



Is the Charitable Gift Annuity Still Relevant?

Have you considered...

May 11, 2021

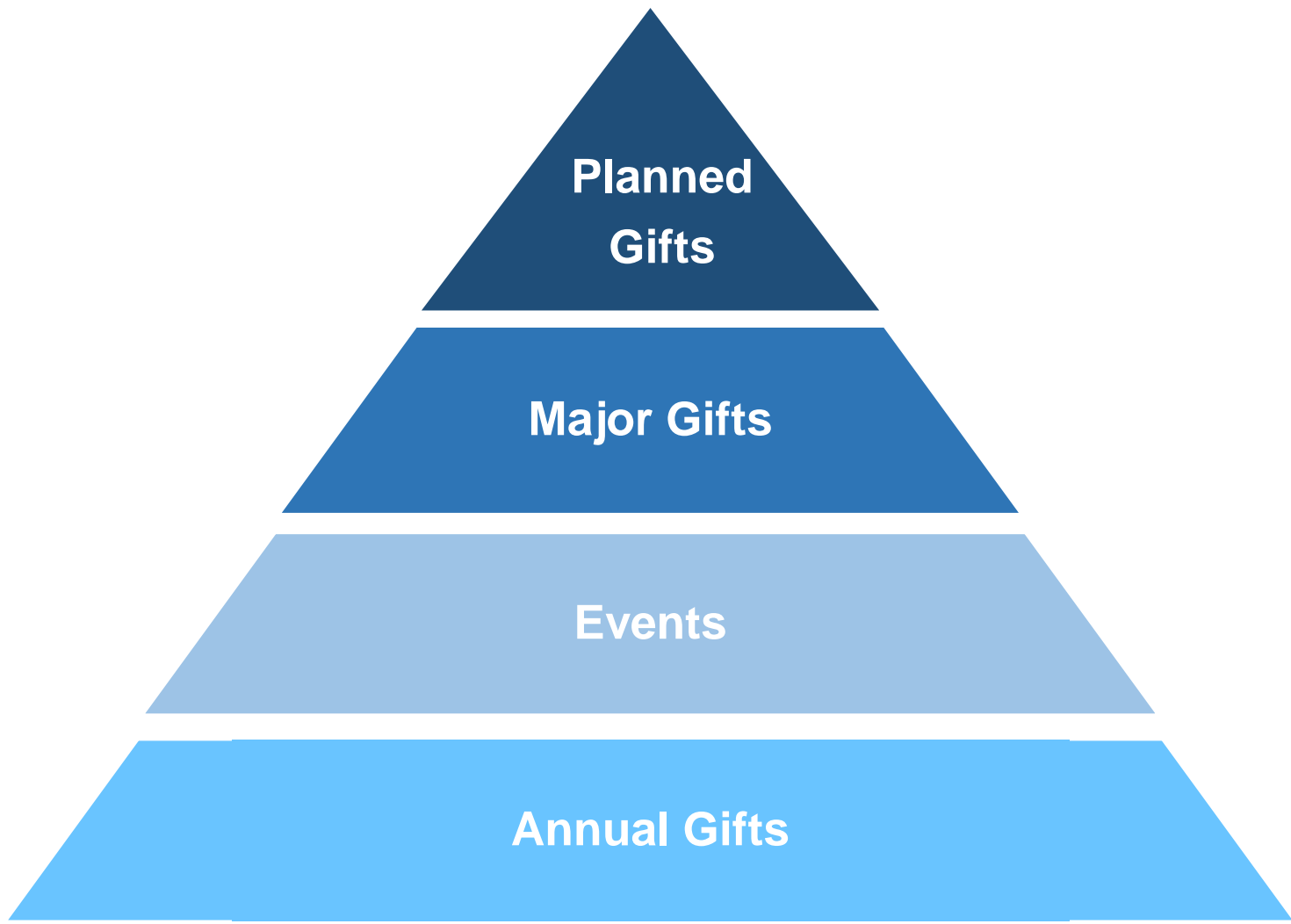
Presented by:

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PNC, Institutional Asset Management
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Why CGA?

Have you considered?

Best practices



What is a Charitable Gift Annuity? Historical Perspective

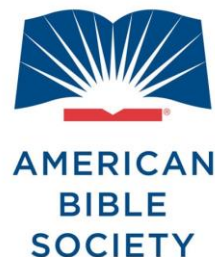
- When did the first donor appear in America? Who was the donor and what was the gift?



1830 John Trumbull, American painter, gave a painting to Yale College in exchange for an annuity of \$1,000 per year for life. (Approx. \$28,000 today)

What is a Charitable Gift Annuity? Historical Perspective

- What is the oldest CGA program in continuous operation?
 - American Bible Society
 - Tens of thousands of CGA's since 1843*



- American Council on Gift Annuities (ACGA) founded in 1927



AMERICAN COUNCIL
ON GIFT ANNUITIES
Promoting Responsible Philanthropy

- Philanthropy Protection Act of 1995



* ACGA 2017 Survey of Charitable Gift Annuities report

What is a Charitable Gift Annuity? Historical Perspective

- 4,000 charities [501(c)3 organizations]**



- More than \$3.2 billion in gift annuity funds are under management*



- How many Google hits occur when searching for “Charitable Gift Annuity”?
 - 2.9 million hits***



* ACGA 2017 Survey of Charitable Gift Annuities report

** Source: ACGA Survey 2009

*** As of 2/12/2021

What is a Charitable Gift Annuity?

A charitable gift annuity is a simple contract between you [donor] and a Charity.



In exchange for your irrevocable gift of cash, securities, or other assets, the Charity agrees to pay one or two annuities you name a fixed sum each year for life. The payments are backed by the general resources of the Charity.



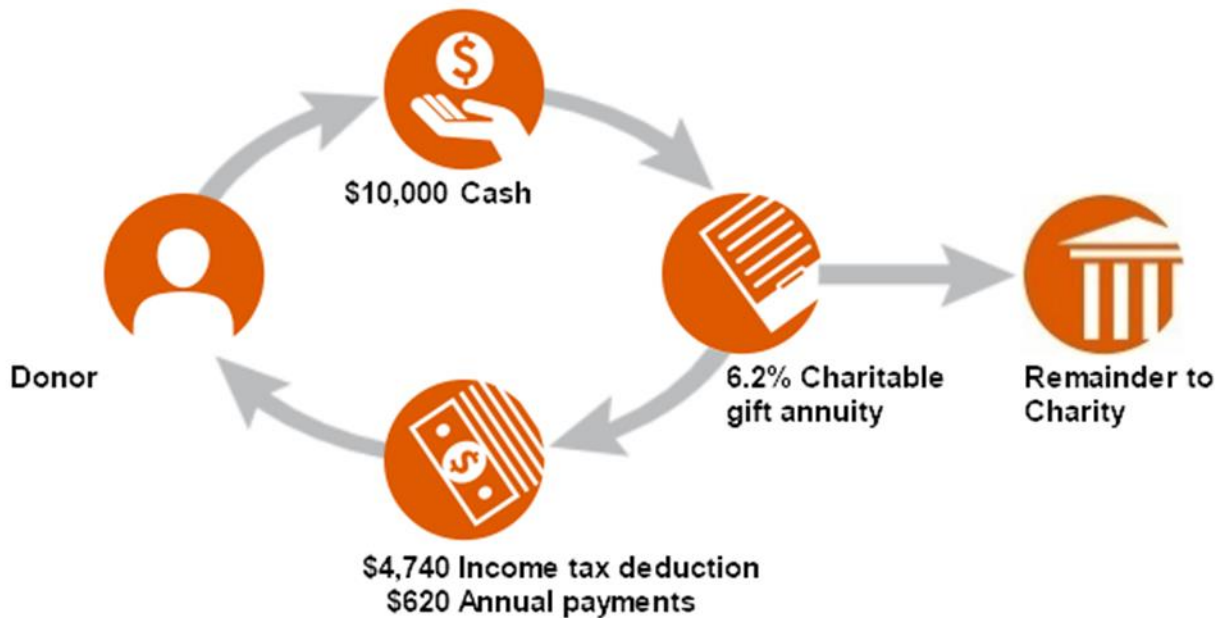
The older your designated annuitants are at the time of the gift, the greater the fixed payments the Charity can agree to pay.



In most cases, part of each payment is tax-free, increasing each payment's after-tax value. If you give appreciated property you will pay capital gains tax on only part of the appreciation. In addition, if you name yourself as an annuitant the capital gains tax can be spread out over many years rather than be all due in the year of your gift.



Payments are usually made in annual, semiannual, or quarterly installments.



1. Donor transfers cash, securities, or other property to Charity
2. Donor may receive an income tax deduction and may save capital gains
 - Charity pays a fixed amount each year to you or to anyone you name for life. Typically, a portion of these payments is tax-free
3. When the gift annuity ends, its remaining principal passes to Charity

Source: PG Calc – PGM Anywhere Software

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly.

Why Create a CGA?

Benefits to the donor/annuitant:

<p>Satisfy philanthropic desire, knowledge that their gift will help a favorite cause</p>	<p>Fixed income for life</p>	<p>Charitable deduction (less than gift amount)</p>
<p>Reduction/bypass of capital gains on gifts of stock</p>	<p>Easy to understand, and relatively easy to establish</p>	<p>Donor's estate may enjoy reduced probate costs and estate taxes depending on the donor's circumstances and the size of the gift</p>

Why offer a CGA program?

Secure future principal gift today	Creates a permanent connection to the donor/income beneficiaries	Can lead to additional, and larger gifts
Easy to understand, and relatively easy to establish each gift	You are not alone!	Over 4,000 Charities offering
More than \$3.2 billion in gift annuity funds are under management*		In FY 2017 among the 409 respondents – 4,431 contracts valued over \$235 million*

*Source: ACGA 2017 Survey of Charitable Gift Annuities report

Have you considered?

Non-cash
assets

Non-cash
assets as a
percentages
of total gifts*:

- 25% stocks/bonds
- 3% real estate
- 1% other

A \$2.0 million
commercial
real estate
funded CGA

- What is your outright gift policy on real estate and other non-cash assets?

*ACGA 2017 Survey of Charitable Gift Annuities report. All data as of April 2017

Deferred and Flexible Deferred CGA's (DCGA):

Set your organization apart from others

Only 13% of CGA's are deferred*

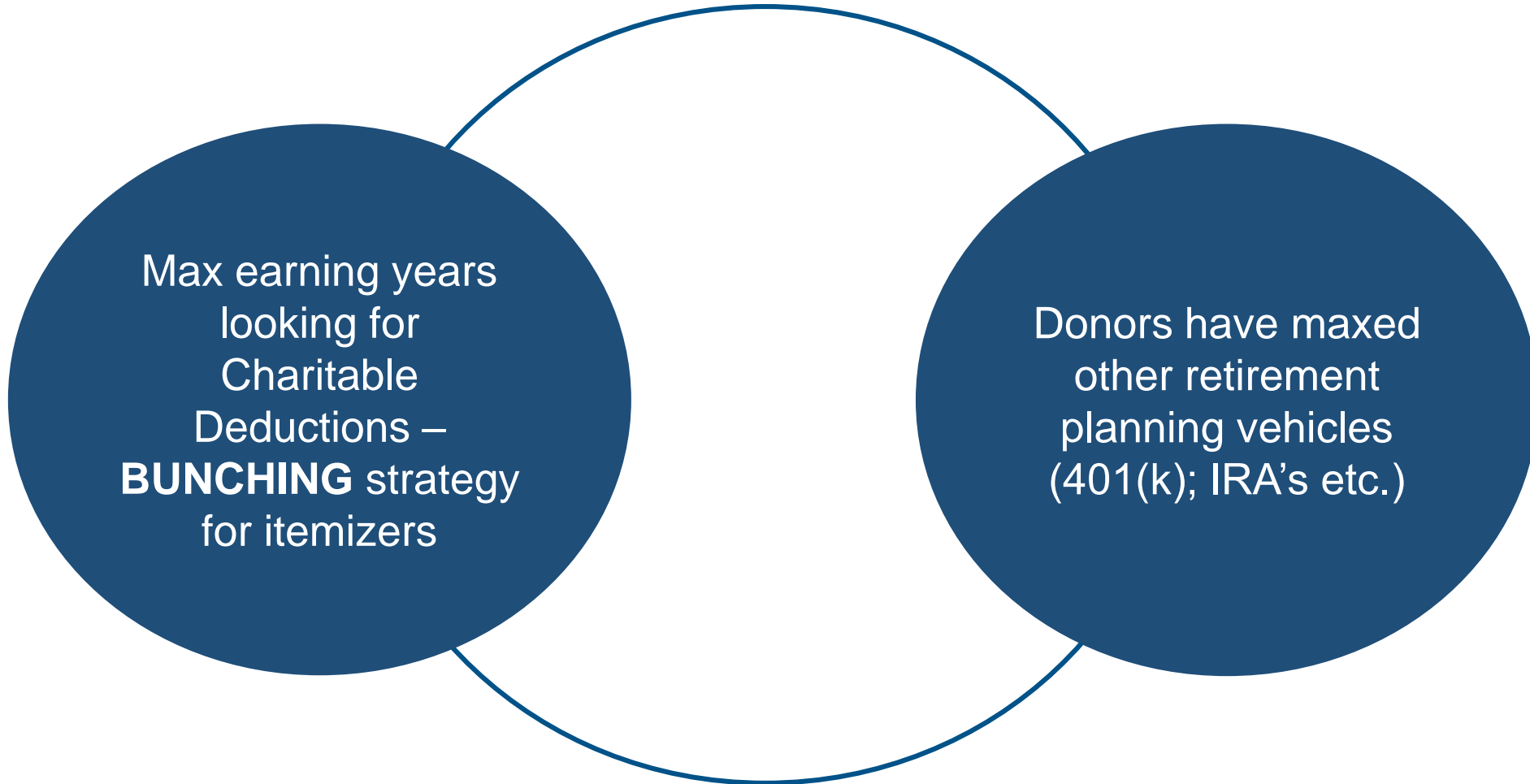
Satisfy philanthropic desire of younger donors of DCGA's*:

Only 32% of charities issue flexible deferred*

27% are age 55 or younger at the time of the gift*

33% are age 60 or younger*

*ACGA 2017 Survey of Charitable Gift Annuities report. All data as of April 2017



Max earning years
looking for
Charitable
Deductions –
BUNCHING strategy
for itemizers

Donors have maxed
other retirement
planning vehicles
(401(k); IRA's etc.)

Have you considered?

Deferred, Flexible CGA's



ASSUMPTIONS:

Annuitant Age	[7/21/1960] 60
Date of Gift	9/17/2020
First Payment Start Date in Range	9/30/2025
Last Payment Start Date in Range	9/30/2035
Cash Donated	\$50,000
Payment Schedule	Quarterly

BENEFITS:

Charitable Deduction **\$13,626**

Schedule for Elective Payment Start Dates (annuity rates from ACGA2020 table)

Elective Start Date*	Age at Start Date	Annuity Rate	Total
2025	65	4.8%	\$2,400
2026	66	5.0%	\$2,500
2027	67	5.3%	\$2,650
2028	68	5.6%	\$2,800
2029	69	5.8%	\$2,900
2030	70	6.1%	\$3,050
2031	71	6.4%	\$3,200
2032	72	6.7%	\$3,350
2033	73	7.2%	\$3,600
2034	74	7.6%	\$3,800
2035	75	8.1%	\$4,050

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly.

Have you considered?

Deferred, Flexible CGA's

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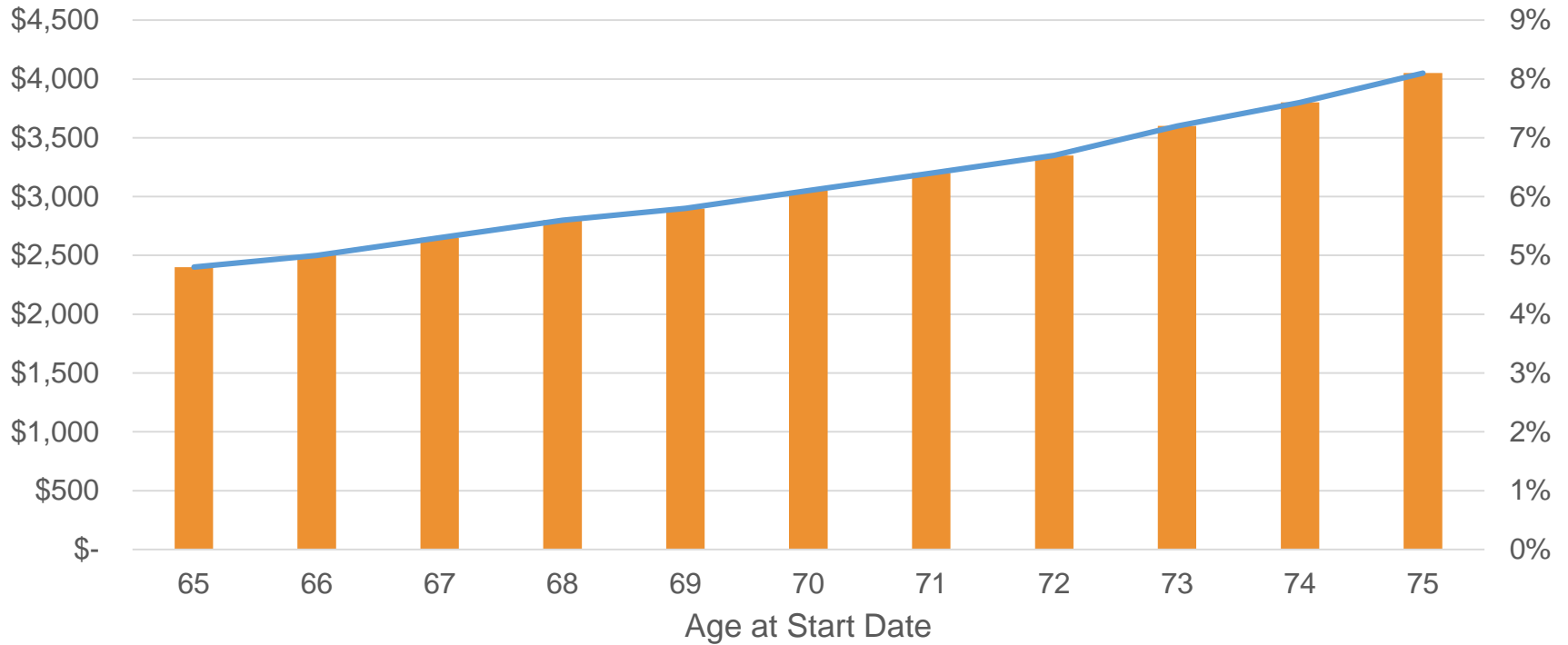
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Cash Donated \$50,000
 Payment Schedule
Quarterly

BENEFITS:

Charitable Deduction \$13,626

Deferred, Flexible CGA



■ Total Payment (Left Axis)
 — Annuity Rate (Right Axis)

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly.

Have you considered?

Deferred, Flexible WITH Higher Deduction CGA



ASSUMPTIONS:

Annuitant	[7/21/1960] 60
Date of Gift	9/17/2020
First Payment Start Date in Range	9/30/2025
Last Payment Start Date in Range	9/30/2035
Start Date on which to Base Deduction	9/30/2030
Cash Donated	\$50,000
Payment Schedule	Quarterly

BENEFITS:

Charitable Deduction	\$16,868	Charitable Deduction	\$13,626
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Schedule for Elective Payment Start Dates (annuity rates from ACGA2020 table)

Elective Start Date*	Age at Start Date	Annuity Rate**	Total Annual	Elective Start Date	Age at Start Date	Annuity Rate	Total Annual
2025	65	4.37%	\$2,186	2025	65	4.8%	\$2,400
2026	66	4.65%	\$2,324	2026	66	5.0%	\$2,500
2027	67	4.95%	\$2,477	2027	67	5.3%	\$2,650
2028	68	5.29%	\$2,647	2028	68	5.6%	\$2,800
2029	69	5.67%	\$2,837	2029	69	5.8%	\$2,900
2030	70	6.1%	\$3,050	2030	70	6.1%	\$3,050
2031	71	6.4%	\$3,200	2031	71	6.4%	\$3,200
2032	72	6.7%	\$3,350	2032	72	6.7%	\$3,350
2033	73	7.2%	\$3,600	2033	73	7.2%	\$3,600
2034	74	7.6%	\$3,800	2034	74	7.6%	\$3,800
2035	75	8.1%	\$4,050	2035	75	8.1%	\$4,050

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly.

Have you considered?

Deferred, Flexible WITH Higher Deduction CGA



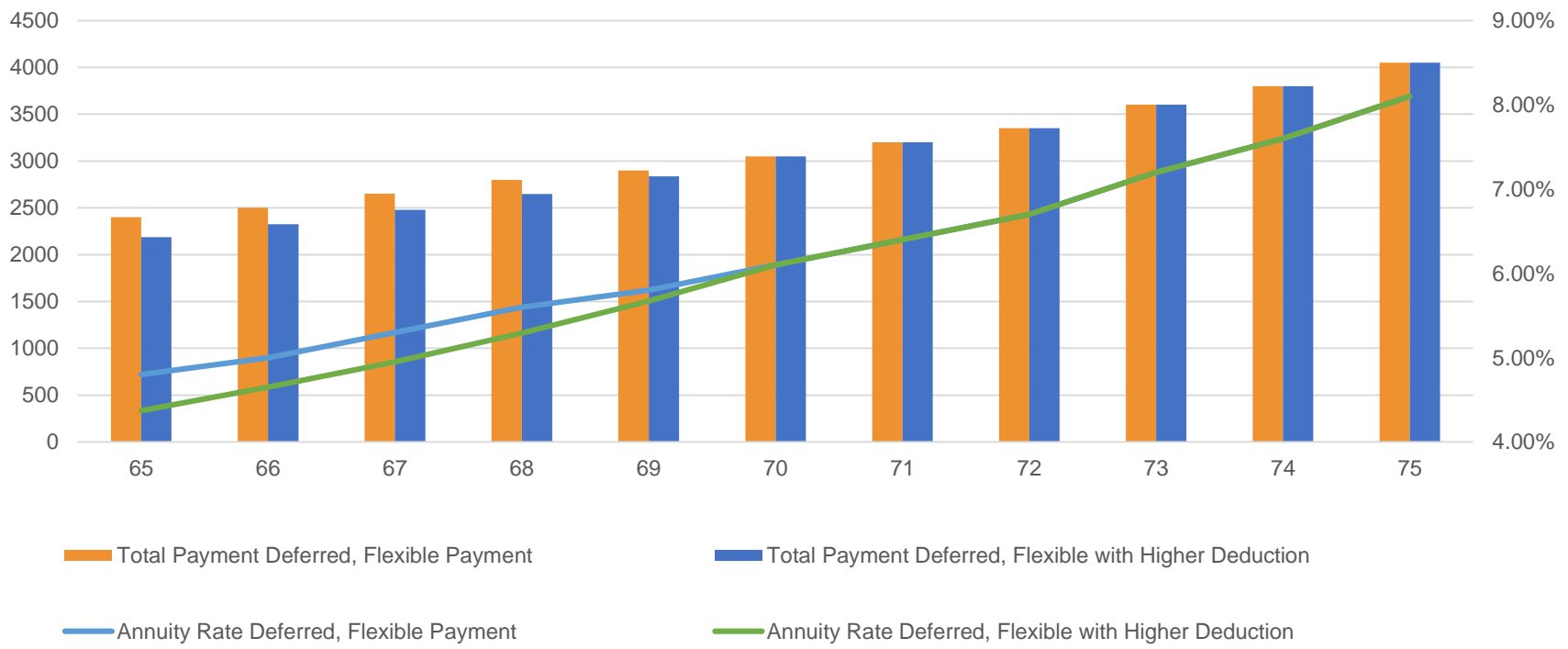
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Annuitant [7/21/1960] 60
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 Last Payment Start Date in Range 9/30/2035
 Start Date on which to Base Deduction 9/30/2030

Cash Donated \$50,000
 Payment Schedule Quarterly

BENEFITS:
Charitable Deduction \$13,626
Charitable Deduction \$16,868

Deferred Flexible Comparison



The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly.

Have you considered?

Endow Annual Giving with a CGA



- Continue annual giving by funding a CGA + Bequest
- \$1,000 annual distribution = **\$50,000 CGA***
 - \$25,000 (assume 50% residuum to charity)
 - \$1,000 (assume a 4.0% 'spending rule' from endowment)

* 6.2% CGA = \$3,100 annual payment with a \$50,000 gift. The annual distribution will easily support the \$1,000 annual giving and more during their lifetime.

Creating Gift Strategies

Satisfying Board Member gift obligation

Enhanced Income or Retirement Vehicles for Others

- Aged parents
- Friend of family
- Relatives
- Long-time employee (gardner, housekeeper, caregiver, etc)

Required Minimum Distribution (RMD) “plus” from IRA

- NOT a direct rollover to CGA, but treated as an ordinary cash gift
- Tax free income portion may be attractive in retirement years

CGA as a tool to enhance stewardship

Secure future principal gift today

- People do change their Wills
- Creates a permanent connection to the donor/income beneficiaries that allows for follow-up

Reminder with each payment received that they support your organization

- Natural contact – check in ... Are you still with us?
- Family connections/ POA... “What is this deposit every quarter..?”
- May afford gentle expansion of relationship through stewardship of family

Special Category within legacy Society

- Donors created a deferred CGA's to receive a special pin and recognition

Compliment to Other Giving?

Can lead to additional gifts*:

- 47% of all annuities were repeat gifts

Impact of CGA on annual giving*

- Increase their annual giving – 25.5%
- No effect of annual giving – 70.8%
- Decrease their annual giving – 3.6%

Impact of CGA on Estate Giving (Bequests)*

- Include a gift to your charity in their estate plans – 47%
- Remove a gift to your charity from their estate plans – 1%
- No effect on gifts to your charity from their estate plans – 52%

Opportunities

Current political environment

- Some PNC Institutional Asset Management (IAM) clients have cited this as leading to increases in donor engagement

ACGA rates

- 0.4% to 0.5% as of July 1, 2020*
- Three rate changes since July 2018
- In our opinion rates are still attractive

Demographics

- By most common definitions Baby Boomers are in their 70s

Communicate with Current Participants

- Repeat Giving
- Underwater gifts
- Accelerating gifts

*ACGA 2017 Survey of Charitable Gift Annuities report. (All data as of April 2017)

Best Practices

Charitable Gift Annuities – “Best Practices ”

Presented at the 30th Conference on Gift Annuities

Make sure your donor understands the gift:

Proposal modeling; Irrevocability; Disclosure statement; Meet in person

Have the donor sign the charitable gift annuity contract:

Helps confirm donor understanding; Protects the institution; required in some states

Follow the ACGA Rates:

Risk can be minimized

Establish minimum amounts for a Gift Annuity:

\$10,000 is most common*

Establish minimum ages for immediate and deferred annuities:

79 is the average age, 60 and 65 are the minimum age

Develop a gift acceptance policy specifically for annuities:

Cash; appreciated securities; other assets only on a case-by-case basis

Invest the entire face amount of the annuity:

ACGA rates assume this practice; self insures; reduces risk

Invest appropriately given the fact that the assets back your obligation:

Annuity Reserve assets are not Endowment assets; ACGA assumed returns are conservatively based; monitor the investment performance; Know State regulations

Distribution of matured annuities, develop a method of identifying the balance:

Confirms donor wish for designated annuities; provides ability to track program's health

* Source: ACGA 2017 survey. [59% = 10,000 to 24,999]. Also anecdotal of PNC clients.

Charitable Gift Annuities – “Best Practices ”

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Observations of the Most Successful Programs

Develop a good working relationship between Finance and Administration:

- Educate your colleagues about the benefits and liabilities of gift annuities – open honest dialogue
- Confirm administrative best practices; Gift process flows smoothly; Easier to resolve payment or tax issues; Easier to obtain exceptions when needed

Marketing your Gift Annuity Program:

- Emphasize the charitable nature of the gift in meetings, proposals, advertising and direct mail; Use caution in describing financial impact and avoid making statements that could be interpreted as legal or tax advice; Encourage donors to consult their advisors;
- **CONSISTENT** marketing

Communicate regularly with your Donors/Annuitants:

- **STEWARDSHIP**
- Open ended questions - “Tell me about...” “Would you mind sharing...”



Obtain proof of age:

- Driver's license, passport, gov't issued ID
- Rates based on age



Next of kin or alternate contact documented:

- As annuitants age, move, need to continue paying



Communicate at least annually with your annuitants:

- Share what is happening at your Charity

Since 2010, our clients have realized over \$82 million in CGA residua.

The CGA provides an opportunity for certain donors and charitable organizations to help each other.

Add the CGA to your development Tool Box

P.S.

- How will you know the answer if you don't ask the question?
- No usually means, "Now may not be the appropriate time, but the CGA could be beneficial in the future."
- Follow the Golden Rule



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Have you considered...

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ACGA Suggested Charitable Gift Annuity Rates

Single Life	
Age	Rate
59-60	3.9%
64-65	4.2%
70	4.7%
75	5.4%
80	6.5%
85	7.6%
90+	8.6%

Two Lives	
Age	Rate
60/65	3.7%
65/70	4.0%
70/75	4.3%
75/80	4.9%
80/85	5.8%
85/90	7.1%
90/95	8.4%

Rates in effect since July 1, 2020

Last reviewed and approved by the American Council on Gift Annuities Board of Directors on May 7th, 2020

Source: ACGA website www.acga-web.org

Important Information

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