What is a Charitable Gift Annuity?

A charitable gift annuity is a contract under which Akron Community Foundation, in return for a contribution of cash or marketable securities, agrees to pay a fixed sum of money for a period measured by one or two lives. A person who receives payments is called an "annuitant". The contribution becomes part of the foundation’s assets, and the payments are a general obligation of the foundation. Upon termination of the charitable gift annuity, the remaining assets are then contributed to a fund at the foundation.

Are the payments guaranteed?

Yes, the payments are backed by the integrity and assets of Akron Community Foundation.

How are the payments calculated?

The payments are based on the amount of the gift to the foundation, the age of the annuitant(s) and the current gift annuity rate published by the American Council on Gift Annuities. Current gift annuity rates range from 4.4% to 9.0% for single annuitants over 60 years of age. In general, the older the annuitant, the higher the rate.

Can the payments be deferred?

Yes. Donors may defer the income payments until a later date. This is an excellent opportunity to supplement retirement income.

Is there a minimum amount required to purchase a Charitable Gift Annuity from Akron Community Foundation?

Yes, $10,000.

Is there a minimum age required to purchase a Charitable Gift Annuity from Akron Community Foundation?

Currently, Akron Community Foundation requires that the annuitant(s) be at least 60 years of age.

What are the tax benefits of buying a Charitable Gift Annuity from Akron Community Foundation?

There are many different ways to structure the annuity contract (i.e., deferred payments, income for one or two lives, etc.) and each result in specific unique tax benefits. In most cases, the donor receives an immediate tax deduction for the “residuum” (estimated value of the amount of the gift that will be left after the death of the annuitant(s)). Also, the portion of the annuity payment that represents a return of the donor’s investment in the contract (present value of the annuity) may be tax-free. If the gift was made with appreciated securities, part of the annuity payment may be taxed at the capital gains rate because the gain on the sale of the securities is actually spread out over the donor’s life expectancy. Akron Community Foundation can quickly prepare detailed explanations of potential tax benefits for interested donors to review with their tax or legal advisors.
Can a Charitable Gift Annuity be used to establish a fund at Akron Community Foundation?

Yes. Donors may direct that the residuum (amount remaining after the charitable gift annuity is terminated) be used to establish an “endowed” fund at Akron Community Foundation. An endowed fund is one where the principal is protected forever and the income is used to support specific local charities or a general field of local charitable interest (such as children or the arts).

Can a donor direct that the residuum (amount remaining after the Charitable Gift Annuity is terminated) be sent directly to a charity outside the foundation?

No. The residuum from an Akron Community Foundation charitable gift annuity must be transferred to a fund at Akron Community Foundation. Donors may either establish their own endowed fund or may direct that the residuum be added to one of the many endowment funds currently supporting local charitable agencies.

Are there any fees associated with a Charitable Gift Annuity at Akron Community Foundation?

Yes. The annuity will be charged its proportionate share of actual annual investment fees, which are currently about 74 basis points (about three-quarters of 1 percent) per year. In lieu of an administrative fee, the foundation requires that 20 percent of the residuum (amount remaining after the charitable gift annuity is terminated) be added to Akron Community Foundation’s unrestricted Community Fund. The remaining 80 percent may be used to create or add to a charitable fund at Akron Community Foundation with guidelines established by the donor.

How long does it take to purchase a Charitable Gift Annuity from Akron Community Foundation?

Donors can review our disclosure statement and execute our simple charitable gift annuity contract in a single meeting. Of course, the foundation welcomes the opportunity to assist the donor with their decision by reviewing specific charitable interests and by offering printed scenarios that estimate the tax benefits. This may be accomplished by mail or in person, at the donor’s convenience.

Does Akron Community Foundation offer any resources donors can use to estimate the benefits of purchasing a Charitable Gift Annuity?

Yes. Donors may access free planned giving resources on the community foundation’s website at www.myakronlegacy.org.

Akron Community Foundation does not give professional tax or legal advice; please consult a tax advisor about your specific situation.

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