



... saving the land for life™

## CHARITABLE GIFT ANNUITY

### **What is a gift annuity?**

A gift annuity (a type of planned gift) is a life income plan in which a donor transfers cash or stock to the Mohonk Preserve in exchange for a fixed annuity for one or two people during their lifetimes. The Preserve manages the annuity, and income is generated according to a formula based on your age.

### **What are the benefits of establishing a gift annuity with the Mohonk Preserve?**

A gift annuity can provide income for a period of years or for your lifetime. By establishing a gift annuity, you can reduce or eliminate your capital gains liability on contributions of appreciated assets. There are also favorable tax implications for the income generated. In addition, federal estate taxes will be reduced because of the annuity relationship with the Preserve. Most of all, however, your philanthropy assists the Mohonk Preserve in achieving its mission.

### **How do I establish a gift annuity with the Mohonk Preserve?**

Each donor's circumstances are unique. Therefore, the minimum amount necessary to create an annuity will vary according to the age and life expectancy of the donor. Ideally, income beneficiaries should be at least 55 years of age in order for the Preserve to be able to pay income to the donor from the asset throughout the remaining lifespan of the donor, and have a net asset for Preserve use in the future.

As a simple example, a gift of \$100,000 by Donor X, age 71, with an annual income payout by the Preserve to Donor X of \$7,500 (7.5%), for 15 years until Donor X's death at age 86, will yield a net asset valued at approximately \$25,000 to the Preserve in 15 years.

Establishing the annuity with the Mohonk Preserve is a straightforward transaction. Your gift of \$100,000 or more can be secured through your personal check or by transferring securities to the Preserve. Each year after the annuity is established, a check will be issued to you for the income. You may choose to use the proceeds for your own purposes or you may return the proceeds to the Preserve as an annual gift.

### **Is there anything else I need to consider in establishing this gift annuity?**

A gift annuity should be part of your overall financial planning and be based on your financial goals. You may want to make a gift and obtain **current income tax deductions**; or make a gift that **pays income to you for life**; or make a gift that **reduces your taxable estate**; or **provide charitable gifts** over a period of years, then **pass assets to your heirs with reduced estate and gift tax liabilities**.

### **How does the gift annuity specifically work?**

- A gift annuity is a simple contract between the Mohonk Preserve and you.
- You make a gift of cash or appreciated securities to the Mohonk Preserve in exchange for fixed life income payments to you and/or other beneficiaries. A gift annuity may have one or two life income beneficiaries.
- The income paid to you is taxed as part tax-free return of principal, part ordinary income, and, if appreciated securities are used to establish the gift, part capital gain. After the donor outlives his or her life expectancy, all subsequent income is taxed as ordinary income.

- In the year of the gift the donor receives a current income tax deduction based on IRS interest rates and actuarial assumptions.
- The general charitable income tax deduction rules apply.
- Assets used to fund the annuity are removed from your estate.
- Once established, no additions to the annuity contract may be made, but successive annuity contracts may be established.
- Once established, the gift annuity principal is no longer available to you for any purpose.
- As a general rule, the older the donor/beneficiary, the higher the income paid, and the greater the income tax deduction generated by the gift.

**Is there another way my Charitable Gift Annuity can benefit the Mohonk Preserve?**

As an alternative to the above direct approach, a gift annuity can be established under your will for the benefit of a surviving spouse. When the life income payments are made to your designee, gift and estate tax implications must be considered. At the death of the last income beneficiary, the remaining value of the annuity passes to the Mohonk Preserve.

**Who typically makes a gift annuity?**

The typical gift annuity donor is:

- a) an individual over sixty years of age who has potential estate tax liability.
- b) a person with available cash or appreciated stock (held for more than twelve months) who is seeking a fixed rate of return on a portion of the portfolio.
- c) a person who will not need access to the principal.
- d) an individual seeking to turn part of the income stream into a partially tax-free income over a normal life expectancy.

**How will the Mohonk Preserve use my gift annuity?**

The Mohonk Preserve sustains its programs through a range of gift types. Current-use dollars support the Preserve each year in its operations and makes possible the exploration of new programs. Endowed funds support the entire organization as well as designated areas of activity. Gift Annuities secure the Preserve's future because they represent an investment that will mature in the years to come. Gift Annuities can be designated for endowment to support specific activities or they can be designated for flexible use to support goals that may be established to enable the Preserve's programs to evolve. This type of planned gift is the most important for the Preserve to secure.