

Example of a \$10,000 Gift:

Suppose you are 75 years old and this year you set up a \$10,000 Charitable Gift Annuity with a guaranteed income to you for life and then a gift to St. Swithin's.

- The percentage income rate for someone your age is 7.1%, so you will receive a guaranteed income for life of \$670 per year. Only about \$225 will be taxed at ordinary rates, and about \$444.88 will be tax-free over your life expectancy. (After that, the income will be taxed at ordinary rates).
- This year you can take a charitable income tax deduction of about \$4,484 (assuming a 4.2% IRS discount rate). If you are in the 35% tax bracket and can use the entire deduction, you will save about \$1,500 in income tax, so the net cost of your gift will be about \$8,500.
- The net result for the first twelve years is that your guaranteed income translates into an "effective" yield of 12.4%

A minimum of \$5,000 is required. There is no maximum. For your specific situation, please contact EFNC.



Why Include the Church?

Early in the church's history, Christians began including the church when they planned who would inherit their worldly goods. Through the centuries, Christians have reached out with gifts **great and small** even after their earthly lives have ended, to continue building and strengthening Christ's church and ministering to those in need.

Indeed, the Book of Common Prayer urges parents to make "prudent provision for the well-being of their families," and it urges all persons to "make wills, while they are in health . . . not neglecting, if they are able, to leave bequests for religious and charitable uses." [BCP, Page 445]

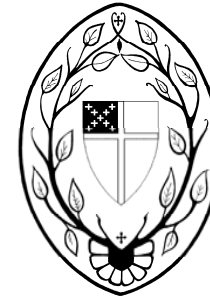
If you would like more information, please go to our website www.dncweb.org/foundation

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Charitable Gift Annuities

Guaranteed Income for Life + a Major Gift to Your Church



GIFT PLANNING:
HELPING
YOURSELF
AND YOUR CHURCH,
TODAY AND
TOMORROW

4 in a series
Prepared by
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2009



What is an Annuity?

The dictionary defines “annuity” as “an investment on which one receives fixed payments for a lifetime or for a specified number of years.” An insurance company or investment firm will be happy to sell you a commercial annuity, but you won’t be surprised to learn that they are not in that business for their health—they are in it to make a profit. Moreover, you don’t get much tax relief when you buy a commercial annuity.

What is a Charitable Gift Annuity?

A charitable gift annuity is a simple contract (not a “trust”) between you and a charity, such as your church. You make an irrevocable gift to the charity in cash, or securities, or similar assets. In return, the charity promises to pay you a guaranteed income for life. The amount of income you get depends on the size of your gift and your age at the time you make the gift. The larger your gift, and the older you are, the higher your income. For example:

Age at Time of Gift	% Income
50	5.1%
60	5.5%
70	6.1%
80	7.6%
90	10.5%

What are the Tax Consequences?

When you set up a Charitable Gift Annuity, you can save on taxes in three ways:

- Ordinarily part of your guaranteed income is exempt from income tax because it is treated as a return of capital.
- If you itemize deductions for the year in which you set up the annuity, you can deduct part of your gift as a charitable contribution.
- If you fund the annuity with stock, bonds, mutual fund shares, or similar assets that you have owned for more than one year, and that have increased in value while you owned them, you will get a favorable tax treatment for the capital gain.

Can You Name Someone Else to Receive the Income?

Yes, you can set up a Charitable Gift Annuity that pays a guaranteed income to you, or to someone else, or to you and someone else, or to two other people. If you name someone else who is older or younger than you, then the rate of income will be affected by that person’s age at the time you make the gift.

Where Does the Church Come In?

Suppose you want to set up a Charitable Gift Annuity that will pay you a guaranteed income for life, and you want your parish church, St. Swithin’s to receive your charitable gift at the end of your life. With a simple, toll-free call to 800-442-6918, ext. 16, you can ask The Episcopal Foundation of Northern California to help you set up your Charitable Gift Annuity. It will do so under the auspices of the nationwide Episcopal Church Foundation, an independent, lay-governed corporation that was created in 1949 to help “Episcopalians fulfill their mission of doing the work of the Gospel.”

The Episcopal Church Foundation will pledge its entire assets to guarantee the income payment to you and it uses the percentage income rates recommended by the American Council on Gift Annuities. During your lifetime, the Episcopal Church Foundation will hold your gift in reserve and invest it to help create the income that is paid to you. At the end of your lifetime, your gift will be distributed. One-tenth will go to the Episcopal Church Foundation (because it put its assets on the line to guarantee your income payments) and the other nine-tenths will go to St. Swithin’s.