

WHAT IS A CHARITABLE GIFT ANNUITY?

A Charitable Gift Annuity (CGA) is an uncomplicated gift. You simply exchange a gift of cash or securities for a fixed income each year for the rest of your life. You make a gift to the Kentucky United Methodist Foundation, for the ultimate benefit of your church or other United Methodist ministries and receive a **lifetime income**.

Why It Is Popular

A CGA is a popular option because it provides many people the opportunity to potentially increase their income, reduce their tax bill and make a significant gift for ministry. Many donors replace low-yielding CDs and money market accounts with CGAs and are so pleased that they come back to establish more. A gift annuity is a simple way to benefit yourself and leave a significant gift for ministry. Our donors often say this is a “win-win situation!”

Who Can Receive Payments

You—or another person you designate—can be the beneficiary of your CGA payments (up to two lives). The beneficiary receiving annual income is known as the annuitant.

Keep in mind it is the age of the annuitant(s)—not the donor—which will determine the size of the payments and the charitable deduction. Payments are usually for the donor or the donor and their spouse, but it may be for another relative or friend.

How Payments Are Determined

The amount of the annuity payment is based on the age(s) of the income recipient(s), the amount or value of the gift made to the Foundation, and the number of income recipients (one or two). **Generally, the older the annuitant, the higher the payment rate.**

This chart shows sample rates for one-life and two-life recipients. We can gladly provide you with customized payout rates for your age and specific situation.

ONE-LIFE RATES		TWO-LIFE RATES	
AGE	RATE	AGE	RATE
65	4.7	65/65	4.2
70	5.1	70/70	4.6
75	5.8	75/75	5.1
80	6.9	80/80	5.8
85	8.0	85/85	6.9
90+	9.0	90/90	8.6

How Payments Are Taxed

A portion of each annuity payment is **tax-free**. The exact amount of the tax-free portion depends upon the age of the annuitant(s). If long-term appreciated assets are exchanged to fund an annuity, a portion of each payment will be taxed as long-term capital gain. After capital gain and the tax-free portions of the annuity payment, the balance of the payment is taxed as ordinary income, just like earnings from a money market account.

A significant portion of the amount you transfer to the annuity program is tax deductible as a **charitable contribution**.

You claim the **deduction** in the year of the gift. Any excess deduction may be carried forward for five years. Considering the tax deduction, and the tax-free portion of income, the effective rate of return on your CGA may be considerably higher than the rate of return from a money market fund or CD.

How the Church Benefits

Option # 1—Lump Sum Distribution

The payments continue for the life of the annuitant(s) after which ninety percent (90%) of the remainder will be distributed for the ministry that you designate (your local United Methodist church, Children’s Home, Camps, Wesley Village, Wesley Manor or other charitable recipient). The Foundation receives ten percent (10%) of the remainder to sustain our ministry.

Option # 2—Ongoing Annual Distributions

This option is popular with donors of larger CGAs. This option allows the donor to create a named endowment fund at the Foundation from the remainder of the annuity. The endowment is permanently invested through the Foundation, and 100% of the annual distributions are made to the local church or other charitable recipients as directed by the donor. The endowment usually bears the name of the donor, or is named by the donor.

BENEFITS OF A SINGLE LIFE \$10,000 CHARITABLE GIFT ANNUITY			
AGE	YEARLY ANNUITY PAYMENT	ANNUAL TAX-FREE AMOUNT	CHARITABLE DEDUCTION*
65	\$470	\$341	\$3,248
70	\$510	\$385	\$3,916
75	\$580	\$452	\$4,440
80	\$690	\$554	\$4,846
85	\$800	\$674	\$5,480
90	\$900	\$781	\$6,252

* This assumes semi-annual payments and uses the **January 1, 2020** American Council on Gift Annuity table of suggested rates. We will be happy to provide you or your advisor with a current personalized illustration.

LET US HELP

The Foundation is equipped with advanced gift-planning software to provide you or your advisor specific information on how a CGA might benefit you and the church. Please feel free to use the attached coupon or call the Foundation office at 859-977-0400.

Please send me additional information about Charitable Gift Annuities.

Using my (our) birthday(s), please send an illustration of a gift annuity for:

\$10,000

\$25,000

\$ _____

I am considering funding my gift annuity with appreciated securities.

The original cost was \$ _____.

The estimated current market value is \$ _____.

CONSIDER A CHARITABLE GIFT ANNUITY

My name: _____

Birthday: _____

Spouse: _____

Birthday: _____

Address: _____

City: _____ State: _____ ZIP: _____

E-mail: _____

Telephone: _____

Church Affiliation: _____

Please address inquiries to:

The Kentucky United Methodist Foundation

David H. Bowles, President

318 South Mill Street

Lexington, KY 40507

kumf@kyumc.org

859-977-0400



This brochure has been written

to invite you to explore the

charitable gift annuity

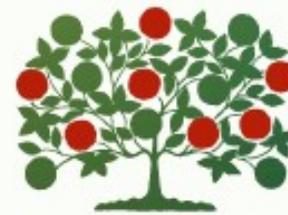
as a means of

...retaining an income for life

... from a gift made today

...that will also fund the

ministries of tomorrow.



CONSIDER THE BENEFITS

A charitable gift annuity offers many benefits to you and your United Methodist Church!

- It pays a **lifetime income** to one or two individuals.
- It provides you an immediate income tax **charitable deduction** in the year the cash or securities are transferred to the Foundation.
- Part of the income from your gift annuity will be income **tax-free**.
- The income payment from the gift can begin immediately or can be deferred until some future start date.
- When appreciated property is transferred in exchange for a gift annuity, the resulting capital gains tax liability is usually spread over your life expectancy.
- The Foundation's contractual promise to pay the annuity is backed by all the general unrestricted assets of the Foundation.
- It removes the transferred assets from your gross estate for federal estate tax purposes.
- It can be used to make one significant gift, or a series of smaller, repeat gifts.