

Giving Well, Living Well. The Case for Charitable Gift Annuities

Charitable Gift Annuities (CGAs) are simple and dependable vehicles to make a meaningful charitable gift and, in return, receive fixed payments for life, either for one or two individuals.

It's a straightforward exchange: you make an irrevocable gift to a nonprofit, and the organization agrees to pay you a set amount each year for life. The appeal? Predictable income, potential tax advantages, and the satisfaction of seeing your philanthropy put to work.

What's often overlooked is that there are several ways to fund a CGA. Here's a closer look.

Cash: Simple, Direct, and Efficient.

Cash remains the most common way to fund a CGA. It is easy to transfer, easy for the charity to administer, and typically quick to establish.

Because the full amount of the contribution is available to the organization (subject to required reserves), the process tends to move efficiently. For donors who itemize, there is generally an immediate charitable income tax deduction calculated under IRS guidelines based on age, annuity rate, and the projected remainder to charity.

For many legacy donors, cash-funded CGAs offer a clean way to reposition liquid assets into dependable lifetime income while supporting a mission that matters.

Appreciated Securities: A Strategic Move

Publicly traded stocks, bonds, or mutual funds held for more than one year are also frequently used. In fact, for donors with highly appreciated securities, this can be particularly compelling.

When you fund a CGA with appreciated stock, you typically avoid paying capital gains tax on the portion of the appreciation allocated to the charitable

gift. In addition, part of each annuity payment may be treated as tax-free return of principal for a period of years, enhancing after-tax income.

For those looking to rebalance a concentrated position without triggering a significant capital gains event, this approach can be both financially prudent and philanthropically satisfying.

IRA Assets and Qualified Charitable Distributions (QCDs)

Retirement assets can sometimes be used as well, though the rules are more specific. Under current law, individuals age 70½ or older may direct a Qualified Charitable Distribution (QCD) from an IRA to fund a CGA, subject to IRS limits and technical requirements.

When structured properly, the transferred amount may count toward satisfying the required minimum distribution (RMD) while being excluded from taxable income.

Because the regulations governing QCD-funded CGAs are detailed and occasionally updated, coordination with financial and tax advisors is essential.

Deferred CGAs: Planning Ahead

Not everyone needs income today. A deferred Charitable Gift Annuity allows you to fund a gift now while postponing payments until a future date, often retirement.

By delaying payments, donors typically receive a higher future annuity rate and potentially a larger charitable deduction due to the deferral period. For those still in peak earning years who anticipate wanting predictable income later, this structure can strengthen long-term planning.

Each funding method comes with distinct tax, planning, and administrative considerations. For that reason, CGAs are best evaluated as part of a broader

philanthropic and financial strategy, ideally in collaboration with your financial, legal, and tax advisors.

When thoughtfully structured, a Charitable Gift Annuity can do three things remarkably well: provide steady income, offer meaningful tax advantages, and create enduring impact.

And sometimes, the most satisfying plans are the ones that are both practical and purposeful.