

# Charitable Gift Annuities

## Frequently Asked Questions



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**MORGAN COUNTY**

The mission of CFMC is to connect donors and their charitable giving with our evolving community needs in order to enhance quality of life for current and future generations through impact grant making.

## What is a charitable gift annuity?

A charitable gift annuity (CGA) is a life income gift that benefits both you and the charity. You make a one-time gift to the charity, and the charity agrees to pay one or two designated individuals (the annuitants) a fixed amount every year for life. The fixed amount is based on the age of the annuitant(s) at the time of the gift. A charitable gift annuity is considered part gift and part annuity, and the gift portion qualifies for an itemized deduction. Note that beginning in 2026, itemizers will need to donate at least 0.5% of their adjusted gross income to qualify for an income tax charitable deduction.

## How does a charitable gift annuity work?

You make an irrevocable gift to the charity with cash or appreciated assets (often securities). You also select one or two annuitants (you may be an annuitant). In return for the gift, the charitable organization agrees to pay a fixed amount to the annuitant(s) for life. Payments may be received quarterly, semiannually, or annually.

## What tax benefits can I expect from a CGA?

There are three potential tax benefits:

1. In the year you set up the charitable gift annuity, you qualify for an income tax charitable deduction based on the value of the actual gift to us (subject to limitations under federal tax law).
2. A portion of the annuity payment is typically income tax free until the annuitant reaches life expectancy.
3. If you fund the charitable gift annuity with an appreciated asset, you can spread out capital gains tax over your life expectancy (if you name yourself as annuitant).



## What payout rate will I get from a CGA?

We are happy to provide you with the current rates. In general, the payout rate depends on:

1. The age of the annuitant at the time of the gift (the older the annuitant, the higher the rate)
2. The number of annuitants (an annuity based on one life will have a higher rate than one based on two lives)
3. The start date of annuity payments (the longer the start date is deferred, the higher the rate)

## Can I fund a CGA with retirement assets?

Yes. If you are an IRA owner age 70½ or older, you can make a one-time, tax-free distribution up to \$54,000 (in 2025) directly from your IRA to create a new charitable gift annuity. There is no deduction available, but the distribution counts toward your required minimum distribution if one is due. If you are married, you and your spouse can make distributions from your individual IRAs and combine them into a single joint-life CGA. Keep in mind that payments from such a CGA can only go to you and/or your spouse and are taxed as ordinary income.



## Why are charitable gift annuities so popular today?

Charitable gift annuities make it possible to support a cause you care about while also receiving dependable, fixed payments for life. With payout rates currently at their highest levels in over a decade, many donors are taking advantage of this opportunity. Because rates increase as you age, some choose to set up multiple gift annuities over time, supplementing retirement income while continuing their charitable legacy.

Simple to establish and remarkably effective, charitable gift annuities remain one of the most rewarding ways to give.



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