



CHARITABLE GIFT ANNUITY (CGA)

A way for donors to support Columbus Academy while providing lifetime income for themselves—or for themselves and a spouse—eliminating investment concerns and receiving a charitable income tax deduction.

A **CHARITABLE GIFT ANNUITY (CGA)** is a simple contract between the donor and The Columbus Foundation* in which the donor transfers assets—such as appreciated stock—to the Foundation in exchange for a fixed and guaranteed payment for the remainder of his or her lifetime.

The gift transfer entitles the donor to a charitable income tax deduction for the actuarially determined value of the charitable gift at the time of the contract. Payment rates for gift annuities are established by the American Council on Gift Annuities and are based upon the donor's age at the time of the gift.

Upon the passing of the donor (and spouse if designated), the remaining principal is transferred to the Columbus Academy Endowment Fund at The Columbus Foundation (and ultimately to Columbus Academy) to carry out the donor's charitable intentions.

** We are proud to partner with The Columbus Foundation to hold, manage and administer these generous gifts.*



THE COLUMBUS
FOUNDATION

If you have any questions, please contact Maria Miller, JD, Assistant Head of School for Development by phone at 614.509.2226 or via email at millerm@columbusacademy.org.

Thank you for supporting Columbus Academy!

CASE STUDY: Deferred CGA

Sam, age 68, is a long-term donor, and he is celebrating his 50th class reunion. He would like to make a significant gift to honor the occasion. He is still working and shows no sign of retiring.

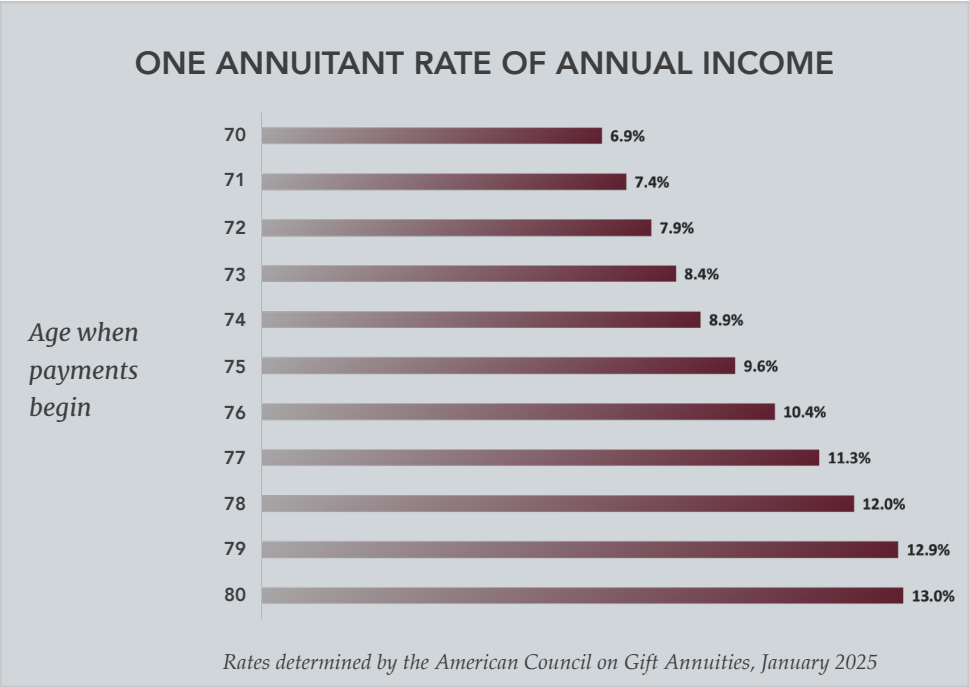
Always planning for the future, Sam likes having an emergency plan in his back pocket. Furthermore, he would like to lock in the value of the highly appreciated, low/no dividend growth stock he now holds, so that he could benefit from its value when he retires...when that day comes. **Sam can fund a deferred CGA now (at age 68)** and choose when to begin receiving the income. For each year he continues to defer, the payout rises.

The below example shows income if Sam **begins receiving income at age 70**. Note: Sam can choose to postpone receiving income. If he does, the **payout rate will increase**.

| | Without Annuity | With Charitable Annuity |
|---|--------------------|---|
| Stock Value | \$50,000 | \$50,000 |
| Cost Basis | \$25,000 | \$25,000 |
| Annual Income | \$0 | \$3,450 (if income begins at age 70) |
| Security? | Market fluctuation | Income rate guaranteed for life |
| Tax Deduction? (assuming 4.4% discount rate) | \$0 | \$20,687 |

The Benefits of a Deferred CGA

Sam transfers \$50,000 of his highly appreciated stock—original value (cost basis) is \$25,000—to The Columbus Foundation (with the Columbus Academy Endowment Fund as the beneficiary of the remaining principal). If he decides to begin receiving payments at age 70, Sam’s **annual income will be \$3,200** (6.4%) for the remainder of his life, with a portion of the payments being tax-free. Sam receives a **one-time tax deduction** of \$24,072 and his highly appreciated stock is **sold without immediate capital gains tax**.



The **American Council on Gift Annuities** sets these rates solely as a function of the age at which the donor chooses to begin to receive payments. The shown rates are specifically calculated for this scenario in which Sam defers receiving income. Rates for an annuity that begins immediately will differ.

Contact Maria Miller to see a CGA scenario **specifically designed for YOU**.

CASE STUDY: CGA funded by Retirement Assets

As part of the SECURE Act 2.0, beginning January 1, 2023 those who are 70.5 or older may choose to use a one-time qualified charitable distribution (QCD) of up to \$50,000 (now \$54,000, indexed for inflation) to fund a Charitable Gift Annuity (CGA), Charitable Remainder Unitrust (CRUT) or Charitable Remainder Annuity Trust (CRAT). For those turning 73 (or older) in 2023, this QCD counts toward your Required Minimum Distribution (RMD) for the year. This funding option is available only once, and cannot be added into an existing life income plan.

Alan, **age 73**, is a long-term donor, and has just realized he has to take a Required Minimum Distribution (RMD) from his \$1.5 million IRA. At his age the **distribution requirement is \$56,604**, but he really does not need that “extra” income and certainly would prefer not to pay tax on the distribution. He has been thinking about how to make a significant gift to Columbus Academy.

With the changes in the tax law, Alan can **roll \$54,000 of his RMD directly to The Columbus Foundation** (with the Columbus Academy Endowment Fund as the beneficiary of the remaining principal) to create a new Charitable Gift Annuity.

The Benefits of Funding a CGA with Retirement Assets

Alan now **avoids the income tax on rollover** portion of his RMD, and the **CGA generates 6.7% (or \$3,618)** each year for as long as he lives. This plan saves taxes now and provides him with a rainy day income stream for the future that is not dependent on the ups and downs of the stock market.