Charitable Giving: Leave It or Live It?

by vcmorris - Thursday, November 05, 2009

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The gift of giving - is it part of your financial plan? And if it is, do you plan to enjoy *seeing* what your gift can do while you're alive and well? If you're committed to giving to charity why not enjoy doing it while you're still alive and get paid for your generosity?

Women are the nation's primary care givers – of our children, our elders and extended family members. And the nation's women are generous. Yet many are reluctant to be big money givers to a charity while they're still alive. The primary reason most wait and arrange for a donation to charity to be made after they're gone? They're worried it could jeopardize their own retirement money needs. A valid consideration.

The reality is – you really *can* give a financial gift to your favorite charity right now – while you're here to enjoy seeing how your money is put to use. And, you can do it without compromising your own retirement needs. Create what's called a "charitable gift annuity" or CGA.

A charitable gift annuity is a financial instrument that lets you:

- generate an income stream
- get a tax deduction for yourself
- *and* support the charity that's dear to your heart

and all that happens while you're still alive.

A charitable gift annuity is a contract between you and your chosen charity that allows the charity – in return for your donation of cash, stock or other property (usually at least $5000 to $10,000) - to pay you a fixed amount of money called an annuity for as long as you live. The annuity comes to you in quarterly payments that are set from the outset. The amount you receive is guaranteed. It will never go down - even if the charity has to dip into its general fund to pay you.

You receive quarterly checks for as long as you live. The CGA deducts the estimated amount of each gift that goes to the charity after years of annuity payouts.

There are standard rates for what annuities pay:

- The current rate ranges from 5.3% for life if you purchase a CGA at age 50 to 10.5% at age 90 and older.
- The annual payout increases the older you are when you buy because annuity payments are based on actuarial tables of life expectancy.
- If you're a couple and decide to do a joint annuity – it pays a slightly lower rate.
- Tax advantage? Only a portion of a charitable gift annuity is tax deductible since your payouts are a

return of principal and interest.
- Insured? No. Unlike bank accounts and many other investments – CGAs are not insured, so it's important to know the solvency and stability of the charitable organization you're considering.

Payout rates are set by the American Council on Gift Annuities. And because they're fixed from the start, they *won't increase or decrease* regardless what happens to interest rates.

While your payment won't ever increase - there's no inflation protection. But that's a big reason why people who choose CGAs are usually older and tend to consider fixed payments more important than having a hedge against inflation. Women seem to like CGAs. Typical donors are retired females in their late 70s and of moderate means.

Charitable gift annuities are very simple for both the charity to administer and for the donor to set up and grew in popularity in recent years due to low interest rates for investments and the volatile stock market. Even when rates creep higher, CGAs remain attractive to people who are committed to philanthropy being part of their financial lives.

One important and serious consideration to choosing a charitable gift annuity: *the donation is irreversible.* It can never be retrieved from the charity even if you have a personal emergency. It cannot be retrieved if the charity goes bankrupt. And if you die, your heirs have no claim to the donation.

Despite that irreversible caveat, charitable gift annuities are the leading planned gift vehicle today because of a guaranteed payout for life that is higher than most other income generating alternatives.

Here's to your health and wealth!