

# THE ABC'S OF CGA'S



National Capital Gift Planning Council  
Planned Giving Days  
May 25, 2018



HELLO!



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## WHAT WE WILL COVER TODAY

1. Charitable Gift Annuities – Program Essentials
2. Best Practices

### Goals:

1. To be comfortable with the CGA conversation
2. To own at least 3 new (to you) CGA best practices or concepts

# A = ANNUITIES

## HISTORICAL PERSPECTIVE

- First appeared in America in 1831  
John Trumbull gave paintings to Yale College in exchange for a life annuity of \$1,000\*
- Oldest CGA program in continuous operation  
American Bible Society – **tens of thousands of CGA's since 1843\***
- American Council on Gift Annuities (ACGA) founded in 1927
- Philanthropy Protection Act of 1995
- Offered by over 4,000 charities [501(c)3 organizations]\*\*
- More than \$3.15 billion in gift annuity funds are under management\*
- **Google search for "Charitable Gift Annuity" = 373,000 hits**  
American Council on Gift Annuities

\* ACGA 2013 Survey of Charitable Gift Annuities report

\*\* Source: ACGA Survey 2009

# WHERE DO CGA'S FIT IN?







# WHAT A CGA IS AND WHAT IT IS NOT



# WHY CREATE A CGA

## BENEFITS TO THE DONOR/ANNUITANT



# WHY OFFER A CGA PROGRAM

## BENEFITS TO THE CHARITY

- X Secure future principal gift today
- X Creates permanent connection to donor/income beneficiary
- X Can lead to additional gifts
- X Easy to understand and relatively easy to establish
- X Everybody's doing it...
  - Over 4,000 charities offer them
  - More than \$3.15 billion in gift annuity funds under management
  - In FY 2013 among the 378 respondents – 4,960 contracts valued over \$261 million



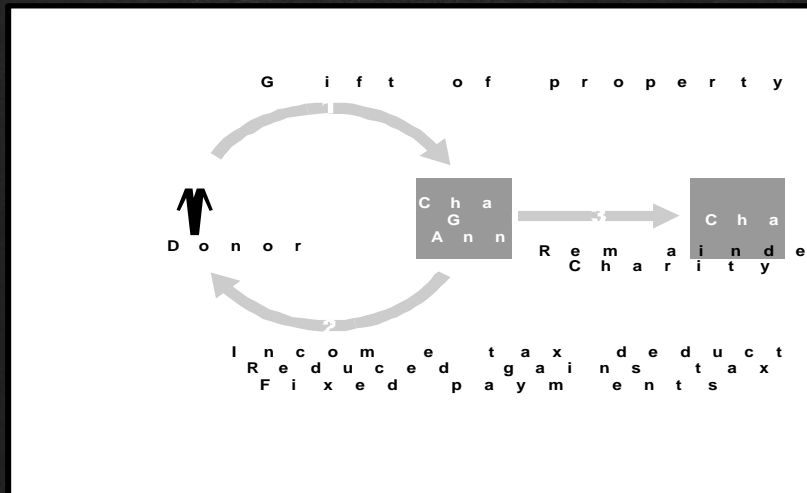
# PHILOSOPHY OF AMERICAN COUNCIL ON GIFT ANNUITIES (ACGA) SUGGESTED RATES

- X Emphasis must be on the word “gift”
  - These agreements are but one of many methods used to solicit and receive contributions
- X Rates are based on actuarial studies of mortality among annuitants
  - Professional actuary serves on the ACGA board
- X Annuity rates are calculated to produce an average “residuum” or gift of 50% of the amount originally donated
  - Because of this assumption rates are lower than, and therefore not in competition with, commercial annuities

C = CONTRACT

Wait....what happened to B????

# CGA ILLUSTRATION & CONTRACT



## How it works

You transfer cash, securities, or other property to a charity. You receive an income tax deduction and a portion of these payments is tax-free. When the gift annuity ends, its remaining

# BASIC GIFT ILLUSTRATIONS

## TAXATION OF GIFT ANNUITY PAYMENTS

### *6.6% Charitable Gift Annuity*

#### ASSUMPTIONS:

Annuitant	[6/25/1939] 79
Date of Gift	3/21/2018
Principal Donated	\$50,000
Cost Basis of Property	\$10,000
Annuity Rate	6.6%
Payment Schedule at end	quarterly



# BASIC GIFT ILLUSTRATIONS

## TAXATION OF GIFT ANNUITY PAYMENTS

**CALCULATIONS:**

Charitable Deduction	\$25,418.00
Number of Payments in First Year	4
Days in First Quarterly Period (1/1/2018 to 3/31/2018)	90
Days of Payment Credit in First Quarterly Period (3/21/2018 to 3/31/2018)	11

<i>Annuity</i>	\$3,300.00
Quarterly Payment	\$825.00
First Partial Payment on 3/31/2018 (11/90 X \$825.00)	\$100.83

**BREAKDOWN OF ANNUITY:**

	Capital Gain	Tax-free Portion	Ordinary Income	Total Annuity
<i>2018 to 2018</i>	<i>1,549.62</i>	<i>387.40</i>	<i>683.81</i>	<i>2,575.83</i>
<i>2019 to 2027</i>	<i>1,985.28</i>	<i>496.32</i>	<i>818.40</i>	<i>3,300.00</i>
<i>2028 to 2028</i>	<i>248.46</i>	<i>62.12</i>	<i>2,989.42</i>	<i>3,300.00</i>
<i>2029 onward</i>	<i>0.00</i>	<i>0.00</i>	<i>3,300.00</i>	<i>3,300.00</i>

# BASIC GIFT ILLUSTRATIONS

## TAXATION OF GIFT ANNUITY PAYMENTS

Total reportable capital gain of \$19,665.60 must be reported over 9.9 years, the expected lifetime of the donor age 79.

After 9.9 years, the entire annuity becomes ordinary income.

**IRS Discount Rate is 3.0%**

## Immediate Gift Annuity Agreement

### One Life Immediate Payment Annuity for Annuitant Jane Doe by Donor Jane Doe

This Agreement is made May 1, 2018, between Jane Doe, \_\_\_\_\_,  
 \_\_\_\_\_, Alabama \_\_\_\_\_ (hereafter the "Donor") and a  
 charitable organization, known as \_\_\_\_\_, Alabama, (hereafter the "Charitable Organization").

1. Property Transfer. The Donor, as evidence of a desire to support the work of the Charitable Organization and to make a charitable gift, has this day contributed to the Charitable Organization \$0, which is more fully described in the attached Schedule A.

2. Payment of Annuity. In consideration of the property transferred by the Donor, the Charitable Organization shall pay to the Donor Jane Doe for her life an annual annuity of \$0.00 in equal quarterly payments of \$0.00 at the end of each period. The first payment of \$0.00 shall be on June 30, 2018 and all future payments shall be one quarter thereafter. The obligation of the Charitable Organization to make the annuity payments shall terminate either without payment if the Donor dies before the first payment or with the payment prior to the death of the Donor.

3. Birth Dates, Ages, Social Security Numbers and Addresses. The birth date, age to the nearest year, Social Security number and address of Jane Doe are May 1, 1945, Age Seventy-Three(73), SSN 000-00-0000 and \_\_\_\_\_, \_\_\_\_\_, Alabama \_\_\_\_\_ . If a birth date or age shall be at any time found incorrect, then any underpayment or overpayment due to misstatement or other error shall be corrected by prompt distribution to the Donor or by charge against current or future payments, as may be applicable.

4. Annuity Provisions. This annuity is irrevocable and nonassignable, except that it may be assigned to the Charitable Organization. This Agreement and attached Schedule A constitute the entire agreement of the parties.

5. Payout and Use Provisions. Unless the Charitable Organization is notified in writing of a change of address or another method of payment is selected by written agreement, annuity payments shall be made to the Donor's address noted in this Agreement. Annuity payments shall be made under the provisions of this Agreement and shall not be otherwise modified or commuted. After all required annuity payments under this Agreement are completed, any annuity remainder amount shall be distributed to the Charitable Organization for its general uses and purposes.

6. State Law Provisions. The assets transferred are specified under Schedule A. This Agreement shall be governed by the laws of Alabama.

This annuity shall be governed by the laws of the state of Alabama. Payments under this Agreement shall be made to a female age 73.

This annuity Agreement shall be interpreted in a manner that is in compliance with applicable existing state law. The annuity payments to be made under this gift annuity Agreement are backed by the full faith and credit of the issuing organization and are not issued or guaranteed by an insurance company or by the State of Alabama. By signing this agreement, the Donor acknowledges receipt of the Charitable Organization Gift Annuity Disclosure Statement, in accordance with the requirements of the Philanthropy Protection Act of 1995.

This charitable gift annuity is offered pursuant to a claim of exemption from registration under Section 37(b) [Section 8-6-10, Code of Alabama, 1975] of the Alabama Securities Act and Section 3(a)(4) of the Securities Act of 1933. A registration statement relating to this annuity has not been filed with the Alabama Securities Commission or with the United States Securities and Exchange Commission. Neither Commission has passed upon the value of this charitable gift annuity nor approved or disapproved of its offering, nor passed upon the adequacy or accuracy of this agreement. Any representation to the contrary is unlawful.

In addition, to the extent an amendment does not conflict with federal law, the Agreement may be amended by mutual agreement of the parties solely for the purpose of compliance with state law, with such amendment subject to approval of the Alabama Securities Commission.

IN WITNESS WHEREOF, the Charitable Organization and the Donor have executed this Agreement on the date first stated above.

Donor:

\_\_\_\_\_  
 Jane Doe Date: \_\_\_\_\_

\_\_\_\_\_  
 Incorporation Date -- May 15, 2018

By: \_\_\_\_\_ Date: \_\_\_\_\_  
 \_\_\_\_\_

Attest: \_\_\_\_\_ Date: \_\_\_\_\_

# CGA – DISCLOSURE STATEMENT

## Virginia Gift Annuity Disclosure Statement

### Description of a Gift Annuity

A gift annuity is a simple contract between the donor(s) and The Salvation Army, a Georgia Corporation. In exchange for the donor(s)' contribution, The Salvation Army promises to make fixed, guaranteed payments for life to one or two annuitants (usually, but not necessarily, the donor(s)). The amount paid is based on the age of the annuitant(s) at the time of the gift, in accordance with The Salvation Army's rate schedule.

### Not a Commercial Investment

The act of establishing a gift annuity with The Salvation Army, a Georgia Corporation is not, and should not be viewed as, an investment. Rather, it is a way to receive annuity payments while making a charitable donation. In this respect, The Salvation Army gift annuity is different from a commercial annuity. However, the fact that you are making a charitable gift may provide you with tax benefits, including a current federal income tax charitable deduction (if you itemize your deductions), annuity payments which are partially tax-free and future estate tax savings.

### Gift Annuity Rates

Generally, the gift annuity rates paid by The Salvation Army, a Georgia Corporation, are those suggested by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a significant portion of the contribution remaining for the charity. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

### Assets Backing Annuity

The annuity payments are a general obligation of The Salvation Army, a Georgia Corporation, and they are backed by all of our assets subject to existing security interests. At September 30, 2015, our total invested funds exceeded \$1 billion, and they are invested in stocks, bonds, money market funds, and federal obligations. We also maintain a gift annuity reserve fund valued at more than \$54 million that is invested in accordance with the laws of the states in which we offer gift annuities. Assets received by The Salvation Army, a Georgia Corporation, for gift annuities are managed by Bank of New York Mellon Wealth Management. The assets are invested prudently for risk adjusted expected return. If The Salvation Army, a Georgia Corporation, should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of The Salvation Army, a Georgia Corporation.

The Salvation Army, a Georgia Corporation, was established January 20, 1927. Responsibility for governing the organization is vested in a Board of Trustees comprised of nine persons, who are appointed by the General of The Salvation Army. Common investment funds managed by

our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this letter is provided to you in accordance with the requirements of that Act.

The charitable gift annuity is not insurance under the laws of the Commonwealth of Virginia and is neither subject to regulation by the Insurance Commission nor protected by the Virginia Life, Accident and Sickness Insurance Guaranty Association.

### Points to Remember

- A contribution for a gift annuity is irrevocable. The principal you contribute cannot be returned to you.
- The right to annuity payments may not be assigned to any person or organization, other than The Salvation Army, a Georgia Corporation.
- The gift date is the date when you actually transfer assets. In the case of cash, it is the date you mail or deliver a check. In the case of an electronic transfer of securities, it is the date they are received into the account of The Salvation Army, a Georgia Corporation. If you have certificates, it is the date they are properly endorsed and mailed or delivered.
- The payments made under a charitable gift annuity are backed by the full faith and credit of the organization and are not issued or guaranteed by an insurance company or backed in any way by any individual state.

### For More Information

This disclosure statement is intended to provide basic information regarding the gift annuities issued by The Salvation Army, a Georgia Corporation, and is not intended to serve as legal advice. We encourage you to consult with your own legal and/or financial advisor about the applicability of such a gift in your own situation. If you have additional questions concerning The Salvation Army's gift annuity program, please call or write to your Planned Giving Director at the address provided to you.

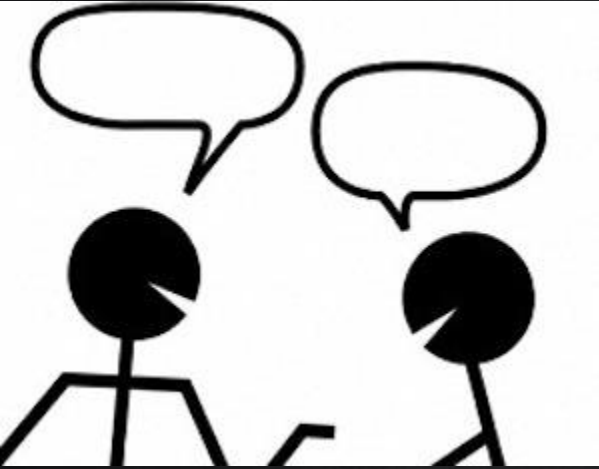
### Donor Acknowledgment

I/We hereby acknowledge receipt of the above disclosure from The Salvation Army, a Georgia Corporation, regarding charitable gift annuities, as required under the Philanthropy Protection Act.

Signature of Donor(s): \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_ Date: \_\_\_\_\_



ALSO,  $C =$





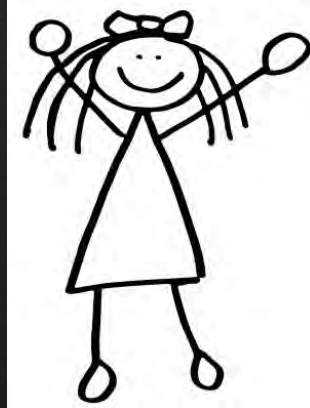
NOW FOR THE B....

B = BEST PRACTICES

AS PRESENTED AT THE 30<sup>TH</sup> CONFERENCE ON GIFT ANNUITIES  
(AND SINCE UPDATED)



*Signature*









# Birth Certificate

This Certifies That

\_\_\_\_\_ (Name)  
was born to  
\_\_\_\_\_ and \_\_\_\_\_  
(Mother) (Father)  
on \_\_\_\_\_ at \_\_\_\_\_  
(Date) (Time)  
weight \_\_\_\_\_ length \_\_\_\_\_  
(Weight) (Length)  
at \_\_\_\_\_  
(Location)  
in \_\_\_\_\_  
(City) (State)  
\_\_\_\_\_  
(Signed) (Signed)

## NATIONAL NEXT OF KIN REGISTRY

Date Registered \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

Allergies \_\_\_\_\_

Medical Info. \_\_\_\_\_

Add more information on the backside of this card.

Blood Type \_\_\_\_\_

Emergency Contact  
[WWW.NOKR.ORG](http://WWW.NOKR.ORG)





# ONE MORE THING...

Charitable Gift Annuities vs. Charitable Remainder Trusts...

# CONCLUSION

- X Since 2006, we have seen over \$48 million in CGA residua
  - X The CGA provides an opportunity for certain donors and charitable organizations to help each other
  - X Add the CGA to your development tool box
  - X P.S.
    - How will you the answer if you don't ask the question?
    - No usually means, "Now may not be the appropriate time, but the CGA could be beneficial in the future."
- 
- Are you comfortable with CGA conversation?
  - Did you learn 3 new concepts today?



THANK YOU!