



The Gift that Gives Back

Is it better to give than receive? What if it were possible to give and receive at the same time? The charitable gift annuity is the planned gift that is perhaps least understood, yet offers the greatest benefits to donors in certain specific circumstances.

If you:

- are age 60 or older
- would like to make a charitable gift
- have some money in a savings account or invested in a Canada Savings Bonds or Guaranteed Investment Certificate (GIC)
- would like a higher rate of return than you're getting now, and
- don't need to preserve the invested money for your heirs

then a gift annuity may be just right for you.

Here's how it works. You sign an annuity application with the ELCIC and contribute a sum of money. On the application you name the expression of the church which will receive your gift, perhaps your congregation. The church then purchases an annuity from an insurance company. The difference between your contribution and the cost of the annuity is your gift to your church. It must be a minimum of 20% of the capital contributed, but it may be as much as you want. The annuity agreement guarantees you an income (for life) that is determined by your age when the contract is signed.

An annuity agreement is irrevocable. This simply means that you can't change your mind after it is put into force. And with a gift annuity you never get your initial contribution back — unlike a GIC.

The advantages of a gift annuity are many. First among them is the good that your gift will do when it is put into action by the church! The benefits that *you* will realize include the following:

- you get a **fixed, guaranteed income** for as long as you live (or a “joint and survivor” annuity can be arranged to provide income until the death of the second spouse);
- there are **no more investment decisions** to make on the amount donated, and **no need to worry** about the effect that interest rates, plunging oil prices or the collapse of global stock markets will have on the income;
- you'll get a **higher rate of income** on the annuity compared to what is available now on fixed-income investments such as a Guaranteed Investment Certificates (GIC);
- unlike GIC interest, part or all of the gift annuity income is **tax-free**;
- you will get a one-time **charitable donation receipt** for the gift portion of your contribution, which will reduce your income tax owing in the year the gift is made.

If we look at an example, then the benefits become clearer.

Mrs. Schmidt, age 80, invests \$20,000 in a 5-year GIC at 2.0%. Income tax payable on the interest income reduces it from \$400 to approximately \$280 per year. (If Mrs. Schmidt were in a higher tax bracket, her after-tax income would be even less.)

If she gives the same \$20,000 to the church for a charitable gift annuity, the rate is 6.83%. At her age all of the payments are tax-free, so she keeps the entire annual income of \$1,366.32. In addition, she gets a one-time donation receipt for \$5,000, which will reduce her income taxes by roughly \$2,000. The income is equivalent to a GIC at more than 12%, and the rate is locked in for life!

Mrs. Schmidt's church receives \$5,000 as soon as the arrangements are complete. She has created a gift that benefits her church and increases her income at the same time.

The numbers used in this example are for illustrative purposes only and are subject to change. For a personalized illustration or other information, contact Lutheran Planned Giving at 1-888-308-9461.