

Giving Wisely

Charitable Gift Annuity

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Schwab Charitable does not act as trust or custodian for charitable gift annuities. Please consult your legal or tax advisor about your particular circumstances.

A **Charitable Gift Annuity (CGA)** is a contract under which a 501(c)(3) qualified public charity, in return for an irrevocable transfer of cash or other property, agrees to pay the annuitant(s) a lifetime income. The maximum number of annuitants is two, and payments can be made to them jointly or successively. The charity will determine the payout amount based on actuarial factors.

Unlike a [Charitable Remainder Trust](#), part of the gift may be used immediately by the charity with the remainder of the gift invested in an account to provide for the annuitant's income stream.

- **Income Tax Charitable Deduction.** Taxpayers who itemize deductions can claim a charitable deduction for a portion of the original gift. This deduction is equal to the amount of the contribution less the present value of the payments that will be made to the donor and/or other beneficiary during life. The present value of those payments is determined using IRS tables regarding life expectancy and assumed earnings, and taking into consideration the amount contributed and the gift annuity rate.

- **Fund your Legacy with a CGA.** With certain charities, a donor who is interested in an income stream can also fund their charitable legacy by granting the remainder to a family donor-advised fund account. Not only will the donor enjoy additional retirement income, but can be assured that his/her charitable causes will be supported after the donor's death. Please contact Schwab Charitable for more information.

- **Taxation of CGA Payments.** If the gift annuity is funded with cash, part of the payments will be taxed as ordinary income and part will be tax-free. If funded with appreciated securities or real estate owned more than one year, and the donor is receiving the annuity payments, part of the payments will be taxed as ordinary income, part as capital gain, and part may be tax-free. The charity that issues the annuity will send a Form 1099-R to the annuitant. This form will specify how the payments should be reported for income tax purposes.

For donors seeking an income stream, a CGA may be a great option. Donors should work with a tax advisor to confirm that a CGA will provide the expected results both respect to the income tax consequences of the gift.