



Lancaster County  
*Community  
Foundation*

### **WHAT IS A CHARITABLE GIFT ANNUITY (CGA)?**

A CGA is a way to give to a cause that you care about while providing yourself with an income source that will last for the rest of your life. It is a contract under which Lancaster County Community Foundation (LCCF), in return for a contribution of cash or marketable securities, agrees to pay a fixed sum of money for a period measured by one or two lives. A person who receives payments is called an annuitant. The contribution becomes part of LCCF's assets, and the payments are a general obligation of the Foundation. Upon termination of the CGA, the remaining assets are then contributed to a fund at LCCF that can support nearly any charitable organization or charitable cause of the annuitant's choice.

### **ARE THE PAYMENTS GUARANTEED?**

Yes, the payments are backed by the integrity and assets of LCCF.

### **HOW ARE THE PAYMENTS CALCULATED?**

The payments are based on the amount of the gift to LCCF, the age of the annuitant(s) and the current gift annuity rate published by the American Council on Gift Annuities (<http://www.acga-web.org/>). Current gift annuity rates range from about 5.2 percent to 9.5 percent for single annuitants over 60 years of age. Basically, the older the annuitant, the higher the rate.

### **IS THERE A MINIMUM AMOUNT REQUIRED TO ENTER INTO A CGA CONTRACT?**

Yes, \$10,000. Donors must be a Pennsylvania resident at the time of the CGA contract execution.

### IS THERE A MINIMUM AGE REQUIRED?

Currently, LCCF requires that the annuitant(s) be at least 60 years of age.

### WHAT ARE THE TAX BENEFITS?

There are many different ways to structure the annuity contract (i.e., deferred payments, income for one or two lives, etc.), each resulting in specific unique tax benefits. In most cases, the donor receives an immediate tax deduction for the “residuum” (estimated value of the amount of the gift that will be left after the death of the annuitant(s)). Also, the portion of the annuity payment that represents a return of the donor’s investment in the contract (present value of the annuity) may be tax-free. If the gift was made with appreciated securities, part of the annuity payment may be taxed at the capital gains rate because the gain on the sale of the securities is actually spread out over the donor’s life expectancy. LCCF can quickly prepare detailed explanations of potential tax benefits for interested donors to review with their tax and/or legal advisors.

### CAN A CGA BE USED TO ESTABLISH A FUND AT LCCF?

Yes. In addition to the option of having the residuum (amount remaining after the charitable gift annuity is terminated) directed to an existing fund at LCCF, donors may direct the residuum to the establishment of a new “endowed” fund at LCCF. An endowed fund is one where the principal is protected forever and the income is used to support LCCF’s flexible community impact fund, a specific local charity, or a general field of local charitable interest (such as children or the arts). The residuum from a CGA cannot be sent directly to a charity outside the Foundation.

### HOW LONG DOES IT TAKE TO ENTER INTO A CGA CONTRACT?

The Foundation welcomes the opportunity to assist donors with their decision by reviewing specific charitable interests and by offering printed scenarios that estimate the tax benefits. Donors can review our disclosure statement and execute our simple CGA contract in a single meeting. This may be accomplished at the donor’s convenience.

*LCCF does not give professional tax or legal advice; please consult a tax advisor and/or attorney about your specific situation.*