

# HERITAGE

Leave a legacy for future generations



## Charitable Gift Annuity

When you contribute to Gonzaga University through a charitable gift annuity, you will receive guaranteed payments of a fixed amount for the rest of your life (or up to two lives). Also, a gift annuity funded with a gift of long-term appreciated securities has capital gains tax advantages. You avoid capital gains tax on the part of the property that is considered a gift and the rest of the capital gain is spread over a number of years.

With a gift annuity, you have the benefit of making a difference in the lives of others and securing your own future.

Gift Annuity Type	Description	Benefit
<b>Immediate</b>	A donor transfers cash or securities to Gonzaga and immediately receives fixed payments for up to two lives. Payments are normally made quarterly.	The donor receives an immediate income tax deduction and a portion of the annuity payments are tax-free for a period of years.
<b>Deferred</b>	With a deferred annuity, the first annuity payment is deferred to a future time. The date is selected by the donor and must be at least one year after the date of the gift.	Deferring the start date of the annuity payments increases the donor's annuity rate and charitable deduction received in the year of the gift. This is an ideal way to supplement retirement income.
<b>Flexible</b>	With a flexible annuity, the donor selects a range of years during which payments may start based on his/her retirement date or other considerations.	The donor receives an immediate income tax deduction in the year of the gift. The longer the donor waits to start payments (the older the annuitant) the higher the payout rate. This is another excellent retirement planning strategy.

Note: Charitable gift annuities with Gonzaga University may not be available in all states.

**Learn how you can leave your legacy. Contact us today.**

*This material is presented as educational only and is not offered as legal or tax advice.*

*Photos by Old Joe Clark's and Dean Davis*



be inspired.

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## The Riverboat Gambler and the Schoolmarm

Phil Herres spied Lorelei Munroe during their first week of classes at Gonzaga University. Here, he thought, was someone he definitely wanted to get to know. Always a bit of a gambler, he played his hand.

Lorelei wasn't convinced. However, she did say 'yes' when he asked her to dance at the fall mixer. The Herreses dated throughout their four years at Gonzaga, married right after graduation and they've been working together as a team ever since.

Lorelei and Phil Herres have always approached life's challenges from different perspectives, but together their solutions are usually good and sound ones. Like their marriage. Take, for example, the Herres' decision to create charitable gift annuities (CGAs) with Gonzaga University.

"When it comes to investments, I would describe Phil along the lines of a riverboat gambler and myself as a schoolmarm. He's ready to risk everything on a good hand and I would feel better if I could hide everything under the mattress," said Lorelei. "For Phil it's all about the rate of return...the higher the percentage the better. For me, I want to actually see it, as well as see it doing some good. That's why we were both drawn to the concept of a charitable gift annuity."

Phil and Lorelei recently came to a meeting of the minds after several conversations about retirement planning. Within that framework, Phil was ready to explore methods of income planning that would include fixed, guaranteed income that Lorelei could safely count on.

"How many ways can you derive a fixed income?" asked Phil. "Lorelei and I asked ourselves that question and spread the information out on the table to analyze it from different angles. We found that with

a charitable gift annuity it doesn't cost anything to give more, because it was

money we had already earmarked for our endowed scholarship at the

University through our will. I like that fact that the CGA rates are higher than a bank CD. I

consider it a 'two-fer' with: 1) a high rate of return; and 2) a return guaranteed and backed by the University. Now that's a hand I can play!"

The Herreses receive their quarterly gift annuity payments via direct deposit into a chosen account. They also have elected to enter into two separate CGAs with Gonzaga to "ladder" the payments and are currently considering an additional CGA to continue adding to the fixed income portion of their portfolio.

"The tax deduction is a bonus, but the comfortable, guaranteed income planning along with the higher rate of return was a 'no-brainer' for me. There was a time when Lorelei could have never talked me into this kind of charitable giving method," said Phil with a twinkle in his eye. "But then I turned 65!"



Above: Phil ('63) and Lorelei ('63) Herres

## Income You Never Outlive

One way to assure a steady cash flow is to establish a charitable gift annuity with Gonzaga University. In exchange for a gift of cash or marketable securities, the University pays you a fixed, guaranteed amount of money every year for the rest of your life. You can count on regular payments no matter what happens to your other assets. The amount you receive is not dependent on interest rates or the stock market, which can be quite comforting in these turbulent times.

You might think of a gift annuity with Gonzaga as a type of longevity insurance because you can never outlive the payments you receive. And because the assets attributable to your gift are ultimately used to

benefit the University, you are also providing students with a Jesuit education of the highest quality.

A gift annuity also brings with it certain tax benefits, including an immediate income tax charitable deduction, partially tax-free payments and reduced capital gains tax (if you contribute appreciated securities).

We would be pleased to provide you and your advisor with a personalized gift annuity illustration showing the payments, as well as specific tax advantages you would receive. Just complete and

mail the enclosed reply card or contact our office at (509) 313-6141 or (800) 388-0881. Or, if you prefer, complete your own personalized illustration online by visiting [www.gonzaga.edu/plannedgiving](http://www.gonzaga.edu/plannedgiving) and click on "Calculator."

**A gift annuity with Gonzaga means you never outlive the payments you receive.**

### Sample Gift Annuity Rates

Gift annuities can be established for one or two lives. The annuity rate is set at the time the gift is made and based on the age(s) of the individual(s). The minimum age for a gift annuity is 65 and the minimum initial gift amount is \$25,000.

One Life		Two Lives	
Age	Rate	Ages	Rate
65	5.7%	65/65	5.4%
70	6.1%	70/70	5.6%
75	6.7%	75/75	6.0%
80	7.6%	80/80	6.6%
85	8.9%	85/85	7.4%
90 & over	10.5%	90/90	8.7%

Gonzaga University follows the rates suggested by the American Council on Gift Annuities.

## Charitable Gift Annuities



While gift annuities have been around for a long time, they may be new to you. Following are answers to some of the most frequently asked questions regarding gift annuities. We think you will be impressed by the many advantages gift annuities offer.

#### Q: How does a gift annuity work?

**A:** In return for your contribution of cash or appreciated securities, and pursuant to a signed agreement, Gonzaga University agrees to make fixed payments to you for life.

#### Q: Who may receive payments from the annuity?

**A:** Payments may be made to up to two beneficiaries (also called annuitants). While donors typically name themselves as the annuitants, an annuity can also be established to benefit others, such as a parent or sibling.

#### Q: What will the amount of my payments be?

**A:** The annuity payments will be determined at the time the annuity is established, and will be based on the age(s) of the annuitant(s) at that time. Please refer to the Sample Rate chart for both one- and two-life annuities on page 2.

#### Q: How does a gift annuity benefit Gonzaga University?

**A:** At the end of the annuitant's life (or, with a two-life annuity, the end of both lives), the remainder of the principal in the gift annuity will transfer to the University and can be used to support a scholarship or program of your choice.

#### Q: Are there tax advantages with a gift annuity?

**A:** Yes. The donor receives a charitable deduction in the year of the gift. In addition, a portion of the annuity payments (the gift portion) will be tax-free.

#### Q: Can I contribute securities for a gift annuity?

**A:** Yes. In fact, contributing highly appreciated securities which you have held for more than 12 months offers additional tax savings. The donor pays no tax on the capital gain attributable to the charitable gift portion of the contribution. If the donor is an annuitant, the gain attributable to the annuity payments does not need to be recognized in the year of the gift but can be spread out over their life expectancy.

#### Q: Can I make additional contributions to a gift annuity?

**A:** No, a charitable gift annuity arrangement does not permit additional contributions. However, since gift annuities are so easy to set up, you can always establish additional gift annuities.

#### Q: I don't need additional income now, so is a gift annuity wrong for me?

**A:** Not necessarily. You may want to consider a deferred or flexible annuity, with payments to begin at some future time. The charitable deduction is still received in the year of the gift, which may help offset current, higher income.

### Planning Strategy Tip: "Ladder" your gift annuities

This simply means you fund a series of gift annuities over several years. Payment rates generally increase with each new annuity, thus "laddering" increased income.

what **inspires** you?

**Heritage Society** \her-it-age so-ci-e-ty\ n: Alumni and friends who have made a commitment to Gonzaga University through an estate gift. Estate gifts for the University can be made in many forms, including bequests, charitable gift annuities, remainder unitrusts, lead trusts, or gifts of retirement plan assets or life insurance.