

Charitable Gift Annuities



Description

A Charitable Gift Annuity is a contract (not a trust) with Camp Fire First Texas, in which an individual provides a gift and, in exchange, the nonprofit guarantees the individual a fixed income for life.

Key characteristics

- Potential immediate (partial) tax deduction, based on life expectancy and the expected income stream
- Reduces capital gains tax liability for gifts of long-term appreciated assets
- Tax is due on the income stream
- An individual can often donate many types of assets

Details

A Charitable Gift Annuity is a contract under which a charity, in return for a transfer of cash, marketable securities or other assets, agrees to pay a fixed amount of money (payment) to one or two individuals (beneficiaries or annuitants), for their lifetime.

The contract is between the donors and the issuing charity, where the donors transfer property (cash, securities, and real property) in exchange for a fixed dollar payment during their lifetime. Tax deductions for this type of life-income gift vary with the number of recipients and the age of the donor at the time of the gift. The issuing institution guarantees the income, as it becomes a legal obligation of the charity.

By definition, a Charitable Gift Annuity is what is referred to as a split gift. Part of the gift is to be used by the charity immediately for its charitable purposes, and part of the gift is set aside in a reserve account to be invested and used to support the payments to the donor/annuitants. Such payments include the earnings on the reserve account and a part of the principal in the reserve account. The ratio of these parts, that is, the parts that are principal and earnings, depends upon the age of the annuitant.

** The Council reserves the right to refuse any proposed gift. Unless otherwise approved by Camp Fire First Texas, gifts may not be directly or indirectly subjected by a donor to any material restriction or condition that would prevent the Council from freely and effectively employing the transferred asset, or the income derived therefrom, in furtherance of its exempt purposes.*

