Focus on Philanthropy

Trinity College
HARTFORD CONNECTICUT

GIFT PLANNING NEWSLETTER

FALL 2022

A gift that pays you back—now with higher rates!

Over the years, many of our donors have chosen to support Trinity College by establishing a charitable gift annuity. In return for their gift, they receive a partial income tax charitable deduction and a fixed lifetime payment. Thanks to a recent change in payout rates, the charitable gift annuity is seeing renewed interest. Trinity can now offer you an even more generous annual payment.

With inflation on the rise you may be disappointed with your fixed income portfolio, and may be concerned about continuing market volatility. A gift annuity from Trinity can provide you with a regular stream of guaranteed payments while also allowing you to support Trinity in a meaningful way.

A charitable gift annuity is a simple agreement between you and Trinity in exchange for your contribution today. Gift annuities are easy to set up and the payments you receive are backed by the general resources of the college. You can direct lifetime payments for yourself or someone else, and you can name one or two recipients. You also receive an income tax deduction for the value of your charitable contribution.

Best of all, you will be making a generous contribution to support Trinity. It's a win-win!

Under the old rates, if a 79-year-old donor transferred $25,000 in exchange for a charitable gift annuity, he or she would have received fixed annual payments of $1,550 , a rate of 6.2 percent. However, with the **new rates** that went into effect as of July 1, that gift would now provide fixed annual payments of $1,700, a rate of 6.8 percent. That's an increase of $150 per year, nearly 10 percent.

Please visit Trinity's gift planning website **legacy.trincoll.edu/CGA** or call Linda Minoff, Director of Development, at **(860) 297-5353** to learn more.

Planning for Retirement and for Trinity

As market volatility continues many donors are considering how to continue to support Trinity College even as they prepare for retirement. What is the best way to achieve both your financial and philanthropic goals? A deferred charitable gift annuity (DCGA) may offer a solution. A deferred charitable gift annuity allows you to align your charitable giving with your retirement planning.

You may be in your high income-earning years, and if so, you would like to benefit from an income tax charitable deduction. You may also be looking toward the future, and are considering how to augment your income after you retire. Moreover, the current market conditions have prompted you to consider your overall portfolio, and you would like more guaranteed income during your retirement years. And finally, you want to invest in Trinity in a meaningful way so as to create a positive impact for future Bantams. Here's where a DCGA can be the right gift plan for you.

A DCGA is similar to an immediate charitable gift annuity (CGA, described in the previous article), except that your guaranteed payments will start at a future time, at least one year after the DCGA is established. You receive an income tax charitable deduction in the year that you make your gift, presumably when you are in a higher tax bracket than you will be once you retire. So why defer payments? First, you may not need – or want – the additional income while you are still working. And second, by deferring the beginning of your annual payments, you will be entitled to a higher payout rate once those payments begin. The longer the deferral period, the higher the payout rate will be. (See the table on the next page for sample rates at various ages and deferral periods.)

As with an immediate charitable gift annuity, payments will continue for the rest of your life (or your combined lives, if you make your gift in exchange for a 2-life DCGA). And, like an immediate charitable gift annuity, a significant portion of your annual payments will be tax-free.

But what if you are not sure when you will retire? No problem. You also have the option of not choosing the exact starting date for your payments when you make the gift. With a flexible DCGA, you simply give Trinity a range of potential start dates, and Trinity will provide a schedule showing what the payment amount will be, depending on when you choose to have the payments begin. The payout rate does not become fixed until you notify Trinity that you wish to begin receiving payments. The longer you postpone the start of your payments, the more generous your payments become. Once you elect to start receiving payments, they will continue at the same amount for the rest of your lifetime.

For more information, or to receive a personalized illustration, contact Linda Minoff, Director of Development at **860.297.5353** or **linda.minoff@trincoll.edu**, or go to **legacy.trincoll.edu/DCGA**.

Samples of Increased Annuity Rates

The figures in the table below show how the new rates and resulting charitable deductions for a $10,000 immediate payment gift annuity differ from the June 2022 rates and deductions over a range of common annuitant ages.

Comparison of Old and New ACGA Rates for $10,000 Charitable Gift Annuity

Age(s)	June 2022 Annuity	February 2022 Deduction	New Annuity	New Deduction
65	$420	$3,705	$480	$4,051
75	$540	$4,663	$600	$4,818
85	$760	$5,617	$810	$5,720

Deferred Gift Annuity Rates Will Increase More than Immediate Annuity Rates

The figures in the table below show how the ACGA suggested rate for a deferred gift annuity has changed as the deferral period changes under the new schedule. The annuity amounts are based on a $10,000 gift.

Old Deferred Annuity Rates vs. New Deferred Annuity Rates for $10,000 Deferred Charitable Gift Annuity

Age at Gift	Years of Deferral	June 2022 Annuity	New Annuity	Amount Increase	Annuity % Increase
60	5	$480	$570	$90	0.9%
60	10	$610	$740	$120	1.3%
60	15	$810	$1,000	$190	1.9%

Conclusion

The ACGA suggested annuity rates for immediate payment gift annuities increased moderately at all ages. The ACGA rates for deferred gift annuities will increase more significantly. The longer the deferral period, the greater the increase. The recent spike in the interest rate means that deductions for gift annuities paying the increased ACGA rates will still be higher than they were just a few months ago. The combination of higher annuity rates and higher deductions make gift annuities more attractive than they have been in a long time.

Please note that this information is for illustrative purposes and is not intended as tax or legal advice. Rates are subject to change and are based on rates suggested by the American Council on Gift Annuities. Gift annuities are not available in all states.