

# Charitable Gift Annuity

## Frequently Asked Questions

If you wish to receive maximum spendable income now, are planning for retirement, wish to appreciate the value of deferring capital gains tax, desire the security and predictability of a fixed income, and would like to benefit Goshen, then a charitable gift annuity may be right for you.

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### What is a charitable gift annuity and how does it work?

A charitable gift annuity is an agreement between you and a charitable organization like Goshen College whereby you (the annuitant) make a payment to the College in exchange for a guaranteed income for the rest of your life. The amount of income is based on the age(s) of the annuitant(s) and the amount of the payment.

## How many income recipients can there be for each gift annuity agreement?

One or two. There can be no more than two but they can be any age so while the two are often spouses, they could a parent and child or any other two people.

## Are the payments from a gift annuity considered taxable income?

Some is taxable and some is tax-free. When the portion of the original payment into the agreement that was reserved to fund the income over the annuitant's life expectancy is paid out, it is considered return of principal and thus tax-free. Once the calculated life expectancy is reached, the entire payment becomes taxable.

## Do I receive a tax deduction for the amount I place into a gift annuity agreement with Goshen College?

The portion of the amount paid in that is reserved to fund your promised payments over your life expectancy is not considered a gift and thus not deductible as a charitable gift. The remainder is considered a gift to the college and so that portion can be claimed as a charitable deduction in the year that the agreement is funded.

If I fund a gift annuity with an appreciated asset, do I avoid capital gains taxes?

No, but you defer payment of your capital gains taxes. The capital gains are reported over the calculated life expectancy so there is some advantage of paying these taxes over time rather than all in one year.

What is the minimum amount needed to establish a gift annuity with Goshen College?

\$10,000

How is a deferred charitable gift annuity different than a regular gift annuity?

When payment is made to Goshen College for a gift annuity, the donor can ask the payments to the income beneficiaries be deferred to a later time rather than starting immediately. This increases the rate paid and assures a higher income at a time when other sources of income could be diminishing.