

## Payments That Won't Shrink

**W**hen you carefully plan your charitable giving, one big advantage can be reaching more than one goal at once.

The charitable gift annuity is a perfect example. Under its terms, you transfer cash or other property to a charitable recipient. You then receive generous payments for the remainder of your life and/or for the life of another person, if you wish. This can be a convenient way to make a gift while also providing additional income to you and/or your loved ones.

### *Rates increase with age*

A gift annuity pays a predetermined percent of the amount transferred to fund it. Several factors determine the payment rate, which, once set for a particular annuity, can never be reduced.

The age of the annuitant (person receiving the annuity payments) is one determining factor. The older you are when you create a gift annuity, the higher the rate of payment. The number of annuitants also affects the payment rate. If the annuity is to be paid for two persons' lives, the payments will generally be smaller.

For example, a 76-year-old might receive 7.5%, while an 85-year-old enjoys 9.7%. Two persons ages 85 and 76 would receive 7.1% under the terms of a gift annuity from which they both would receive payments for life.

### *Improve retirement income*

If you want to make a gift and also improve your income, especially during retirement, a gift annuity may be the answer. Those who participate in this program take pleasure in knowing they will receive payments for life while making a meaningful charitable gift that might not otherwise be possible.

Read on to learn how the features of a gift annuity can offer surprising benefits.

### **INSIDE THIS ISSUE**

- Gift annuities offer multiple advantages.
- Provide an income supplement for yourself or someone you love.
- Ways to save on capital gains tax.

## *Planning for the Future*

By taking the time to carefully plan your gifts, you can make welcome contributions while you also:

- Create a source of regular payments in retirement years.
- Help support a parent, child, or another loved one.
- Increase cash flow from highly appreciated assets in a tax-wise manner.
- Minimize gift, estate, and income taxes.
- Reduce expense and delays of estate settlement.

# One or Two Can Benefit

Because people have various financial needs and goals, different forms of gift annuities have been developed.

## *Gift annuity for one*

Under the terms of a *single-life charitable gift annuity* agreement, a donor gives money or other property and receives payments for his or her lifetime.

\$20,000. He wants payments to be made to him for life and, following his death, to his wife, Ruth, 75, for the rest of her life. Annual payments of \$1,360 (6.8% of the amount transferred) will thus be made for as long as either of them lives.

Because payments are made to two persons, the payment rate for the Greens' annuity is lower than Marjorie Hart's. However, a portion of each payment may be free from federal income tax for a longer period of time.

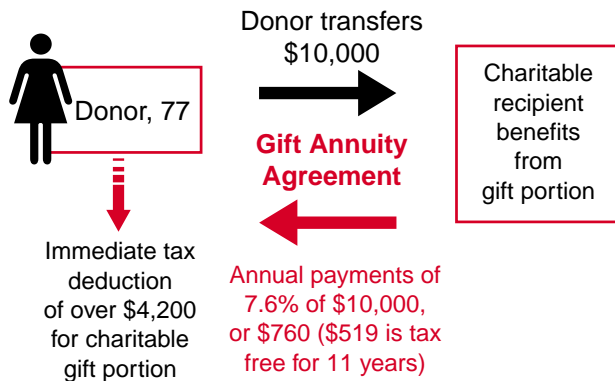
## *Helping a parent*

A charitable gift annuity can be an excellent way to provide financial assistance for parents. A charitable income and gift tax deduction is available to the child for a portion of the amount of the gift annuity. The parent will receive a portion of the income from the annuity free of federal income tax and will pay tax on the remainder at what may be a lower tax bracket. More information is available on request.

## *More tax incentives*

In addition to the other benefits of a gift annuity, you are entitled to a federal income tax deduction for the value of the amount that will go for charitable use. You may also enjoy gift and estate tax savings as well. Contact us for additional information about the tax benefits of a gift annuity.

### *How a Gift Annuity Works*



**Example:** Marjorie Hart, 77, gives \$10,000 and will receive quarterly payments equal to 7.6% of that amount per year for life. No matter how long she lives, she will receive \$760 annually for

the rest of her life as a result of making her gift in this special way.

## *For two persons*

Under the terms of a *two-life charitable gift annuity*, two persons share in annuity payments. They can both receive payments together as long as either lives. Or one can receive payments for life, with someone else named to receive payments at the end of that person's lifetime.

**Example:** Stuart Green, 80, funds a charitable gift annuity with

# Add to Retirement Income

Entering into a series of gift annuities can be a useful way to enhance your retirement income.

You can give for a gift annuity each year or as often as you like. Each later annuity generally results in a higher payment, as the table below shows.

You can give for your first gift annuity before or during retirement. Payments begin immediately. If you do not yet need them, the payments can be reinvested as you choose for additional retirement income later. In other instances, payments can be postponed until you are a particular age, if desired.

If you own highly appreciated but low-yielding assets, consider the added benefits of using them to fund a gift annuity (see article below).

Unlike contributions made to an Individual Retirement Account (IRA) or other similar retirement plan, funds transferred for a gift annuity cannot be returned to you. You will, however, receive a charitable income tax deduction for the gift portion of each annuity. Part of each payment will also be free of income tax for a period of years—not generally true of retirement plan withdrawals.

## *An Increasing Income Stream Using Multiple Gift Annuities*

Age When \$10,000 Gift Annuity Is Created	Approximate Charitable Deduction	Gift Annuity Rate	Annuitant Receives Annually
65	\$2,800	6.3%	\$630
70	3,400	6.7	670
75	4,000	7.3	730
Total received in payments each year after age 75:			\$2,030

## Giving Non-Cash Assets Can Save You More

If you own securities that have increased in value, giving them for a gift annuity holds several benefits.

- Your charitable income tax deduction is based on the securities' full value, as is the amount of the annuity payments.
- You bypass part of the capital gains tax on the increase in value.
- Any capital gains tax due will generally be spread over your life expectancy.
- You give while conserving cash for other purposes.
- You may increase your spendable income if you exchange low-yielding stocks for a higher-paying gift annuity.
- You make a wonderful gift that might not otherwise be possible.

Explore the opportunities for giving stocks and other non-cash property with us or your professional advisor.

# South Georgia Couple Establishes UGA Legacy



Dwight and Brenda McCollough hold the memory of their son Darwin (UGA 1989 senior) close to their hearts. The University of Georgia and Bulldog athletics are great passions for them. Somehow they wanted to put these two parts of their lives together.

It came to Dwight during the tumultuous Georgia-Tennessee game in 2000 that they should create a scholarship for a student-athlete on the football team at UGA in Darwin's memory. While still inside Sanford Stadium, he called Brenda at their home in Kingsland, Georgia (where they have a successful timber sales and production business) to say that he thought this was the right thing for them to do. She totally agreed.

Beyond honoring the memory of their son, the McColloughs also established this scholarship in memory of Erika Dickey. Additionally, they wanted this scholarship to honor their daughter Ardith (BSED '94), her husband Beau Sweatt (BBA '92), and their children, Carleton and Breann. Finally, the McColloughs wanted this scholarship to honor all of the

people in their lives who have extended them a helping hand in times of need. It is their hope that the recipients of this scholarship will gain a burning desire to succeed from their UGA education, just as Dwight did.

After talking to Athletics

Development Director Kit Trench and Gift & Estate Planning Director Keith Oelke, they decided to use a deferred charitable gift annuity as the vehicle by which they would establish this endowment. By using appreciated stock to make



*Dwight and Brenda McCollough*

this gift they:

- deferred and reduced their capital gains tax liability
- received an immediate tax deduction
- created an annuity which will be paid to them at a later date in their lives.

If you would like to join the McColloughs in supporting the University of Georgia (or some constituent part of UGA) through a planned gift, please contact Keith Oelke at (706) 542-8179 or by e-mail at [koelke@uga.edu](mailto:koelke@uga.edu). You may visit our planned giving web site at [www.uga.alumni.edu/giving](http://www.uga.alumni.edu/giving).