Ten reasons to consider a gift annuity

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No doubt you have seen references to gift annuities offered by the University of Chicago and other charities, but you may not have given them much thought. Here are ten reasons to take a serious look:

1. A gift annuity offers the security of fixed payments that are unaffected by fluctuations in stock values and interest rates.

2. A substantial portion of the payments may be tax free or at least taxed favorably. Consequently, you may increase your after-tax cash flow.

3. The payments will continue as long as you live. Your retirement fund, from which minimum distributions are mandated, could be exhausted if you live well beyond life expectancy or if investment returns are disappointing.

4. You receive a current income tax charitable deduction that can reduce the income tax you pay if you itemize deductions.

5. If you fund the annuity with appreciated securities, you can avoid taxation on some of the gain entirely and report the rest of the gain over your life expectancy rather than all at once, which would be the case if you sold the securities.

6. A University of Chicago gift annuity is safe. The University maintains a reserve fund with sufficient, actuarially determined reserves to assure payments to annuitants, but payments are also, in fact, backed by all of the University's assets.

7. Gift annuities are time tested. The concept of lifetime benefits in exchange for property can be traced to ancient Egypt and Rome, and in medieval England people would sometimes transfer their estate and receive lifetime lodging and living expenses. The first gift annuity in the United States was issued by Yale University in 1830, and by 1927, the same year that the University of Chicago's medical school opened, gift annuities were sufficiently popular to warrant a national annuity association.

8. Gift annuities can be used for many purposes. Although they are most commonly established by older individuals to assure predictable payments for themselves, midlife individuals can set them up to help support a parent or to augment their own future income. For the latter, the contribution is made now but payments are deferred until retirement.

9. Gift annuity rates offered by UChicago and most other charities increased on July 1. Those who establish gift annuities now will lock in larger payments than they previously would have received. (See "New Rates, Higher Payouts.")

10. Most important of all, you make a gift that continues the quality of inquiry and research for which the University of Chicago is known. The residuum of the annuity (the portion of your contribution remaining after satisfying the payment obligation) will be used for the purpose you specify. It might be for the University's unrestricted purposes, for a particular academic unit, or, if sufficiently large, for a named endowment.

New rates, higher payouts

Like the majority of nonprofit institutions that offer charitable gift annuities, the University of Chicago follows the suggested rates set forth by the American Council on Gift Annuities (ACGA). Earlier this year, the ACGA approved a new rate schedule and recommended increased rates for the first time since 2012, affecting gift annuities established on or after July 1, 2018.

SINGLE-LIFE CHARITABLE GIFT ANNUITY RATES

Age	Immediate Payment	Deferred 5 Years
55	4.3%	5.6%
65	5.1%	6.7%
75	6.2%	8.8%
85	8.3%	11.4%

TIP *Delay your payout for a period of years. The longer you choose to wait, the larger the payments will be when they begin.*

Charitable gift annuities offer an opportunity to give to the University while receiving fixed payments to you, or another person, for life. Use our gift planning calculator to determine your rate at **tinyurl.com/calcincome**.

TIP *Consider using appreciated stock to fund your gift annuity. You will effectively freeze its market value and also avoid the capital gains tax due if you were to sell the shares.*

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