



Create Fixed Income Later: Deferred Charitable Gift Annuity

If you are looking to create a future reliable income stream for life, a deferred charitable gift annuity may be the right solution for you. In exchange for a gift of cash or securities to Bentley, a deferred charitable gift annuity provides fixed payments to you and/or others for life. The income starts on a date you choose that is at least one year after you make the gift, and when you will be at least 60 years old.

Deferred 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 deferred charitable gift annuity could be right for you if:

- You have sufficient income now but want to supplement your cash flow later – for example, when you retire.
- 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 may be partially tax-free.
- You are considering a gift amount of \$10,000 or more.
- You are under 60 and are looking for an income stream to start when you are 60 or older.
- You are 60 or over and are looking for an income stream to start at least one year in the future.

A simple contract

A deferred 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, starting when you want it

In exchange for your irrevocable gift of cash or securities, when your income stream starts, Bentley will pay you the same 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(s), the donated value of the gift, and the length of the deferral period, and will not be affected by investment performance or market conditions.

Also, you choose when your payments start, as long it is at least one year from the date you funded the gift annuity and you will be 60 or older on that date. You can set a payment start date at the time you fund the gift annuity, or you can decide to “turn the payments on” when you need them. For example, you can decide when you establish the deferred charitable gift annuity that your income should start in the year you plan to retire, or you can wait until you actually retire and “turn the payments on” then.

Tax-advantaged income

Part of each payment typically will be tax-free for many years. This tax-free portion makes this 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 deferred charitable gift annuity. Usually, this will be you, or you and your spouse. Alternatively, you can select one or two other people to receive the payments 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. When the income starts, each recipient must be at least 60 years of age.

Annuity rate depends on age and length of deferral period

The annuity rate depends on the amount donated, the age of the payment recipient(s), and the length of time payments are deferred. The older you are when you start receiving income and the longer you wait to receive it, the higher the annuity rate you will receive. If you choose other people to receive the payments from your deferred charitable gift annuity, the ages when they start receiving payments will help determine their annuity rate. Although you may be younger than 60 at the time you fund a deferred charitable gift annuity, you must be at least 60 in order to start receiving income.

Tax benefits

Income tax - By funding a deferred 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 would 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 deferred charitable gift annuity, you would 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, and your reporting would be delayed until the year you begin to receive payments.

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

| Age at Gift | Years Deferred | Payment Rate | Payment | Deduction |
|-------------|----------------|--------------|---------|-----------|
| 55 | 10 | 6.4% | \$640 | \$4,590 |
| 58 | 8 | 6.2% | \$620 | \$4,557 |
| 60 | 6 | 5.8% | \$580 | \$4,476 |
| 65 | 5 | 5.9% | \$590 | \$5,024 |

* 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

David, a Bentley alumnus age 55, works full time and expects to work for another 10 years or so. He owns CDs and a money market account, both of which pay about 2% interest each year.

David would like to make a significant gift to Bentley, but he wants to be sure he has adequate cash flow after he retires. He can dramatically increase his after-tax cash flow in his retirement by giving some of his CD or money market account funds to Bentley in exchange for a deferred gift annuity.

The table below shows the results if David gives \$50,000 to create a deferred gift annuity that starts making payments in 10 years. In addition to earning a substantial income tax charitable deduction, David is able to significantly increase his cash flow, and will receive an immediate income tax charitable deduction that may provide tax savings.

| | Tax benefit | Income before tax | Income after tax (37% tax rate) |
|---|--------------------------------|-------------------|------------------------------------|
| David keeps \$50,000 in CD/Money Market | None | \$1,000 | \$630 |
| David funds a 6.4% gift annuity with payments deferred 10 years | \$22,950* income tax deduction | \$3,200 | \$2,519 |

*Deduction amount may vary depending on the timing of the gift.

Irrevocable gift with remaining assets to Bentley

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

NEXT STEPS:

To receive further information about deferred 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.

- **call Liz at 781-891-2475 or Kris at 781-891-2586**
- **email Liz at esiladi@bentley.edu or Kris at kotto@bentley.edu**

* 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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