

Charitable Gift Annuities

What are they?

With a charitable gift annuity (CGA), you transfer cash or securities to the Foundation. In exchange, the Foundation agrees by contract to pay you or the beneficiaries you name a guaranteed annuity amount for life. Your charitable deduction is calculated by taking the value of the transferred property, less the value of the annuity. At the death of the last annuity recipient, the remaining assets will be used by the Foundation as you instructed.

What are the benefits?

- A guaranteed fixed income stream
- A charitable income tax deduction
- Reduced capital gains spread out over the annuitant's life expectancy, if your gift is made with appreciated securities
- Reduced estate tax liability
- A portion of each payment free of income tax

Deferred Gift Annuities

With a deferred gift annuity, you transfer cash or securities to the Foundation and enter into a CGA contract that provides for future rather than current income payments. These payments must be deferred for at least one year and paid to an annuitant who is at least 65 years old. The more time elapsed before payment begins, the greater the payment and income tax deduction. A deferred gift annuity offers the same benefits as a regular CGA.

If you would like to supplement the payments you receive from your qualified retirement plan and Social Security, consider a deferred gift annuity. Unlike an employer-sponsored retirement plan, a DGA enables you to:

- contribute as much as you want without limitation
- contribute appreciated stock as well as cash
- decide in which year to make a contribution
- start receiving payments as early or as late as you wish.

(over)

Single Life Immediate Charitable Gift Annuity on \$100,000 Initial Gift*

| AGE | RATE % | ANNUITY |
|-----|--------|---------|
| 65 | 4.7 | \$4,700 |
| 70 | 5.1 | \$5,100 |
| 75 | 5.8 | \$5,800 |
| 80 | 6.8 | \$6,800 |
| 85 | 7.8 | \$7,800 |
| 90 | 9.0 | \$9,000 |

* Charitable Gift Annuity annual payment on \$100,000 initial gift using rates recommended by the American Council on Gift Annuities, effective January 1, 2012

Charitable Gift Annuities, continued

Minimum contribution

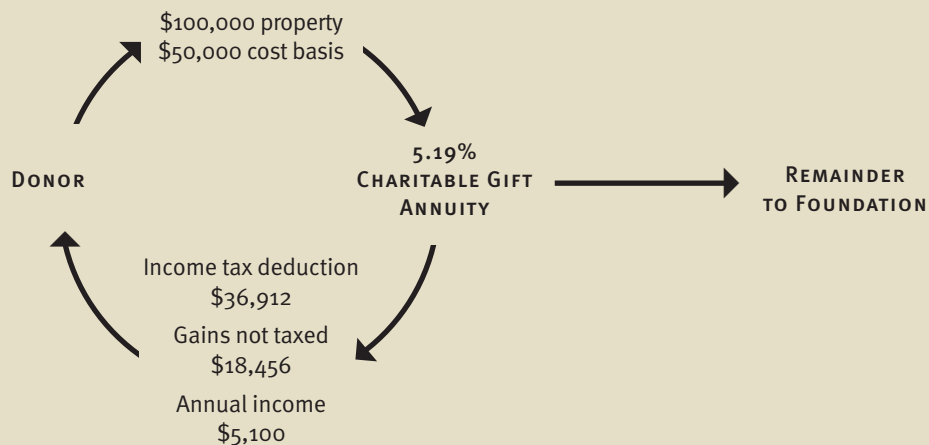
The minimum gift to establish a charitable gift annuity is \$20,000. The minimum age for a charitable gift annuity beneficiary is 65.

How to establish

For more information about charitable gift annuities including a detailed illustration of the potential payout and tax treatment, contact the Development Office at (401) 274-4564. You may also visit our website to view an instructional video.

An Illustration of charitable gift annuity: A gift that gives back

Jane Evans, age 70, makes a charitable gift annuity contribution with a growth stock (paying no dividend) that has doubled in value, from \$50,000 to \$100,000, during a five-year period. According to the terms of the gift annuity contract, The Rhode Island Foundation will pay to Ms. Evans \$5,800 a year for the rest of her life.



Summary of Benefits*

- Income of \$5,100/year for the rest of the donor's life.
- A charitable deduction of \$36,912 in the year the donor makes the gift, saving \$12,181 in federal income taxes assuming a 33% marginal rate.
- Reduced capital gains tax liability on the stock transferred from \$50,000 to \$31,544 to be reported as capital gains income in increments of approximately \$1,984 each year for 15 years.
- A major gift establishing a named fund with The Rhode Island Foundation.

**The information in this chart is general in nature and incorporates the IRS discount rate in effect as of 12/2011. Please verify with your tax advisor any numbers pertaining to your situation*