

GIFTS THAT RETURN INCOME



Gifts That Give Back

When people think of a charitable donation, what usually comes to mind is giving something away — money or other property — and receiving no tangible benefits in return.

Some gifts do provide the donor with something tangible in return. For nearly 180 years, Americans have been supporting charities through a gift arrangement that grants lifetime income to the donor in exchange for the gift, called a *charitable gift annuity*. A similar type of gift is the *charitable remainder trust*. This brochure explains the basics and differences between the two income-producing options.

Charitable Gift Annuity (CGA)

A charitable gift annuity (CGA) is a simple contract in which a charity agrees to pay a fixed lifetime income to one or two individuals in exchange for a gift. The payout rate is determined by the age of the donor(s) and the rate recommended by the American Council on Gift Annuities. After the lifetime income is paid, the remainder of the annuity goes to the charity for the purpose designated by the donor.

Beyond the fixed stable income, CGA donors earn several tax benefits:

- Qualify for an immediate charitable deduction.
- Annuity payments are partially tax-free income.
- If the CGA is funded with appreciated stock, the tax on capital gains is spread out over the lifetime of the annuitant.

CGA contracts are governed by state insurance laws, and CGAs in support of our institution are available to residents in every state except Washington and Hawaii. The minimum age to establish a CGA is 60. (See *UMB's Charitable Gift Annuities brochure* for additional information.)

Immediate CGA Income Rates

**As of Jan. 1, 2024*

Age of Annuitant	Rate	Ages of Annuitants	Rate
65	5.7%	65 and 65	5.0%
70	6.3%	70 and 70	5.5%
75	7.0%	75 and 75	6.2%
80	8.1%	80 and 80	6.9%
85	9.1%	85 and 85	8.1%
90+	10.1%	90+ and 90+	9.8%

Deferred and Flexible Gift Annuities

Although CGA income starts immediately, there is a gift option that allows the donor to defer the start of income to a future date which increases the payout rate and the charitable deduction. Donors can either pick the exact date the income starts or leave themselves the flexibility to start it at any time after a set future date or age selected by the donor. (See *UMB's Charitable Gift Annuities brochure* for additional information.)

Deferred and Flexible Income Rates

**As of Jan. 1, 2024*

Age of Annuitant	Payment Rate if Started at Age 75	Ages of Annuitants	Payment Rate if Started at Age 75
60	13.9%	60 and 60	12.3%
62	12.7%	62 and 62	11.2%
65	11%	65 and 65	9.8%
68	9.6%	68 and 68	8.5%
70	8.8%	70 and 70	7.8%

Charitable Remainder Trust (CRT)

Although the effects and benefits can be similar, CRTs are distinct from CGAs in that they are much more flexible in how the income is structured and the type of assets used to fund the gift. CRTs are stand-alone legal entities and usually are established with the help of an attorney who advises on the endless trust and payout options available and can customize the trust to the donor's goals and needs.

- The payout amount and method is selected by the donor, to be 5 percent or greater, paid either as a fixed annual percentage (called a unitrust) or a fixed dollar amount (called an annuity trust).
- With a unitrust, multiple donations can be made into one CRT, each triggering a new tax deduction and increasing the amount of income and gift to the charity.
- The income payout can be for the lifetime(s) of the recipient(s) or for a fixed term of years.
- The donor can name multiple income beneficiaries of any ages.

- The donor can name multiple charitable beneficiaries.
- There are no state-of-residence restrictions to fund a CRT, only upfront legal costs to establish the trust and modest annual expenses paid out of the trust income.

The Flip Unitrust

In general, CGAs and CRTs are best funded with liquid assets, such as appreciated stock and mutual funds and cash. If the donor wishes to donate an illiquid asset, such as real estate, artwork, or private stock, a specific variant of CRT offers a strategic giving opportunity: the flip unitrust, which "flips" to a fixed percentage unitrust when the donated asset sells and the proceeds are reinvested. Before that event, the trust pays no income except what it earns and can pay out (net income). This provides a chance to convert an illiquid asset into a new stream of income, using a vehicle that protects the trust from an income obligation it cannot meet.

What Happens at the End of a CGA or CRT?

At the end of the income term, the remainder value of the CGA or CRT becomes available for whatever charitable use was designated by the donor. Thus, it is important to consider that if a scholarship or particular program is selected, the funds will not be available to it until many years in the future. Still, to particular donors, CGAs and CRTs represent an ideal balance of meeting income needs now while securing a significant charitable gift later.

Learn More or Take Action

To learn more or get a confidential illustration of income-producing gifts, please contact:

UMB Office of Gift Planning
877-706-4406
giftplanning@umaryland.edu
umaryland.edu/gift-planning

This publication is not intended to provide legal, tax, investment, or other professional advice and should not be relied upon for such advice. In advance of any charitable gift plan, we encourage you to seek the advice of legal, tax, and investment professionals.

THE **UMB OFFICE OF GIFT PLANNING** HELPS DONORS MAXIMIZE THEIR GIVING TO THE UNIVERSITY OF MARYLAND SCHOOLS OF MEDICINE, LAW, DENTISTRY, PHARMACY, NURSING, GRADUATE STUDIES, AND SOCIAL WORK THROUGH TAX-EFFICIENT STRATEGIES AND OTHER OPTIONS BENEFICIAL TO THE DONOR. PLEASE VISIT umaryland.edu/gift-planning OR CONTACT THE OFFICE OF GIFT PLANNING AT 877-706-4406 OR giftplanning@umaryland.edu.