



# Create Fixed Income Now: Charitable Gift Annuity

In exchange for a gift of cash or securities to Bentley, a charitable gift annuity provides fixed payments to you and/or others for life. Gift annuities are easy to set up and the income you receive is very secure as it is backed by Bentley's financial resources.

## **A charitable gift annuity could be right for you if:**

- You want to maintain or increase your cash flow.
- You want the security of fixed, dependable income for life.
- You want to save income taxes or capital gains taxes.
- You would like income that is partially tax-free.
- You are considering a gift amount of \$10,000 or more.
- You are at least 60 years of age.

## **A simple contract**

A charitable gift annuity is a simple arrangement between you and Bentley that requires a one- or two-page agreement. You would incur minimal or no costs to establish the arrangement and no costs at all to maintain it.

## **Fixed income for life**

In exchange for your irrevocable gift of cash or securities, Bentley will pay you a fixed amount each quarter for your lifetime, or that of a spouse or other loved one. Payments are set and stated in the agreement. The amount of the payment depends on the age of the recipient and the donated value of the gift, and will not be affected by investment performance or market conditions.

## **Tax-advantaged income**

Part of your each payment typically will be tax-free for many years. This tax-free portion makes the annuity income more valuable than an equal amount of fully taxable income. If you fund your gift annuity with cash, the amount of this tax-free portion will be greater than if you give appreciated securities.

## **Who can receive income?**

You decide who will get the payments from your gift annuity, as long as they are 60 or over. Usually, this will be you, or you and your spouse. Alternatively, you can select one or two other

people to receive the income from your gift annuity. For example, you may wish to provide income for parents, a sibling, or a good friend. At most, two people can receive income from one gift annuity.

### **Annuity rate depends on age**

The level of your income depends on the amount donated and the age of the payment recipient(s). The older you are when you make your gift, the higher the annuity rate you will receive. If you choose other people to receive the payments from your gift annuity, their ages at the time of your gift will determine their annuity rate. Bentley's minimum age for an income recipient is 60.

### **Tax benefits**

**Income tax** - By funding a charitable gift annuity, you would earn an immediate income tax charitable deduction in the year of your gift, providing tax savings if you itemize. The amount of this deduction will depend on several factors. If you cannot use the entire deduction that year, you may carry forward any unused deduction for up to five additional years.

**Capital gains tax** - If you give appreciated stock or other securities to create a gift annuity, you will pay tax on only a portion of your capital gain. Even better, if you are the payment recipient of your gift annuity, you will be able to report this capital gain in installments over many years.

### **Sample Annuity Rates for Gift Amount of \$10,000**

Age	Payment Rate	Annuity	Deduction
60	4.4%	\$440	\$3,496
65	4.7%	\$470	\$3,961
70	5.1%	\$510	\$4,465
75	5.8%	\$580	\$4,859
80	6.8%	\$680	\$5,233

\* Based on rates recommended by the American Council on Gift Annuities (subject to change). May 2018

### **Assets to consider**

Cash currently held in a savings account, bank CD, or money-market fund makes an excellent funding asset. Usually, a gift annuity will provide you with more income than any of these investments produce.

Securities, especially highly-appreciated securities that you have owned long-term (a year and a day or longer), are also an excellent funding asset. Giving them to us in exchange for a gift annuity will allow you to use the gain to increase your cash flow and avoid substantial capital gains tax at the same time.

### **Example**

Helen is a 71 year-old Bentley alumna. She would like to make a significant gift to Bentley, but she is dependent on the income produced by her investments. One of these investments is stock that she and her late husband purchased many years ago for \$3,000.

Her stock is now worth \$10,000 but provides little income - about \$126 after tax. Helen is reluctant to sell her stock to reinvest in higher yielding assets because she will have to pay \$1,400 in capital gains tax. This would leave her with just \$8,600 to reinvest.

Helen is pleased to learn that she can make a significant gift to Bentley and increase her cash flow by giving her stock to Bentley in exchange for a gift annuity. She can also save substantial income taxes plus avoid and defer capital gains taxes, and will receive an income tax deduction that may provide additional tax savings at the same time.

	Tax result	Cash flow before tax	Cash flow after tax (37% tax rate)
Helen keeps her stock	None	\$200	\$3,496
Helen sells and reinvests for 4.0% yield	Owes \$1,400 capital gains tax	\$344	\$3,961
Helen funds a 5.3% gift annuity	\$4,461* income tax deduction Avoid tax on \$3,123* of capital gain	\$530	\$417

\*Deduction amount and capital gains tax avoided may vary depending on the timing of the gift.

### Irrevocable gift with remaining assets to Bentley

A charitable gift annuity is an irrevocable arrangement. Once you transfer assets in exchange for the gift annuity, you cannot change your mind and get the assets back. This requirement assures that when the gift annuity ends, its remaining principal will be used by Bentley to support students and faculty or for a particular purpose specified in your gift annuity agreement.

#### NEXT STEPS:

To receive further information about charitable gift annuities, or to learn more about how your gift can help Bentley, please contact Liz Siladi, Director of Gift Planning and Senior Philanthropic Advisor, or Kris Otto, Associate Director of Gift Planning.

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\* We are pleased to provide this information to you; however, it should not be considered professional advice. We encourage you to contact your own legal and/or tax advisor(s) for applicability to your personal circumstances.



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