COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

Charitable Gift Annuities

A Charitable Gift Annuity is a simple way to make a charitable gift and receive a fixed income for life. The annuity is a contract with the Community Foundation of Western Massachusetts to pay an individual a specified sum annually, usually for the life of the donor and/or spouse, with the remainder going to a fund at the Foundation.

Below are answers to frequently asked questions about Charitable Gift Annuities.

Q. Who can establish a Charitable Gift Annuity (CGA)?

A. Annuities are written only in conjunction with gifts of $25,000 or more, and annuity beneficiaries must be 65 years of age or older at the time of the gift.

Q. How do I establish a Charitable Gift Annuity?

A. A Community Foundation representative will review the options with you and any advisors you would like included in the conversation. Annuities are established with a simple, one page contract. In all cases, the fund or funds to receive the annuity remainder is chosen by the donor or established with a simple fund agreement letter drafted by the Foundation. The Foundation can work with donors and their financial advisors from the beginning to help determine the best asset to contribute, timing, etc.

Q. How are funds invested?

A. Our funds are professionally invested under the supervision of expert community volunteers, and gift annuities are pooled and invested with other assets of the Foundation in our Intermediate Term Portfolio with each fund accruing its own share of the earnings. Each fund is accounted for separately.

Q. What are the administrative fees and investment expenses?

A. The cost of providing the CGA includes providing annual tax reporting (currently $250) and the expense of investing the donated assets. These charges do not affect the amount paid to the annuitant. The Foundation does not charge a separate fee for administering charitable gift annuities. After the death of the life beneficiary, the Foundation will charge its customary fee on the endowed fund receiving the remainder (currently a 1% fee on endowed funds, 1.25% fee on funds using the Foundation's Distribution Committee, or a 1.5% fee on most scholarship funds).

Q. What happens at the conclusion of a CGA?

A. The Foundation will calculate a gift in an amount equal to the difference between the original gift and the cost of providing the annuity (including investment expenses as stated above). We will direct this gift in one of two ways, depending on what you choose:

- A one-time contribution to the Foundation's operations, grantmaking, scholarships or to another existing endowed fund at the Foundation.
- A contribution to create a new permanently endowed fund at the Foundation. The Foundation will promise to create a permanently endowed fund named by you at the conclusion of the annuity, so long as the expected residual balance is in excess of our fund minimum of $10,000 (or $25,000 for a scholarship fund.) The fund distributions can be tailored to the charitable interests of the donor (e.g. unrestricted, field of interest, scholarship).

Q. What are the tax benefits with a CGA?

A. The donor can usually take a tax deduction for part of the gift based upon the age of the life beneficiary/beneficiaries. In addition, by using appreciated securities to make the gift to the Foundation in conjunction with the issuance of the annuity, the donor can begin to generate income without paying the long-term capital gains tax normally associated with the disposition of those securities. The Foundation can provide sample payout rates and the estimated tax deductibility upon request for your consideration.

Q. How does the Foundation determine its CGA rates?

A. We use the annuity rates suggested by the American Council on Gift Annuities (ACGA), a national organization of hundreds of charities issuing gift annuities. These rates vary from time to time, and will typically be lower than the rates available from commercial insurance companies. The rates determine the annual payment based on the age of the life beneficiary/beneficiaries.

To help ensure that enough of a charitable gift remains at the Foundation to establish an endowed fund at the conclusion of the annuity, we will generally offer rates that are 5% below the current AGCA rates. Any exceptions to this must be approved by our Gift Acceptance Committee. However, we will offer a rate equal to the current ACGA rate table if you choose to name the Community Foundation as the sole remainder beneficiary to receive a one-time contribution equaling 100% of the remainder balance, if any, at the annuitant's death. This contribution may be to the Foundation's operations, grantmaking, scholarships or to another existing endowed fund at the Foundation.

Q. What if I want the charity of my choice to receive a one-time, lump sum contribution at the conclusion of the annuity?

A. When a Charitable Gift Annuity is established with a gift of $125,000 or more, the Foundation will allow a public charity to receive an immediate benefit of a remainder gift at the annuitant's death provided the following criteria are met:

- The higher of 50% of the remainder balance or $10,000 will be used to establish a permanently endowed fund at the Foundation for the benefit of the named charity.
- The remaining balance can be recommended by the donor as a one-time, pass-through gift to the named charity, or they can use this portion of the remainder to establish an agency advised (principal access) fund at Foundation.