



## Lynn M. Gaumer, J.D.

Senior Gift Planning Consultant, The Stelco Company

- Joined The Stelco Company in November 2011
- Associate attorney for 10 years with the Duncan law firm in Des Moines
- Author of *Expert Insights*, a publication that highlights trends and research in planned giving.
- Published author: *Planned Giving Today*
- Bachelor's degree in economics and communication studies from the University of Iowa
- Law degree from the University of South Dakota School of Law
- Board member and past president of the Mid-Iowa Planned Giving Council (2014-present)
- Chair of the National Association of Charitable Gift Planners' Leadership Institute





# The Nominees

- Beneficiary designation
- Charitable gift annuity
- Donor advised fund
- Gift in a will
- Gift of appreciated assets
- Qualified charitable distribution

All nominees receive honorable mentions for their varying benefits and flexibility.

And the winner is....

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# Charitable Gift Annuity

Best Planned Gift for 2023

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# Agenda

## Charitable Gift Annuities on the Red Carpet

- Take a look at our award winner
- Why CGAs deserve the Oscar®
  - A *Titanic*\* opportunity for your organization and your donors
- Funding Options
- Which Funding Option Is Best? Focus on the Donor
- Common Questions Around the New QCD/CGA option
- Say Yes to the CGA – We are going backstage for an interview with Johnne Syverson, CFP®, AEP®, CAP® to talk about third-party administrators and CGA turnkey solutions

\*Titanic won Best Picture of 1997 and still holds the title with most nominations. It won 11 Oscars.®

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# What Is a Charitable Gift Annuity?

- Donor gives cash, appreciated property or a qualified charitable distribution directly to a charitable organization in exchange for lifetime payments from the organization.
- The agreement is formed between the donor and charitable organization.
- After the annuitant's (or annuitants') lifetime, the balance is used by the charitable organization to support its mission.

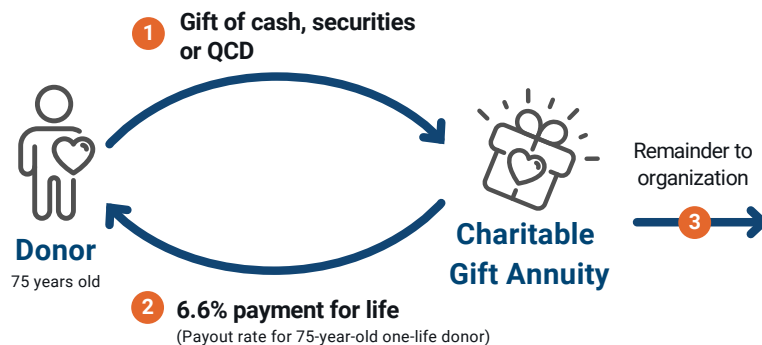
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# Benefits of a Charitable Gift Annuity

- It is simple to implement.
- No trust is needed, just a simple agreement.
- Steady annuity payments are paid to the donor for life.
- Donor can never outlive the payment stream.
- Market fluctuations and economic downturns do not affect payments.

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# What Is a Charitable Gift Annuity?



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# Donor Profile

- **Average age:** 79 (same as two-time Oscar® winner Robert De Niro)
- **Gender:** 52% female, 48% male
- **Type of annuity:** 70% immediate, 30% deferred
- **Impact on annual giving:** 97% of respondents stated that a gift annuity had either increased annual giving or had no effect.
- **Gift annuity rates:** About 96% of charities follow the suggested maximum rates set forth by the American Council on Gift Annuities (ACGA).
- It is actuarially valued at 50% upon reaching life expectancy.

2021 ACGA Survey

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## Why the CGA Deserves the Oscar®

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## It hit the trifecta

- Two rate hikes in 2022. Rates are higher than they have been in over a decade.
- New option for those 70½ and older: Make a one-time election of up to \$50,000 to fund a CGA with IRA assets.
- An aging population—a look at demographics

When it comes to gift annuities, it could feel like *Everything Everywhere All at Once!*\*

\* Won seven Oscars including Best Director and Best Picture

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## Sample Gift Annuity Rates

One Life			
Age*	Rates Jan. 1, 2022 – June 30, 2022	Rates July 1, 2022 – Dec. 31, 2022	Current Rate*
60	3.9%	4.5%	4.9%
65	4.2%	4.8%	5.4%
70	4.7%	5.3%	5.9%
75	5.4%	6.0%	6.6%
80	6.5%	7.0%	7.6%
85	7.6%	8.1%	8.7%
90+	8.6%	9.1%	9.9%

\*Age nearest birthday | As of January 1, 2023

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## Sample Gift Annuity Rates

Two Lives			
Age*	Rates Jan. 1, 2022 – June 30, 2022	Rates July 1, 2022 – Dec. 31, 2022	Current Rate*
60/65	3.7%	4.1%	4.9%
65/70	4.0%	4.5%	5.4%
70/75	4.3%	4.9%	5.9%
75/80	4.9%	5.5%	6.6%
80/85	5.8%	6.3%	7.6%
85/90	7.1%	7.5%	8.7%
90/95+	8.4%	8.8%	9.7%

\*Age nearest birthday | As of January 1, 2023

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## Secure 2.0/Legacy IRA

- Raises the age for required minimum distributions to 73 in 2023 and 75 in 2033.
- Adjusts the annual IRA qualified charitable distribution (QCD) limit of \$100,000 for inflation beginning in 2024.
- Allows those 70½ and older to make a one-time election of up to \$50,000\* to fund a CGA with IRA assets.

\*Will increase for inflation beginning in 2024

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## Shift in Demographics

# Matures or the Silent Generation (1929–1945)

- Makes up just over 23% of the population\*
- Age 78 or older, mostly retired
- **Oscar® fun fact:** The Best Picture winner for 1929-30 was the World War I drama All Quiet on the Western Front. A new version of that film was nominated this year, winning 4 awards.

\*Statista 2022

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## Shift in Demographics

# Baby Boomers (1946–1964)

- Makes up 21.45% of the population.\*
- Control 80% of the wealth in the U.S.
- By 2030 all baby boomers will be age 65 or older.
- Late boomers (1956–1964) are in prime earning years but looking ahead to retirement.
- **Oscar® fun fact:** The Best Years of Our Lives, about American soldiers returning home from World War II, won Best Picture of 1946. Also nominated for that year: the now-classic Christmas film It's a Wonderful Life.

\*Statista 2022

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# Demographic Shifts



## Trends and opportunities:

- According to a recent survey, 43% of prospects in respondents' marketing databases were over 70 years old.
- Approximately 10,000 baby boomers are turning 65 every day.
- The 70- to 80-year-old age group is the fastest growing bracket in the U.S.
- As this age group continues to grow over the next 10 years, your organization will have unprecedented opportunities to attract valuable new donors and promote gift annuities.

*\*Statista 2022*

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# Funding Options



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# Fund a CGA with Cash or Appreciated Stock



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## How It Works



### Donor/Annuitant:

- Transfer assets to your organization, qualify for an income tax deduction.
- Receive lifetime payments, which are tax-favored throughout the annuitant's life expectancy.
- Typically pay no upfront capital gains tax when the appreciated asset is given to nonprofit.

### Your Organization:

- May sell the donated asset.
- Pays no capital gains tax when selling the asset.
- Pays donor/annuitant a fixed amount annually for life.
- May eventually use the residual value of the asset.

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## Meryl\*: A Donor Example

- Meryl is 73 years old.
- Meryl has a strong connection with your organization and would like to give but is concerned about retirement income.
- Meryl donates \$50,000 worth of appreciated stock. She originally paid \$10,000 for the stock many years ago.

\* Meryl Streep has 21 acting nominations and three wins



## Meryl: A Donor Example

# Charitable Gift Annuity

- In return, Meryl receives \$3,150 in annual payments.
- A portion of the annual payment (\$406) is tax-free income, a portion is ordinary income (\$1,121) and a portion is capital gain income (\$1,623) throughout her life expectancy.
- The fixed amount of 6.3% that Meryl receives is generally determined by rates established by the American Council on Gift Annuities.
- Meryl's charitable deduction is \$21,994.\*

\* Based on a CMFR of 4.4%

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## Make an Impact Now: Impact CGA



### A twist on the traditional CGA! Here, the donor...

- Funds CGA with cash or appreciated stock.
- Chooses how many years they would like to make an immediate impact (typically 3-5 years).
- Qualifies for a larger income tax deduction.
- Benefits if their current deductions fall below the standard deduction amount.
- Satisfies a pledge or contributes to a campaign.
- Makes an impact now.

### Let's Look at the Numbers

• In this example, Meryl creates a single-life immediate gift annuity funded with \$50,000. She elects a larger upfront tax deduction and uses the initial payments to contribute to a campaign for five years.

• To create a gift illustration, run a deferred CGA with immediate CGA annuity rate.

\*Assumes a 4.4% CMFR

	Immediate CGA	Impact CGA
Annuitant age at time of gift	75	75 but defers 5 years' worth of payments until age 80
Annuity rate	6.6%	6.6%
Annual payment	\$3,300	\$3,300 per year to nonprofit. After 5 years, payment goes to annuitant.
Additional gift to charity	0	\$16,500
Income tax deduction* in year of gift	\$22,896	\$36,207

## Make an Impact Now: Impact CGA



### A twist on the traditional CGA: Marketing Tip

- Introduce blended giving into the conversation: Promote the impact CGA (make a difference today) with a traditional CGA (make a difference tomorrow) in the same brochure.
- Sample donor letter will be sent to you with the recording or available in a few days on our website.

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## Fund a CGA with IRA Assets



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# How It Works



## Donor 70½ and older:

- Makes a one-time election to transfer \$50,000 of IRA assets.
- Avoids the income tax they would have paid with a traditional IRA distribution.
- Receives lifetime payments, which are ordinary income.
- Uses their most heavily taxed assets.
- Satisfies all or part of their required minimum distribution.

## Your Organization:

- Pays donor and/or donor's spouse a fixed amount annually for life.
- May eventually use the residual value of the asset.

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1970 FURTHER

## Jack\*: A Donor Example

- Jack is 85 years old.
- Jack has a strong connection with your organization and would like to use his most heavily taxed assets to make a gift.
- Jack makes a one-time election using his IRA assets and transfers \$50,000 to fund a gift annuity.

\* Jack Nicholson has 12 nominations and won Best Actor three times



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## Jack: A Donor Example

# Charitable Gift Annuity

- In return, Jack receives \$4,350 in annual payments.
- All of his payments will be taxed as ordinary income.
- He satisfies all or part of his required minimum distribution (RMD) for the year.
- The fixed amount of 8.7% that Jack receives is generally determined by rates established by the American Council on Gift Annuities.
- Jack does *not* receive a charitable deduction.

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## Common Questions

**Q. Can a donor combine cash and a QCD to fund a single gift annuity?**

A. No. A donor cannot combine a QCD with other assets to fund a gift annuity.

**Q. Can spouses each contribute up to \$50,000 from their respective IRAs to fund one joint-life CGA?**

A. Yes!

**Q. What about a charitable remainder trust (CRT)? I heard you can now fund a CRT as well.**

A. You can. However, funding a new CRT for \$50,000 (or even both spouses contributing \$50,000 each) is impractical due to the costs of setup and ongoing administration. And existing trusts cannot receive additional contributions from IRAs—only new CRTs qualify. I recommend that your marketing material and discussions focus on CGAs.

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## Common Questions



**Q. Can an individual make a \$100,000 QCD gift **and** a \$50,000 QCD/CGA gift in the same year?**

A. Many experts agree that an IRA owner 70½ and older **cannot** make a QCD gift of \$100,000 and make an additional QCD gift using a one-time election of \$50,000 in the same year, for a total annual distribution of \$150,000.

**Q. Can an IRA owner 70½ and older create more than one CGA as long as the aggregate amount does not exceed \$50,000?**

A. Yes. It is not limited to a single gift, but it must be completed in the same tax year.

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## Donor Profile for a QCD/CGA



- Is charitably inclined
- Built a large IRA account balance
- Would like to draw down the IRA balance and lower future RMDs
- Benefits taxpayers who take the standard deduction
- Wishes to minimize taxes
- Interested in a fixed stream of income

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# Which Funding Option Is Best for Your Donor?



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## Traditional Assets vs. IRA Assets



### Cash or Appreciated Securities:

- Typically, 60 and older
- Qualify for a partial income tax deduction
- Partial tax-free payments
- Annuitants can be donor and/or another individual (spouse, partner, sibling, parent)
- No maximum amount
- Immediate, deferred or flexible deferred gift annuities

### IRA Assets:

- Must be 70½ or older
- No income tax deduction
- All payments taxed as ordinary income
- Annuitants must be the donor and/or spouse
- Gift limited to \$50,000\*
- Payments must begin no more than one year from the date of the gift

\*Amount will adjust annually for inflation

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## Why You Should Highlight the New QCD/CGA Option



- A new reason to connect to donors
- QCD/CGA gift could lead to additional gifts
- Steady, fixed retirement income
- A gift from their most highly taxed assets

**Marketing Tip:** Invite discussion. “This option comes with special rules, so connect with us to learn more.”

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## Next Steps for QCD/CGA Gifts



- Create new CGA agreements to reflect a non-assignability clause.
- Review your state registration. Some states require you to file revised forms for review and approval.
- Create a new acknowledgment letter that states the donor is not entitled to a charitable deduction. It should still include the “no goods or services” language.

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# Say Yes to the CGA



Third-party administrators help minimize or eliminate your risk

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## Don't Have a CGA Program?



### Common Obstacles:

- Financial liability risk
- Lack of resources to administer program
- Not registered in certain states (or in any state)

According to the 2021 ACGA survey, the percentage of nonprofits that now outsource their gift annuity administration has increased dramatically to 58%.

# Backstage Interview with Johnne Syverson, CFP<sup>®</sup>, AEP<sup>®</sup>, CAP<sup>®</sup>



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## Johnne Syverson, CFP<sup>®</sup>, AEP<sup>®</sup>, CAP<sup>®</sup>

Vice President of Gift Annuity Services  
National Gift Annuity Foundation

- Over 45 years experience in helping individuals integrate philanthropy into their traditional financial and estate planning process
- Serves as a resource to nonprofits and professional advisors in the area of charitable tax and estate planning, a strategy that enables individuals to increase their income, reduce taxes, and preserve their estate for their heirs and the charities of their choice
- Especially enjoys helping nonprofit organizations to help their donors do more for themselves, their families, and their communities using various gift planning instruments on an outsourced basis through his affiliation with the *National Gift Annuity Foundation*
- Member of the National Association of Charitable Gift Planners (CGP), the American Council on Gift Annuities (ACGA), past president of the Mid-Iowa Planned Giving Council, and past president of the International Association of Advisors in Philanthropy (IAIP)
- Holds a Master of Science degree in Financial Services (MSFS) from the American College in Bryn Mawr, PA





# Summary & Next Steps

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The screenshot shows the homepage of the National Association of Charitable Gift Planners. At the top, there is a navigation bar with social media icons for LinkedIn, Facebook, Twitter, and Google+, the organization's logo and name, a 'Login' link, and a search icon. Below this is a dark navigation menu with the following items: JOIN, CONNECT, LEARN, ADVOCATE, ABOUT, EVENTS, BLOG, and DONATE. The main content area features a large image of a diverse group of people in a meeting, overlaid with a semi-transparent orange filter. The text reads: 'We are CGP. Through education, research and advocacy, we support and serve charitable gift planners as they help donors turn dreams into reality.' At the bottom of this section are two buttons: 'Learn More' and 'Join/Renew'. The page number '45' is visible in the bottom right corner.

The screenshot shows the ACGA website homepage. At the top left is the ACGA logo, followed by a navigation menu with links for Home, Join, About, Rates, Research, State Regulations, Education, Resources, Partners, and Contact. Below the menu is the text "american council on gift annuities". A dark blue banner contains a "Join Now" button, a search bar with the text "Search our site...", a "Search" button, and a "Member Login" button. The main content area is divided into two columns. The left column features the heading "Mission, Vision, and History" and two sub-sections: "Our Mission" and "Our Vision". The right column features the heading "Announcements" and a sub-section titled "New Charitable Planning Opportunities with Retirement Plans".

**ACGA**  
american council on gift annuities

Home Join About Rates Research State Regulations Education Resources Partners Contact

Join Now Search our site... Search Member Login

**Mission, Vision, and History**

**Our Mission**

The ACGA's mission is to foster the success of charitable gift annuity programs at charities nationwide through the promulgation of suggested maximum gift annuity rates, education, research, monitoring state regulations, advocacy, and other activities that promote good gifts for nonprofits and their donors.

**Our Vision**

The ACGA is the premier resource for charitable gift annuity program success.

**Announcements**

**New Charitable Planning Opportunities with Retirement Plans**

On December 29 President Biden signed the Consolidated Appropriations Act of 2023 ("Act"). Contained in the provisions of the Act is the new Secure Act 2.0, which addresses many issues related to retirement planning. For example, starting in 2023 the Act raises the age for required minimum distributions (RMDs) to age 73.

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The screenshot shows a page on the PG Calc website. The top navigation bar includes the PG Calc logo and the tagline "YOUR PARTNER IN PLANNED GIVING SUCCESS", followed by a menu with links for Marketing, Gift Illustrations, Gift Administration, Consulting, Insight & Training, Client Support, and About Us. Below the navigation is a breadcrumb trail: Home / Insight & Training / Information Resources / Charitable Gift Annuities: The Complete Resource Manual. The main content area has a dark blue background with the title "Charitable Gift Annuities: The Complete Resource Manual" in large white text. Below the title is the text "The industry standard reference on gift annuities." and a short paragraph describing the manual as the authoritative book on gift annuities. To the right is a white box containing the cover image of the manual, which lists the authors Frank Minton, Ph.D. and Erik Harbo, J.D., and the PG Calc logo.

**PG Calc**  
YOUR PARTNER IN PLANNED GIVING SUCCESS

Marketing Gift Illustrations Gift Administration Consulting Insight & Training Client Support About Us

Home / Insight & Training / Information Resources / Charitable Gift Annuities: The Complete Resource Manual

**Charitable Gift Annuities: The Complete Resource Manual**

The industry standard reference on gift annuities.

Charitable Gift Annuities: The Complete Resource Manual (CGA Manual) is the authoritative book on gift annuities.

**CHARITABLE GIFT ANNUITIES**  
The Complete Resource Manual

Frank Minton, Ph.D.  
Erik Harbo, J.D.

Published by  
**PG Calc**

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# Questions?



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## Additional Questions



### **Lynn M. Gaumer, J.D.**

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### **Johnne Syverson, CFP®, AEP®, CAP®**

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A slide titled "Webinar Resources" with a yellow and orange color scheme. It lists "Recording" and "Presentation handouts" as resources. Contact information for Jen Lennon and Stella is provided, along with the Stelter website. A yellow circle with a white waveform icon and a red cross is in the top right corner. A yellow circle with a white waveform icon and a red cross is in the bottom right corner. A yellow circle with a white waveform icon and a red cross is in the bottom right corner.

## Webinar Resources

- Recording
- Presentation handouts

For more information on Stelter products and services:

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[www.stelter.com](http://www.stelter.com)

A slide announcing the winner of the 2023 award for best planned gift. It features a photo of three people clapping. The text reads "AND THE WINNER IS: THE AWARD FOR BEST PLANNED GIFT OF 2023 GOES TO...". A yellow banner at the bottom says "Thanks for attending!". A yellow circle with a white waveform icon and a red cross is in the top left corner. A yellow circle with a white waveform icon and a red cross is in the bottom right corner.

## AND THE WINNER IS:

▶ THE AWARD FOR BEST PLANNED GIFT OF 2023 GOES TO...

Thanks for attending!