with \$100,000 worth of appreciated stock which they own jointly. The stock was purchased 10 years ago for \$25,000. They will receive 7.2%, or \$7,200 per year, payable in monthly installments of \$600.00, for as long as both or either survives. Although the stock has appreciated by \$75,000, only \$44,870.25 of the gain will be taxed, and this amount is spread out over 11.9 years. As a result, for the first 11.9 years, \$3,769.21 is taxed as capital gain, \$1,256.39 is free from tax, and the balance is taxed as ordinary income. After 11.9 years, the entire payment is taxed as ordinary income. The charitable deduction is \$40,173 in this case, usable at up to 30% of adjusted gross income, with a 5-year carry forward of unused amounts.

A 45-year old person purchases a deferred CGA for \$25,000 cash. Quarterly payments begin in 20 years, when the annuitant is 65. In this case, the annuity payment rate is 15.7%, so at age 65, the total annual payment will be \$3,925. Of this amount, \$839.95 will be free from income taxes for 19.9 years, and the charitable deduction is \$8,282.25.

## **What else do I need to know?**

The minimum CGA amount is \$5,000. Because the rate you receive depends on your age, and because the tax benefits change slightly from month to month, you will need to review a CGA illustration customized to your situation before taking action. You may also wish to review your plans with your personal tax and legal advisors. Remember also that the CGA is an irrevocable plan, and that when no annuitants survive, the remaining balance is used to build houses and will not be transferred to your heirs.

## **How may I receive a customized CGA illustration?**

Please contact Nancy at *Otero County Habitat for Humanity*, providing birth date or birth dates, the CGA purchase amount, and, if the CGA is to be funded with appreciated stock, the cost basis of the stock. Nancy will provide you with a Planned Giving Coordinator. Thank you in advance for your interest!