Not Your Father's Gift Annuity

10/20/2019 | 1014.pdf

Creative new versions of the traditional Charitable Gift Annuity, such as the Deferred Gift Annuity, Flexible Gift Annuity or the College Tuition Gift Annuity, can help younger donors meet challenging planning goals.

If you're between the ages of 40 and 60, or if you have children who are teenagers or younger, please read on…

The Charitable Gift Annuity is a perfect gift for someone who is retired and wants the safe and steady income that this giving instrument provides. That'sYour Father's Gift Annuity. But the same combination of benefits of a gift annuity — simplicity, stability, tax savings – and flexibility — may be the answer to many of your financial challenges and goals. These special types of gift annuities can help you meet your goals and support The American College of Financial Services more generously than you thought possible.

Here are examples of the two most popular gift annuities for younger donors:

Strategy #1: Start Drawing Payments When You're Ready for Them with a Flexible Gift Annuity

This is a simple contract between you and The American College of Financial Services in which we commit to make fixed payments to you for life, with payments starting at a future date, in return for your gift to us. You choose an initial "target date" on which payments might start. We present you with a range of payout rates for your flexible gift annuity, each of which would produce a different payment to you, for possible starting dates earlier or later than your target date.

As you get closer to retirement and have a clearer idea of whether you will continue working, you tell us when to start the payments from your annuity. The older you are when payments start, the larger your payments will be. Your charitable income tax deduction, which you claim when you create your flexible gift annuity, will be based on the earliest target date for payments in the range we have mutually agreed to.

Payments from a flexible gift annuity receive the same favorable tax treatment as those from a standard gift annuity. Part of each annuity payment you receive will come to you as the tax-free return of principal. If you funded your flexible annuity with appreciated property, another part of each payment will be taxed at the lower capital gains rate. Only the balance is taxed as ordinary income in your current bracket. (Note: All of the annuity payment will be treated as ordinary income once you reach your actuarial life expectancy.) And, your lifetime payments are backed by our full unencumbered assets.

Planning Points:

- The deferral of payments from your flexible gift annuity gives you an immediate benefit: a charitable income tax deduction — and one that you'll appreciate when you retire: a substantially higher payment rate than would be available on an immediate-payment plan.

- You can add a spouse or other loved one as co-beneficiary of your flexible gift annuity, or tell us to make payments to a friend or loved one instead of you (maximum two beneficiaries).

- You can set up a series of flexible gift annuities with us as you approach retirement. You may consider funding them with assets you had already budgeted for retirement saving, but can no longer add to an overfunded retirement plan. The annuities will begin making a combined payment on the start date you select.

Strategy #2: Secure Extra Funds for College with a Tuition Annuity

This annuity also defers the commencement of payments. However, rather than running for a lifetime, as payments from a deferred annuity or flexible annuity do, the distributions from a tuition annuity are expected to be commuted by the beneficiary and paid over a four or five year period.

The tuition annuity through The American College of Financial Services pays one beneficiary only (other types of charitable annuity permit two beneficiaries), who is usually the child or grandchild of the donor. Payments are typically scheduled to commence when the child turns 18. The younger the child is when the tuition annuity is set up — in other words, the longer payments can be deferred — the higher the payout rate.

Beneficiaries of a tuition annuity do have the option of taking annuity payments for lifetime, but they will receive a significantly more useful benefit if they elect to commute the payments, and accelerate their payment over the time they expect to be in college. The commencement date for annuity payments, the length of time of the anticipated commutation period and the amount of the commuted payments, are detailed in the gift agreement for the tuition annuity.

The donor receives a charitable income tax deduction for the gift that creates the tuition annuity.

Consider the tuition annuity as a creative supplement to other tax-sheltered savings plans for your children's tuition needs, one that will provide you with unique tax advantages that other plans do not offer.

We're ready to show you and your advisors how these annuity plans can help you meet both current and future financial planning goals, and also contribute to our own future financial strength.