



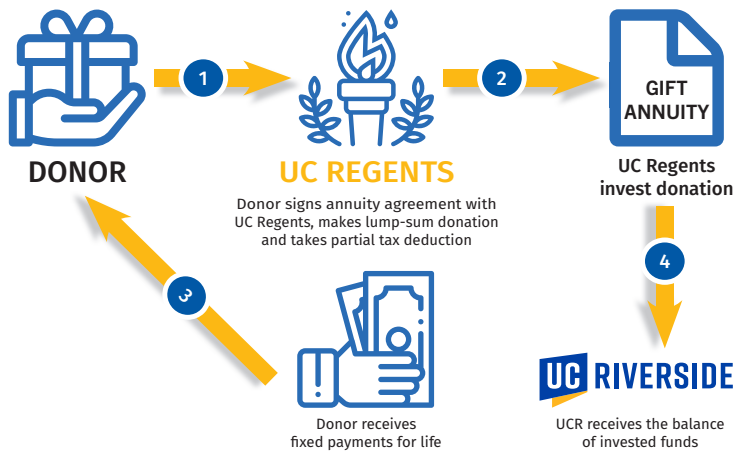
**RIVERSIDE**

Gift Planning

**CHARITABLE GIFT ANNUITY**



# WHAT IS A CHARITABLE GIFT ANNUITY?



A charitable gift annuity (CGA) is a contract between you and UC Riverside that provides you with a stream of payments for life.

## HOW DOES A CGA WORK?

You make a gift of cash or property to UCR. In return, we will make payments for life to you, you and a loved one, or another person. Each payment will be fixed and the amount of each payment will depend on the age of the person who receives them. After all payments have been made, UCR will receive the remaining value of your gift to support the causes that matter to you.

## BENEFITS OF A CHARITABLE GIFT ANNUITY

**Security:** Many people like the security of a charitable gift annuity, because the contract is backed by all of UC’s assets. Now is the right time to lock in your payout rate with a gift to fund a charitable gift annuity.

**Fixed Payments:** A charitable gift annuity guarantees fixed payments for life for one or two annuitants. The payments are fixed as a percentage of the original funding amount and based on the age(s) of the annuitant(s).

**Charitable Deduction:** You may benefit from a charitable income tax deduction for the year in which the gift is made. The deduction amount will be the present value of the gift made to charity, taking into account the value of the projected payments.

**Partially Tax-Free Payments:** A portion of each annuity payment may be tax-free for the annuitant. The tax-free amount reflects any return in basis for cash or money spent to purchase the funding asset. This amount, which was already subject to tax, is paid tax-free over the annuitant’s life expectancy.

**Partial Bypass of Gain:** If you gift appreciated property in exchange for a charitable gift annuity, you can partially bypass capital gains tax. The capital gain (normally due on the sale of the property) will be prorated between your income interest and the charitable gift portions of the annuity. You will bypass (pay no tax on) the capital gain allocated to the charitable gift portion of your annuity.

# DEFERRED GIFT ANNUITY FOR RETIREMENT

## DEFERRED CGA FOR RETIREMENT INCOME

You may not need income right away but may desire to make a gift to UCR to increase your income for retirement.

Several options may help you meet your goals in this situation:

### Deferred Gift Annuity

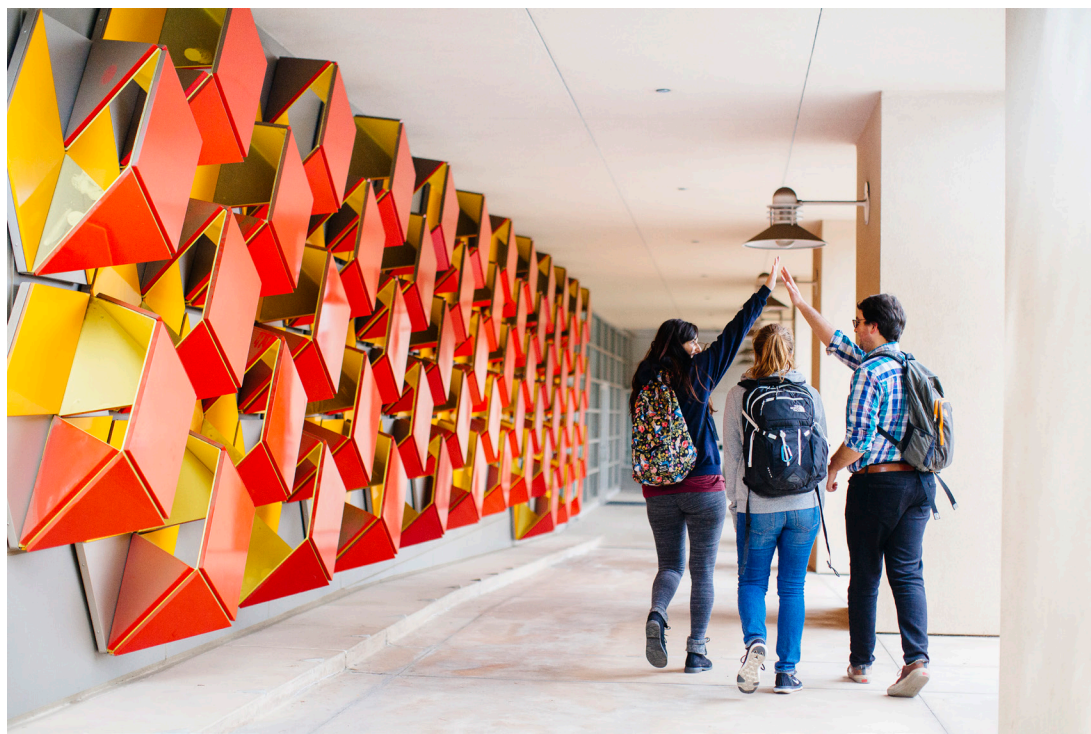
A deferred gift annuity begins making payments for the life of the annuitant at a set date at least one year in the future. This gives the annuity recipient higher payments and a higher income tax deduction for the donor.

### Gift Annuity for a Term of Years

A deferred gift annuity begins making payments on a set date more than one year in the future for the life of the annuitant. However, a deferred gift annuity may be converted to a term of years.

### Flexible Deferred Annuity

While a standard annuity begins making payments on a set date in the future, a flexible deferred gift annuity allows the annuitant to begin receiving payments at any year within a range of years. This is a nice option for a donor who would like to plan for retirement income but is not certain when he or she will retire.



## CGA FUNDING ASSETS

There are a number of ways you can fund a charitable gift annuity:

**Cash:** Cash is often used to fund charitable gift annuities. By funding an annuity with cash, a portion of your annuity payment will be tax-free.

**Stock:** Stock may also be used to fund a charitable gift annuity. If you own stock that has appreciated in value, you can avoid part of the capital gains tax by gifting your stock in exchange for a charitable gift annuity. The remaining capital gains will be paid and taxed over your life expectancy (see “CGA Taxation” on next page).

**IRA/Pension Plan:** You are not able to “roll over” your IRA to a charitable gift annuity during your lifetime and avoid federal income tax. For this reason it is not common to fund a gift annuity with an IRA or other retirement plan during life because the charitable deduction from the gift seldom offsets the tax due on the withdrawal.

However, one planning option that works well is to fund a charitable gift annuity with your IRA that benefits someone else when you pass away. A testamentary gift annuity can be created through your will and an IRA beneficiary designation that directs that the funds will go to charity to fund the gift annuity at your death.

**Real Estate:** A donor may fund a charitable gift annuity with real estate. The real estate must be appraised in order to determine the annuity funding value. If the real estate has appreciated in value since it was purchased, then the capital gain is treated similarly to funding an annuity with stock.

One interesting option to consider is funding an annuity with the remainder interest in a personal residence while retaining a life estate. In this case, you could potentially receive annuity income while living in the home that is funding the annuity until you pass away.

**If you fund a CGA with \$10,000 in cash and the payout rate is 6% (based on your age), your annual payments will equal \$600.**



# CHARITABLE GIFT ANNUITY TAXATION

## HOW CGA PAYOUTS ARE TAXED

**Gift annuity payments are generally taxed to the annuitant.**

Part of the payment is treated as ordinary income and taxed at the annuitant's ordinary income rate. Part of the annuity payment may be paid tax-free to the annuitant. In addition, if the annuity is funded with appreciated property, then part of the annuity payment might be taxed as capital gain.

### Capital Gains Tax

A donor may fund a charitable gift annuity with appreciated property. The capital gain that is allocated to the annuity may be prorated over the donor's lifetime (and that of the spouse if the property is held jointly). However, when the donor sets up a gift annuity for someone other than the surviving spouse, the donor must recognize the capital gain and pay the tax upon funding the annuity.

## A CHARITABLE GIFT ANNUITY HELPS YOU

A charitable gift annuity is an excellent way to achieve your goals. You can receive lifetime payments (or help a family member) and benefit from tax savings this year. Best of all, your gift will help further impact our future. Please contact us to learn more, or to view a custom illustration with your charitable gift annuity rate and potential payment.







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