

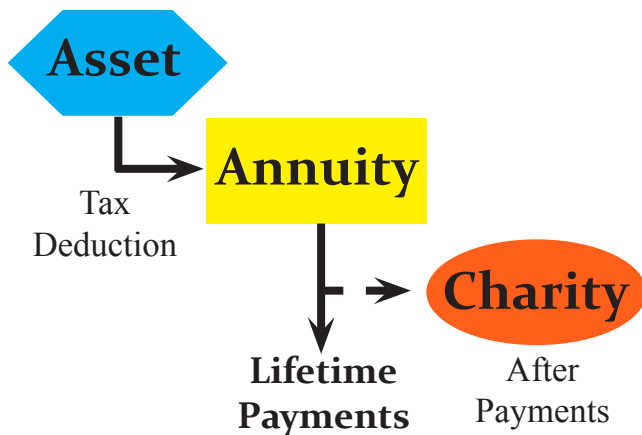
A Deferred Charitable Gift Annuity: *Part Gift / Part Annuity*

A Deferred Charitable Gift Annuity (DCGA) is an agreement that is part gift and part annuity.

A Deferred CGA can provide income for you and your spouse. In a DCGA, a donor makes an initial contribution to charity, but annuity payments are deferred until a future date chosen by the donor. After the chosen date, the beneficiaries receive guaranteed fixed income for life.

To enjoy a Deferred CGA, you and/or your beneficiaries must be at least 55 years old and payments must be deferred until at least age 60. If you are older than age 60, the payments must be deferred a minimum of one year after you make the gift. The rate of the return depends on the length of your deferral and the age at which you decide to initiate payments. The longer you defer payment, the higher your annuity rate will be.

How a DCGA works



The benefits of a DCGA

Tax laws provide incentives to save today to meet the financial needs of the future. The DCGA has benefits not found in other retirement plans:

- 1. Gift to charity:** The DCGA provides a generous gift to charity after the annuity payments.
- 2. Tax deduction:** The donor can take a charitable income tax deduction in the year of the gift.
- 3. Bypass capital gains:** It allows for a partial bypass of capital gains tax on appreciated stock.
- 4. Partly tax-free income:** Part of each payment may be tax-free as a return of principal.

An example of a DCGA

A DCGA is the ideal choice for younger donors or those who have not yet retired. Take, for instance, Mr. and Mrs. Sample, both 50 years of age, who own a block of stock with a current value of \$100,000. The couple purchased the stock a number of years ago for \$20,000, but the stock generates almost no income. The couple began to explore options that would convert the appreciated asset into an income-producing asset. Selling the stock outright is an option, but this would trigger a substantial tax liability.

A deferred charitable gift annuity offers the ideal solution. Mr. and Mrs. Sample transfer the stock to the Ohio University Foundation in exchange for a DCGA agreement, and the Ohio University Foundation accepts the stock tax-free. In return, the Samples receive a charitable income tax deduction, and they bypass part of the tax due on the \$80,000 capital gain.

Under the DCGA agreement, the Ohio University Foundation promises to make fixed annual income payments to the Samples, beginning at retirement and continuing for life. Based on the couple's ages and length of deferral, the couple will receive substantial annual annuity payments for life. Part of that annuity payment may be tax-free.

Upon the death of both Mr. and Mrs. Sample, the remaining value of the asset will transfer to the Ohio University Foundation. So, not only do Mr. and Mrs. Sample realize their goal of improving their retirement plan, but they are able to realize a long-term philanthropic objective as well.

** This example is merely for illustrative purposes*

Find out more about a DCGA

If you are interested in how a deferred charitable gift annuity (DCGA) can benefit you, your loved ones, and Ohio University, please contact Kelli Bell, Executive Director, Gift Planning, at (740) 597-1819 or bellk@ohio.edu.