



**Increase Your Retirement Income  
with a Deferred Gift Annuity**

**Unity Foundation of La Porte County**

*Paying it Forward: Philanthropy Matters*

## The Charitable Solution to Increasing Retirement Income

Many people who have already contributed the maximum to their employer-sponsored retirement plan or IRA look for additional ways to generate retirement income. For those who are also interested in leaving a charitable legacy, deferred gift annuities can provide a solution—they allow individuals to make a gift while securing fixed annual payments to themselves and/or another beneficiary for life, beginning at a specified future date.

Let's look at Angela, one of our longtime supporters. She is thinking more about retirement now, and she dutifully contributes the maximum to her company's 401(k) plan. In fact, since she just turned 50 this year, she can make additional catch-up contributions. Though she would like to do more to support our work, she feels (like so many her age) that she can't make a meaningful contribution without jeopardizing her financial needs in retirement.

After talking with her advisors and our development team, she is pleased to find that a deferred gift annuity might be a good fit for her. It will allow her to:

- Increase her philanthropic support
- Add to her retirement income
- Qualify for a current income tax deduction

In fact, by deferring her income payments, Angela will receive more income each year and a larger charitable income tax deduction if she itemizes.

These two features make deferred gift annuities attractive to workers who want to accumulate additional sources of tax-favored retirement income to supplement retirement plan savings (which are subject to IRS limitations).

### **NO LONGER SECOND FIDDLE**

There was a time when deferred gift annuities played second fiddle to immediate gift annuities. Today, as growing numbers of career professionals and business owners plan for retirement, the deferred gift annuity has gained much wider popularity.

## Putting Annual Deferred Gift Annuities to Work

Some people choose to purchase several deferred gift annuities. In Angela's case, she establishes a \$10,000 gift annuity each year for a period of 10 years. Instead of receiving payments immediately, she defers all payments to age 70—the age she plans to retire. By deferring payments, she creates larger charitable income tax deductions, and can enjoy those deductions each year for 10 years. Angela is also pleased that she can increase her support for us while making her financial future more secure.

Angela accomplishes a number of things with this unique gift plan:

- Over time, she qualifies for total charitable income tax deductions that save her thousands of dollars in federal income taxes if she itemizes.
- When payments begin at age 70, Angela will receive fixed annual payments for the rest of her life. A significant portion of each payment will be income tax free until Angela reaches her life expectancy (and taxable thereafter).

## IS IT RIGHT FOR YOU?

A deferred gift annuity may be appropriate when you want to:

- Provide more for retirement than employer-sponsored plans or IRAs allow
- Make a gift to us and receive payments in return
- Enjoy secure payments that won't fluctuate during your lifetime
- Convert appreciated property to retirement income while limiting capital gains taxes

Find out how you can support our organization while supplementing qualified retirement income with a deferred gift annuity. Contact us to request an illustration of the financial and tax benefits you can expect (without any obligation whatsoever).

- The annual payments will supplement her other savings and will ensure a more secure retirement.
- Equally important, she knows that we will also benefit from the arrangement.

## Another Attractive Option

If you wish, you can choose someone other than yourself to benefit from a deferred gift annuity. For example, George (age 55) owns six gardening supply stores. He generously contributes both his time and money to causes that are meaningful to him. One reason for his outstanding civic and charitable sense is the example set by his older sister, Rita (age 60). Rita plans to retire from her job as a social worker in the next few years, but George is sure she will continue to volunteer at the youth outreach program she helped establish many years ago.

George would like to help Rita live more comfortably and pursue volunteer work during her retirement years. George knows that Rita's position requires her to retire no later than age 70, so he opts to use appreciated stock worth \$75,000 to set up a deferred gift annuity to coincide with that age. By deferring the

start of payments for 10 years, George is able to provide Rita with lifetime payments of \$5,025 per year, qualify for a current charitable deduction of \$16,446 and avoid capital gains tax on the sale of his stock.

By choosing a deferred gift annuity, George has found a sensible and thoughtful way to honor and care for his sister while enjoying a shared commitment to giving back.

*Examples are based on an AFR of 0.6% and an annual payout.*

## Consider the Benefits

**No Contribution Limits.** Unlike IRAs and employer-sponsored retirement plans, there are no annual limitations on contributions to a deferred gift annuity. However, your deductions cannot exceed applicable limitations based on your adjusted gross income. Any amount that exceeds the deduction limitation can be carried forward for up to five years after the year of the gift.

**Flexibility.** You can fund a gift annuity with cash or other assets (often, appreciated property held for longer than 12 months). You can select the frequency of payments (monthly, quarterly, semiannually or annually) and the start date. If you want, you can even set up a two-life deferred gift annuity.

**Favorably Taxed Payments.** Part of each annuity payment is free of income tax until the annuitant reaches life expectancy (which is measured at the time of the gift). A gift annuity funded with cash will enjoy a significant tax-free component.

**Multiple Tax Savings.** In addition to receiving a generous income tax deduction in the year you make the gift, you can also reduce capital gains tax liability when funding a deferred annuity with long-term appreciated property.

**Personal Satisfaction.** You can enjoy peace of mind knowing that you have enhanced your financial security and, at the same time, made a significant contribution to further our mission.

## Unity Foundation of La Porte County

Your community foundation received accreditation from the National Standards for U. S. Community Foundations. In partnership with the Community Foundation Committee of the Indiana Philanthropy Alliance, your community foundation is pleased to provide this information to you.

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