Charitable Gift Annuity: Frequently Asked Questions

What is a charitable gift annuity?

A charitable gift annuity is a contract between an individual and charity where, in return for a gift, the charity agrees to pay the individual a fixed amount of money annually for the donor’s lifetime. After the individual’s lifetime, the balance in the annuity account is given to Vanderbilt as the donor’s gift.

How does Vanderbilt determine the annuity rates?

Vanderbilt follows the rates set by the American Council on Gift Annuities, an independent non-profit organization that recommends charitable gift annuity rates for use by charities nationwide. Life expectancy is one factor used in determining the rates. Therefore, older donors qualify for higher annuity rates compared to younger donors.

Are the gift annuity payments guaranteed?

Gift annuity payments are a general obligation of the university. Even if an individual gift annuity account is exhausted, Vanderbilt will still make annual payments for life to the annuitant. Founded in 1873, Vanderbilt is a large and financially stable institution with extensive resources. It has never missed a payment to any annuitant.

How many annuitants may receive payments on a gift annuity?

A gift annuity can be based on one life alone, or two lives (husband and wife, for example). The annuity rate for two beneficiaries is always lower than for any single annuitant.

What assets should a donor use to fund a gift annuity?

Donors may use cash or securities (stocks, bonds or mutual funds) or a combination of both. Donating appreciated stock offers favorable capital gains treatment (see next question).

What are the tax benefits associated with a gift annuity?

In the year that a donor establishes a gift annuity, he or she is eligible to claim a charitable contribution income tax deduction for that tax year. The deduction amount is equal to the present value of the gift amount that Vanderbilt will receive at some time in the future. If the donor cannot use the entire deduction amount in the first tax year (because the deduction exceeds the amount of income that may be offset), the
deduction may be carried forward for up to five years. Donors should consult their own tax advisers before making a gift.

Each payment is partially tax-free for a number of years, a period measured by the donor’s life expectancy. After that period, the entire payment will be treated as ordinary income to the donors.

If the donor funds the gift annuity with appreciated securities (whose market value exceeds the cost basis) that have been owned for more than one year, a portion of the capital gains tax (that would be due if the donor sold the stock) is avoided. The rest of the capital gains tax is paid ratably over the donor’s life expectancy period.

**What is the minimum age and minimum amount for a gift annuity?**

The minimum age for a gift annuity is 65. The minimum gift amount is $100,000. However donors who are at least 55 years old may use a plan called the deferred charitable gift annuity. Under that plan, a donor chooses a future time to start his or her annuity payments (such as upon retirement or reaching age 65).

**Can a gift annuity be designated for a particular use or area at Vanderbilt?**

Absolutely! The planned giving office is here to help donors identify a program, school or project at the university that is meaningful to them.