

# Charitable Gift Annuities

CATHOLIC DIOCESE OF WICHITA



*Autumn*

*... a time to*

*have faith.*



*Autumn . . .*

*a time to gather . . .*

*a time to prepare . . .*

*a time to share . . .*

*a time to have faith and*

*live the Faith with a*

*charitable gift annuity.*

This brochure is designed to be an educational resource and is not intended to provide legal or tax advice. Please consult with your attorney or tax advisor.

# *What is a charitable gift annuity?*

The gift annuity is an arrangement under which you make a contribution to the church and receive, in turn, guaranteed payments for life. It's a way of giving that allows you to make a gift even though you may need ongoing income from your assets.

## **What are the benefits?**

In addition to guaranteed payments, a charitable gift annuity provides other benefits, including:

- Receipt of a portion of the annuity payment is tax free
- A charitable deduction in the year of the gift
- An annuity rate that may be higher than the interest paid on current fixed investments
- Capital gains tax savings
- Satisfaction of assisting the church in its mission



## ILLUSTRATION

- Donor transfers property valued at \$10,000 for a gift annuity the terms of which are described in a signed agreement.
- Donor receives an immediate tax deduction of \$3,861 based on donor age. This results in tax savings in the year of the gift.
- Donor receives guaranteed annual payments of \$630 per year for life.
- A portion of the payments will be tax-free return of capital.
- The assets contributed will be used to support and enhance the work of the church.

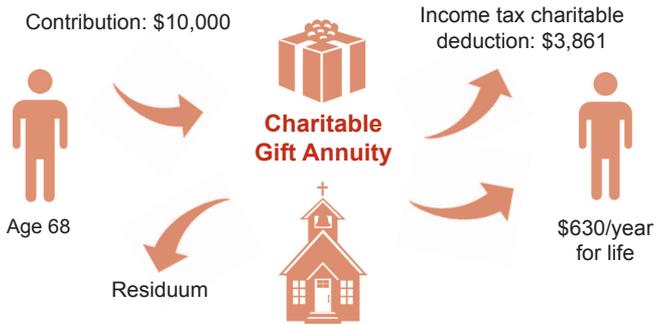


Illustration only. Rates are subject to change.





## GIFT ANNUITY TABLE

One Life Approximate Values  
Effective July 1, 2003 • ACGA Rates – 4.0% AFR

Age	Payout Rate	Gift Amount	Income Taxed	Return of Principal
60	5.7%	0.31	49.8%	50.2%
65	6.0%	0.36	46.0%	54.0%
70	6.5%	0.40	41.5%	58.5%
72	6.7%	0.42	39.9%	60.1%
74	6.9%	0.44	37.9%	62.1%
76	7.2%	0.46	36.0%	64.0%
78	7.6%	0.47	33.8%	66.2%
80	8.0%	0.49	32.3%	67.7%
82	8.5%	0.51	30.1%	69.9%
84	9.2%	0.52	28.0%	72.0%
86	9.9%	0.53	26.0%	74.0%
88	10.6%	0.55	24.3%	75.7%
90	11.3%	0.57	22.8%	77.2%

## *How does it work?*

Most charitable gift annuities are funded with cash or marketable securities. When you contribute securities, the annuity payments may exceed the dividends you were receiving.

While donors usually name themselves as beneficiaries, a relative or friend could be named as well (perhaps to provide support to an aged parent or a sibling who needs financial assistance). Married couples typically provide for payments to be made over both of their lives. When the first spouse dies, the payments continue at the same level to the survivor.

The Catholic Diocese of Wichita will invest and manage the assets contributed, and, at the end of the beneficiaries lives, the remainder is available to benefit the church.

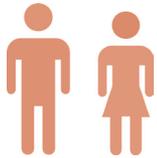
The amount of the annual payments will depend on the amount transferred, the age(s) of the beneficiary(ies), and the annuity rate schedule in effect at the time of the gift. Once the annuity is established, the payments will remain fixed, regardless of changes in the economy. This makes the gift annuity especially attractive to older donors who like the security of fixed, guaranteed payments.



## CHARITABLE GIFT ANNUITY: HOW IT WORKS

You contribute cash or securities to the church for a gift annuity, the terms of which are described in a signed agreement.

### Beneficiary(ies)



Age 75

Age 75



**Charitable  
Gift Annuity**  
(issued by  
the diocese)



**Annual  
Payments  
for Life**



**Church  
Support**

- Your parish
- Your parish school
- Education of Seminarians
- Heart of the City Fund
- Guadalupe Clinic
- Priest Retirement
- Spiritual Life Center
- The Lord's Diner
- Catholic Charities
- Unrestricted (where needed most)
- Bishop Carroll Catholic High School
- Kapaun Mount Carmel Catholic High School
- Trinity Catholic High School
- St. Mary's Colgan High School

### BENEFITS TO YOU:

- Guaranteed payments to you and/or another for life. The amount is based on your age(s) at the time of the gift.
- Payments will be partially tax-free.
- Income tax charitable deduction.
- Reduction of capital gains tax if you contribute appreciated property.

### BENEFITS TO THE CHURCH:

At the end of the beneficiaries' lives, the remaining assets will be used to support and enhance the work of the church.

## *Is there a minimum to establish an annuity?*

Although there is no specific minimum, it is suggested that annuities start at least \$2,500. Of course, the more that you are able to contribute, the more benefit to you and the church.

## *Can I defer my annuity payments to a date in the future?*

The simple answer is yes. To establish a deferred gift annuity, you basically follow the same process as when you establish a non-deferred annuity. In the year you make your contribution, you may claim a charitable income tax deduction, the amount of which depends on the number of years before repayments begin and the age(s) of the beneficiary(ies) at the time. If you contribute appreciated securities, and name yourself as the sole or initial beneficiary, you will not be taxed on the capital gain at the time of the contribution. A portion of your future payments will be taxed as capital gain, but this is preferable to having them taxed entirely as ordinary income, which is the case with payments from a qualified plan.

If you know exactly when you want to retire, you can select in advance the year in which payments begin. However, if your retirement date will depend on future circumstances, the agreement can provide for repayments to begin in any year you later choose. The longer you wait, the larger your payments will be.

## PROFILE

At age 51, Mr. Doe makes a flexible deferred charitable gift annuity contribution of \$25,000.

Annuitant: Mr. John Doe  
Birthdate: August 6, 1954  
Assumed Date of Gift: May 19, 2005  
Property Contributed (cash): \$25,000.00

Guaranteed annual payments will be made to Mr. Doe in quarterly installments for the duration of his life, beginning not earlier than March 31, 2014 and not later than March 31, 2024.

The amount of the payments will be based on the year in which payments commence, per the following schedule. This is the guaranteed amount Mr. Doe will receive each year if he started payments at the following ages:

Age Payments Begin	Date First Pay Begins	Annual Payment
60	3/31/2014	\$2,094
61	3/31/2015	\$2,275
62	3/31/2016	\$2,425
63	3/31/2017	\$2,600
64	3/31/2018	\$2,725
65	3/31/2019	\$2,925
66	3/31/2020	\$3,050
67	3/31/2021	\$3,275
68	3/31/2022	\$3,475
69	3/31/2023	\$3,725
70	3/31/2024	\$3,975

Note: These amounts are based on gift annuity rates in effect at this time.

How many payments are taxed depends on the year in which they begin. For example, if payments begin on March 31, 2019 (the year in which Mr. Doe becomes age 65), they will be taxed as follows:

Year	Age	Total Payments	Ordinary Income	Tax-free Income	Capital Gain
2019	65	4	2,925.00	769.28	0.00
2039	85	4	11,850.00	2180.40	0.00
2040	86	4	12,850.00	2338.70	0.00

Income tax charitable deduction: \$9,066.58

(Mr. Doe receives this deduction for 2005. The amount of the deduction will be the same, regardless of the year in which payments begin).

## *What about taxes?*

The most notable tax benefit of a gift annuity is the charitable deduction in the year of the gift. The amount of the deduction depends on the gift annuity rates in effect, the amount of cash or the value of the property contributed, and the age(s) of the annuitant(s) at the time the annuity is established. An additional benefit occurs when appreciated securities are contributed. Capital gains tax is avoided on the part of the property that is considered to be a gift. The rest of the capital gain (assuming the donor is one of the beneficiaries) will be recognized over a period of years, spreading out payment of the capital gains tax. Consider the following examples:

- 1. Two-life annuity:** Ken and Norma M., both ages 75 contribute \$10,000 cash to the diocese for the benefit of their parish for a gift annuity, naming themselves as the beneficiaries. As long as either of them lives, they will receive payments of \$630 per year (an annuity rate of 6.3%). For the duration of their life expectancy (16.4 years) \$408.24 of their annual payments will be tax-free. They will also receive a charitable deduction of \$3,306.00.
- 2. One-life annuity:** Mildred R., who is 80 years old, contributes securities worth \$20,000 (with an original cost of \$8,000) to the diocese for a gift annuity. With an annuity rate of 8.0%, she receives fixed, guaranteed payments of \$1,600.00 per year as long as she lives. For the duration of her life expectancy (9.4 years) \$112.72 of her annual payments will be tax free, and \$169.28 of them will be taxed as capital gain. She also receives a charitable deduction of \$9,392.00 (based on a federal discount rate of 4.2%).

Gift annuities are a popular gift option, allowing people the opportunity to simultaneously make a gift and provide for their future financial security. We would be pleased to answer your questions, send you a personal illustration, or schedule a meeting with you. There is no charge and you are under no obligation. Let us hear from you if want to take a closer look.

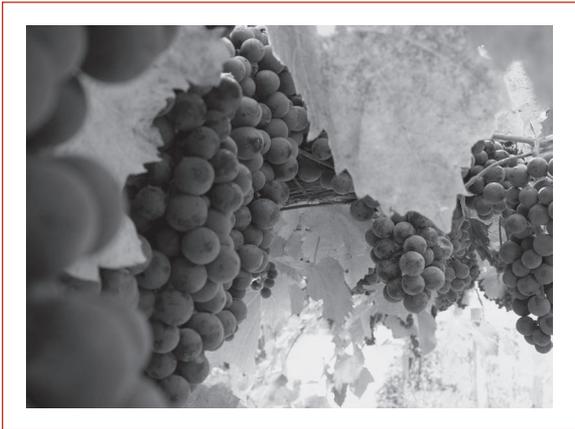
## *Testimonial*

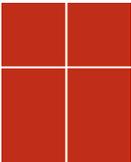
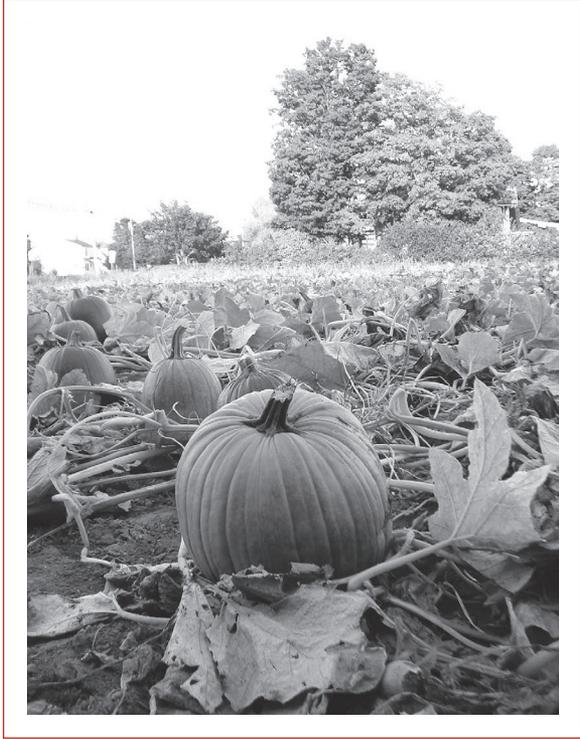
Ruth\* was moved when she learned of her parish building plans. She was also impressed with the parish stewardship program at St. Mary Parish, Derby-Rose Hill, Kansas. She wanted to do more and help the parish build a new parish facility, and she wanted to give more than what she could do on a weekly basis.

Recently, she decided to go beyond her ordinary giving donations and contributed her certificate of deposit in exchange for a charitable gift annuity. With a charitable gift annuity a donor irrevocably transfers cash, stock, or other assets and receives guaranteed payments for life. In addition to life payments for themselves and/or another person, gift annuity donors also receive a charitable deduction and save tax on capital gains. The charity then uses the remaining principal as the donor directed. In this case, the remainder from Ruth's gift will go to St. Mary Parish.

For information about gift annuities and other plans where you can make a gift to the church and receive life payments, please contact the Office of Development and Planned Giving at 316-269-3917 or email [plannedgiving@cdowk.org](mailto:plannedgiving@cdowk.org) or visit our web site at [development.cdowk.org](http://development.cdowk.org).

\* The name has been changed to respect the anonymity of the gift.





**Office of Development and Planned Giving**

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