



Make a New Year's Resolution with Meaning

By Fay Blix, CELA

As we enter 2011, we hope you will consider including Alzheimer's Family Services Center (AFSC) in your New Year's resolutions. This would be a great year to resolve to amend your will or trust to make AFSC one of the beneficiaries of your estate plan. It would also be a great year to choose AFSC as your priority charity, the premier recipient of your philanthropic gifts and volunteer services. It's the kind of New Year's resolution that could have a lasting and powerful impact on those living with Alzheimer's disease and those who love them for years to come. It's the kind of New Year's resolution that will be very easy to keep because of the meaning it can bring.

In the last few newsletters we have explored several different ways to give to AFSC. Another very popular way of making a gift to a charity is the charitable gift annuity. For those who are older and retired, who want to increase their cash flow, who seek the security of guaranteed payments for life, who wish to save taxes while at the same time support a cause in which they strongly believe, the charitable gift annuity is a wonderful vehicle to accomplish all these goals.

Essentially, a charitable gift annuity is a special arrangement where assets are donated to a charity in exchange for the charity's promise to make fixed payments for life to a beneficiary named by the donor. A charitable gift annuity can be an immediate or deferred annuity. It can be a single annuity or a joint and survivor annuity. After the donor dies, whatever remains in the annuity goes to the charity.

The terms used in an annuity may not be familiar to everyone so a brief glossary may be helpful. A donor is the person who makes the gift. An annuitant is the person who receives income from the annuity. The annuitant's life expectancy is used to calculate the income amount the annuity pays. An immediate annuity is an annuity contract in which the annuitant begins to receive the fixed income payments shortly after the gift is given to the charity. A deferred annuity is an annuity in which the donor waits to receive fixed payments until a chosen point in the future, but it must be more than one year after the gift is made. A joint and survivor annuity is an annuity in which fixed payments can be received by the donor for life and the life of another person (usually a spouse). A residuum is the remaining portion of an annuity after the donor dies.

The most common way to fund a charitable gift annuity is by giving cash or appreciated securities. Since a charitable annuity is not usually an appropriate vehicle for younger donors as the payments are fixed and therefore offer no inflation protection, most charities have a minimum age requirement. In addition, since the charity must justify the effort of setting up and administering the gift annuity, there is usually a minimum investment requirement of \$10,000. Once the gift annuity contract is signed, it is irrevocable. None of the charitable gift can be used for charitable purposes until the donor dies and the payment obligation ends. This is why AFSC needs its donors to continue faithful annual giving even if those donors also choose to provide for the future through a charitable gift annuity.

When the initial gift is made to fund the charitable gift annuity that initial gift is partially tax deductible. If appreciated stock is given, there will also be a reduction in capital gains tax. The gift annuity payout rate is based on the age of the donor, the number of annuitants, projected investment return, estimated administrative expenses and an anticipated 50% residuum upon the termination of the contract. Most charities

offer annuity rates suggested by The American Council on Gift Annuities, an organization formed for the purpose of providing educational and other helpful services. The payments can be made annually, semi-annually, quarterly or monthly and remain unchanged for the life of the donor, despite changing interest rates or stock prices in the regular economy. It is not unusual for donors in their late 80s to be receiving between an 8% - 9% return. The older the donor is at the time of the gift, the higher the payment.

Each payment is partially tax free. At the end of each year the charity issues a Form 1099R. The form lets the donor know the annual amount of payment which is tax free for that year.

Although the payout rate on a joint and survivor annuity is less than that paid for a single annuity, in order to reflect the combined actuarial life expectancies of both parties, a joint and survivor charitable gift annuity can be a nice way for a spouse to provide continuing fixed payments in a tax-advantaged way for a surviving spouse, secure in the knowledge that the spouse cannot outlive these income payments. The annuity is backed by the charity's entire assets and not just the property that was gifted initially.

An easy way to define a charitable annuity is to think of it as a "charitable pension." It is a wonderful way to support a favorite charity one believes in and receive income for life. In these days when CD interest rates have declined and the market remains uncertain, a charitable gift annuity can be a way of providing peace of mind as well as providing a "warm, fuzzy feeling" that one is also investing in a very worthy cause.

While a charitable gift annuity is not appropriate for everyone, for those who would like to give a gift to Alzheimer's Family Services Center and at the same time retain a dependable stream of income for a lifetime, we hope you will consider exploring this option with our development staff. It is certainly something I intend to do as soon as I am old enough for this choice to be financially feasible for me. For more information, please call Anita Rodriguez-Lambert at (714) 593-1842.



About the Writer

Fay Blix, a certified elder law attorney by the National Elder Law Foundation, operates her own Elder Law Center in Laguna Hills, CA and has been an AFSC dedicated board member for 4 years. Fay has been specializing in elder law since 1989 and has been working with community senior organizations from the beginning. She is fiercely committed to helping others and has been recognized for her efforts by the Alzheimer's Association with the Maureen Reagan Outstanding Advocate Award.