



Charitable Gift Annuities





WHAT: Compared to other Planned Gifts

Planned Gifts



End-of-Life Plans

Bequests

Beneficiary Designations

Other

Life Income Gifts

CRTs

PIFs

CGAs



WHAT is a CGA?



- **Simple** contract
- Donor **irrevocably** transfers cash or property to charity
- Charity pays **fixed amount** to one or two people **for life**
- Payments: immediate or deferred
- **Unlimited obligation** of charity
- Value at death (“residuum”) goes to the charity



WHAT a CGA is NOT!





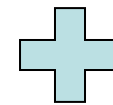
WHAT a CGA IS!





WHO

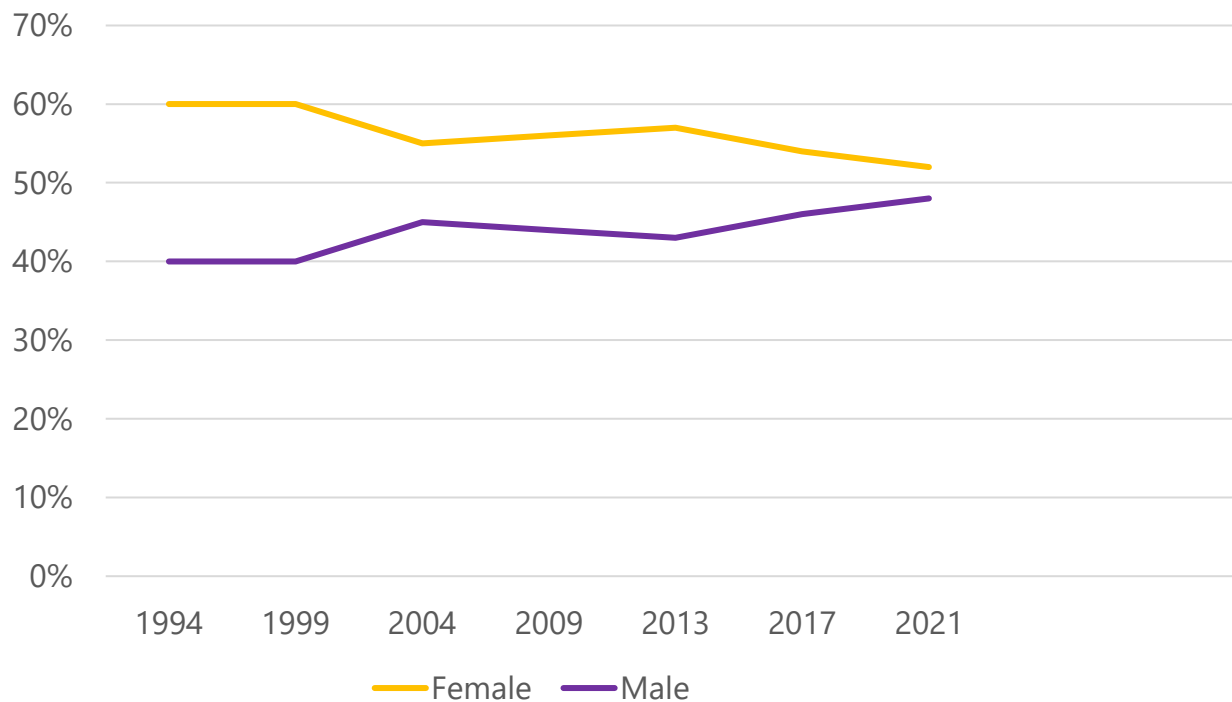
- General attraction:
 - ✓ Ability to minimum gift amounts
 - ✓ Security of fixed payments
 - ✓ Charitable deduction
 - ✓ Tax free income





WHO

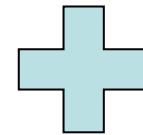
GENDER





WHO

- Immediate gift annuities:
 - ✓ Retired (or close to it)
 - ✓ Mid-70s and older
 - ✓ Increase cash flow
 - ✓ Provide for another individual





WHO: Profiles of Donors

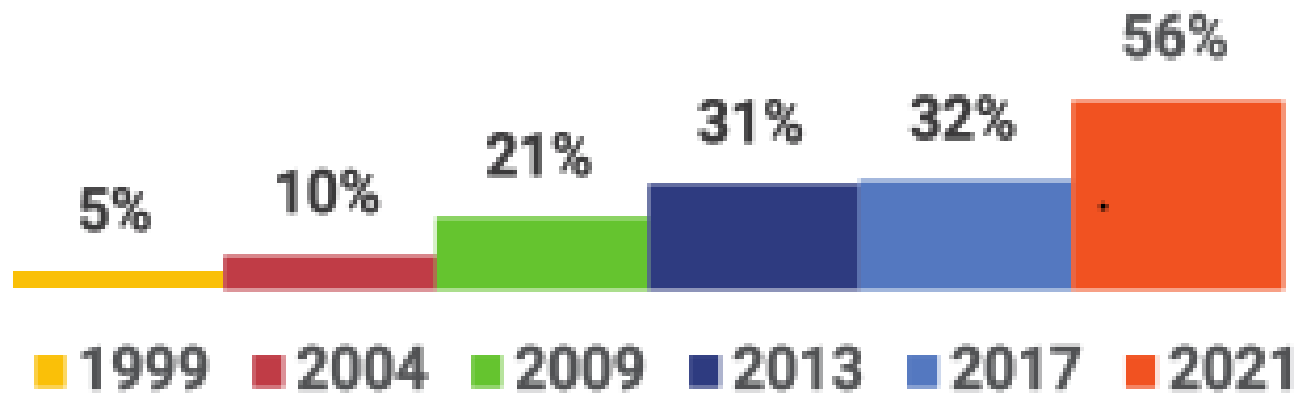
- Deferred gift annuities
 - ✓ Late-50s to mid-60s
 - ✓ Want supplemental retirement plan
 - ✓ Deduction now, income later
- Flexible deferred gift annuities
 - ✓ Similar profile to DGAs – but even younger
 - ✓ Not sure when will retire/want income to start





WHO: Trends

- Flexible Deferred CGAs: More Popular



Source: 2021 Survey of Charitable Gift Annuities, ACGA, Russell James Principal Author



WHO

- Donor(s)
 - ✓ Jointly owned or separate property
 - ✓ Who needs to sign agreement
- Annuitant different than donor
 - ✓ Gift tax
 - ✓ Capital gains tax





WHY: Charity and Donor Benefit



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=

**Charity and
Donor Benefit**



WHY: CHARITABLE DONATIONS

ACGA TARGET:

50% Return on Original Gift:

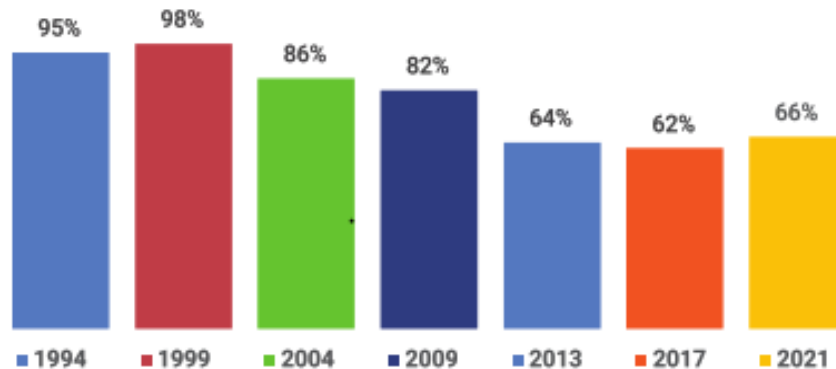
\$10,000 = \$5,000

\$50,000 = \$25,000



WHY: American Council on Gift Annuities

1. Residuum for Annuities Terminated in the Last Five Years



Source: 2021 Survey of Charitable Gift Annuities, ACGA, Russell James Principal Author



WHY NOT?

- Risk
- Knowledge
- Time
- Location

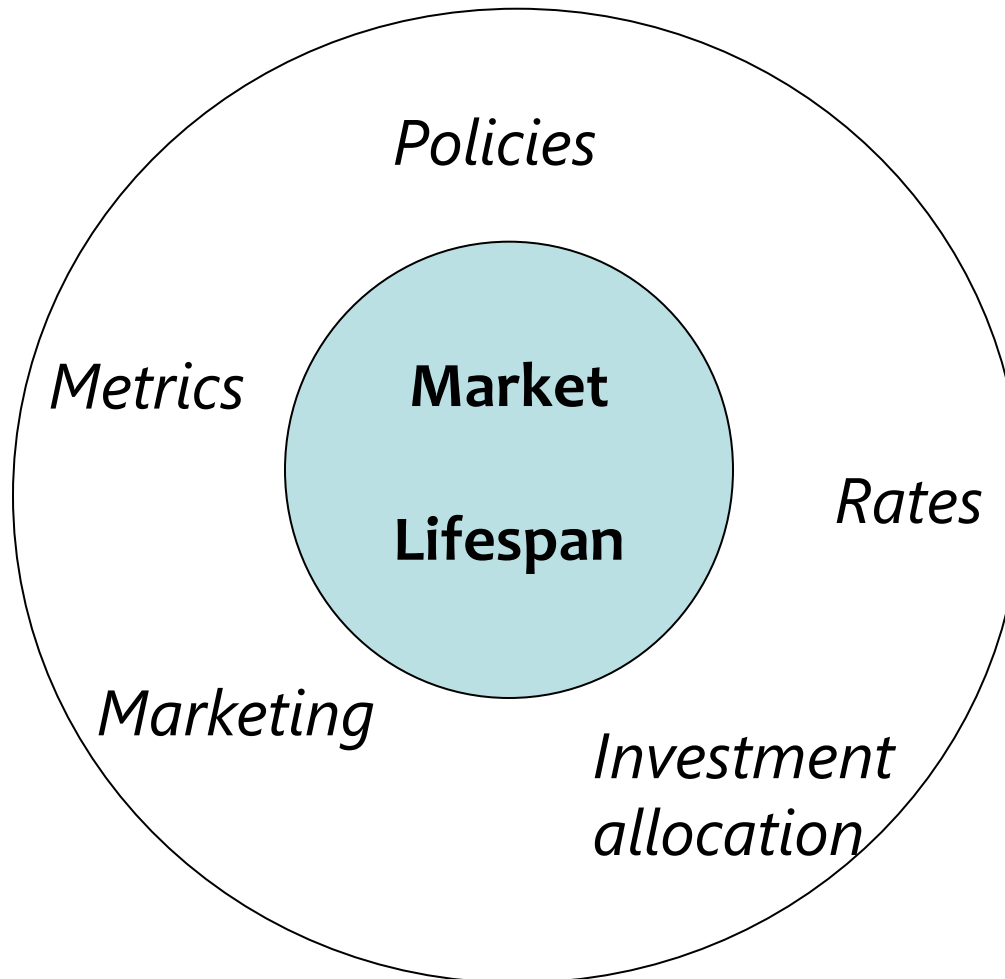


WHY NOT?: RISK



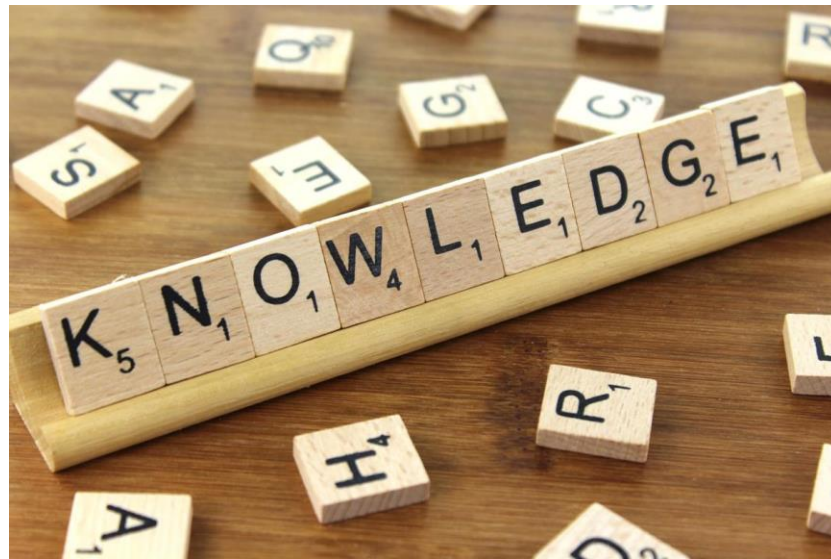


WHY NOT? Control v. Don't Control





WHY NOT?: RISK



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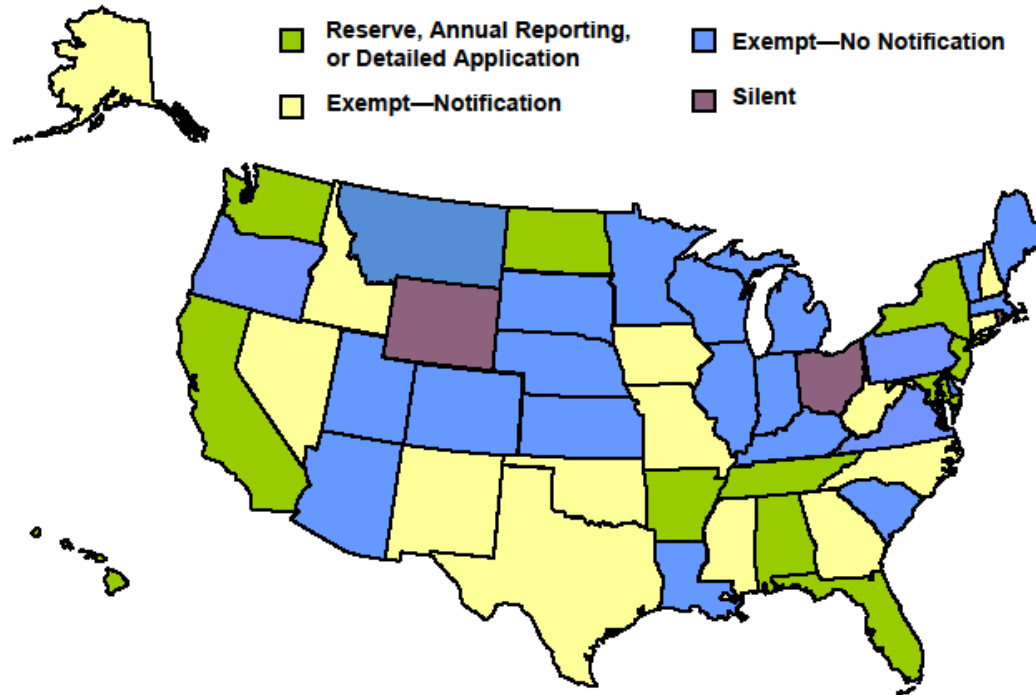
WHY NOT?: TIME

*A long time ago
in an archive far, far away*



WHY NOT? Location Matters

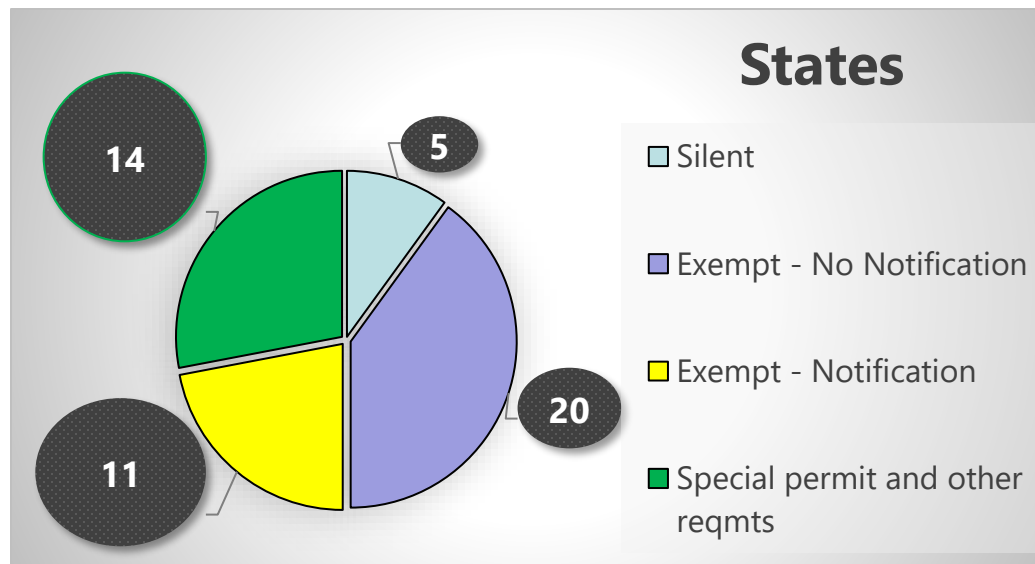
State Regulations





WHY NOT? Location Matters

- Home state
- Donor state of residence at time of gift





HOW: Profiles of Charities

- Planning & Infrastructure
 - ✓ Donor base
 - ✓ Board approval
 - ✓ Patience to support deferred giving
 - ✓ Metrics





HOW: Profiles of Charities

- Commitment for Long-haul
 - ✓ Part of strategy - short-term and long-term fund raising
 - ✓ Staff dedicated to CGAs
 - ✓ On-going marketing
 - ✓ Monitoring & Metrics





HOW: Policies

- Minimum Age
 - ✓ Most common = 60 - 65
 - ✓ Average age = 79
 - ✓ Deferred = 10 years younger
 - ✓ Two life = both meet minimum

- Minimum Gift Amount
 - ✓ \$10,000 or higher = 77%
 - ✓ \$25,000 or higher = 14%





HOW: Marketing

- Consistency is key
 - ✓ Have an overall strategy
 - ✓ Look for what works with your donors
- Can't predict the right time to issue
- Pulling back can "lock in" losses
- Post-recession: rates lower, market rebound





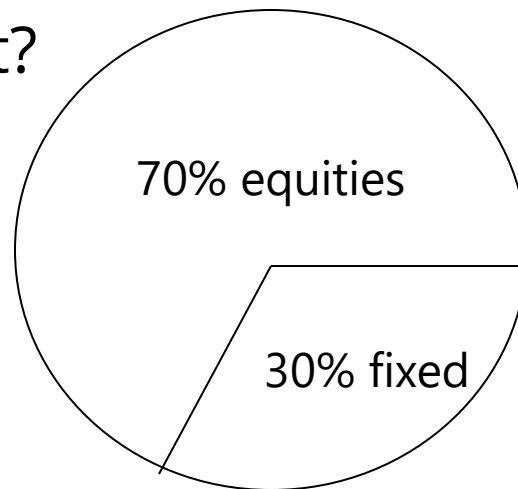
HOW: Investing the Gifts

- ACGA Investment Assumptions
 - ✓ Total return of 4.5%
 - ✓ Expenses 1.0%
 - ✓ Full contribution invested
- Fixed nature and length of obligations
- *Different from your endowment!*
- State investment limitations
- Risk tolerance



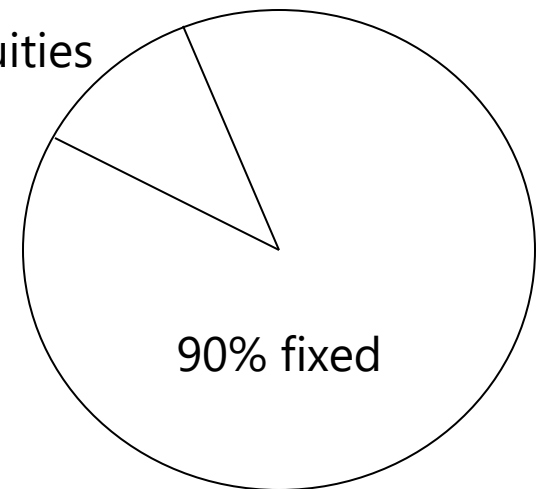
HOW: Allocation Considerations

- Fixed nature and length of obligations
- *Different from your endowment!*
- State investment limitations
- Risk tolerance
- Imprudent?



10% equities

or





HOW: Metrics

- Payment obligation fixed, why track?
 - ✓ Restricted purpose
 - ✓ Accurate withdrawal at termination
 - ✓ Monitoring profitability of program



Closing Thoughts



BUT





Closing Thoughts





Resources

- American Council on Gift Annuities: www.acga-web.org provides a wealth of information on CGAs
- 2021 Survey of Charitable Gift Annuities: www.acga-web.org/resources/acga-surveys Learn from other charities about their programs, donors, and more.
- Charitable Gift Annuities: *The Complete Resource Manual* www.pgcalc.com/service/charitable-gift-annuities-complete-resource-manual This definitive resource is vital for new and experienced gift planners.
- 7 Characteristics of a Successful Planned Giving Program <https://marketing.pgcalc.com/7-characteristics-of-successful-planned-giving-program-0>