

# Questions About Deferred Gift Annuities

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## A Gift With Future Income

What if you could make a gift today that would provide immediate tax savings along with payments to you and/or someone else you choose, at a future time you designate? Fortunately there is a way to do just that with a deferred payment gift annuity.

The most common form of charitable gift annuity allows donors to make a gift that provides payments beginning immediately that last for the remainder of their lifetime. Under the terms of a deferred payment gift annuity, however, donors can fund their gift now, while choosing to begin receiving the payments at a future date they decide.

Read on for answers to some of the frequently asked questions about deferred payment gift annuities. You may discover that this gift planning option can help supplement your future income while making a meaningful charitable gift.

## Answers to Frequently Asked Questions

### **Q. What is the difference between an immediate gift annuity and a deferred payment gift annuity?**

**A.** Under the terms of an immediate charitable gift annuity, you transfer assets to a charitable organization in return for fixed payments for the rest of your lifetime and/or the lifetime of another person, if desired. In the case of a deferred payment gift annuity, the payments from the gift annuity start at a date you specify — at least one year in the future. The payment rate will generally be higher than for a gift annuity that begins making payments right away.

### **Q. Why might someone choose a deferred payment gift annuity over one that makes immediate payments?**

**A.** Delaying the start of payments for a period of time may be especially appealing to people who have not yet retired, but would like to supplement their future income once they do. Example: Betty, age 65, would like to make a special gift but is also concerned about planning for her retirement. Through a deferred payment gift annuity, she can make a gift now and receive an immediate tax deduction, while postponing the payments for 5 years until her retirement, when her need for the income may be greater. Her rate is higher than if she began receiving payments today.

### **Q. Can I receive tax benefits?**

**A.** Yes. Because a portion of the amount used to fund a deferred payment gift annuity will be used for charitable purposes, when you itemize your deductions you may benefit from a federal (and perhaps state) income tax deduction in the year you make your gift. Because payments are delayed, the tax deduction for a deferred gift annuity will generally be greater than an immediate payment gift annuity. When you begin receiving payments from the annuity, part of each payment can be tax-free over your life expectancy.

### **Q. What determines the size of payments?**

**A.** The amount of each payment is determined by how much is used to fund the deferred payment gift annuity, the age of the future payment recipient(s) when the gift is made, how long the payments are delayed, and other factors. Generally, deferred payment gift annuities pay higher rates than immediate payment gift annuities. The more time between the gift date and the first payment date, the higher the annuity rate will be.

### **Q. Will my payments change from year to year?**

**A.** No, not the rate of payment on a gift annuity with payments deferred for a designated period of time. That rate is permanently set when you fund your annuity.

### **Q. What if I outlive my life expectancy?**

**A.** Payments will be made for as long as a recipient of payments lives.

### **Q. Are the payments affected by interest rates or changes in the economy?**

**A.** No. Payments for a particular annuity are never adjusted, regardless of changes in interest rates or the national economy. The assets of the charitable organization stand behind the payments.

**Q. Can I provide for another person through a deferred payment gift annuity?**

**A.** Yes. You can designate another person to receive payments either with you, instead of you, or only following your lifetime. This can be a wonderful way to provide income for a spouse or other loved one in the future.

**Q. Is the payment rate the same if more than one person receives payments?**

**A.** Annuity payments may be made for the lives of one or two persons. Because the combined life expectancy of two people is typically longer than one person's life expectancy, the rate of payment will be somewhat lower. Deferred payment gift annuity rates are also affected by the length of the payment deferral period. Rates for one and/or two people are available upon request.

**Q. What assets can I use to fund a deferred payment gift annuity?**

**A.** You may fund an annuity with cash, stocks, bonds, or other securities. When you give assets that have increase in value to fund a deferred payment gift annuity, you may not only be entitled to an immediate income tax deduction, but you may also bypass or delay capital gain taxes that would be due if the property was sold. (This special treatment is not generally available if you establish a deferred annuity to benefit someone else.)

**Q. Will a deferred payment gift annuity be part of my estate?**

**A.** Not generally. If you are the only payment recipient, the assets used to fund your gift annuity will not be a part of your probate or taxable estate. Some gift or estate tax may be due if payments are made to a person other than a spouse.

**Q. Is a deferred payment gift annuity difficult to create?**

**A.** Such a plan can be created with minimum effort. Contact us for a complimentary personalized illustration outlining the benefits for your specific circumstances.

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