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# Community Foundation

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of St. Clair County

## CHARITABLE GIFT ANNUITY POLICY

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Updated 03/22/16

### Overview

A Charitable Gift Annuity is a contract between the donor and the Community Foundation of St. Clair County. It allows a donor to take advantage of a charitable contribution while at the same time receiving a guaranteed payment for the rest of his or her life.

While Charitable Gift Annuities are an outstanding gift vehicle for many donors, they carry a potential risk and liability for the Community Foundation. As such, the Community Foundation of St. Clair County will administer its Charitable Gift Annuity program under the following guidelines and criteria.

### Eligibility

1. Donor(s) must be at least 60 years old.
2. The minimum amount accepted to establish an annuity will be \$50,000.
3. The Foundation will accept gift annuities for one life, two lives in succession, or joint and survivor annuity agreements. Gift annuity agreements will be limited to one life or two lives in being at the time of the gift.
4. Gift assets will be limited to cash and securities for which a ready market exists.

### Annuity Payments & Rate

1. To calculate the payments for a gift annuity, the Foundation will use the rates published by the American Council of Gift Annuities.
2. Payments, charitable deductions, capital gains and other appropriate tax reporting data will be calculated by an outside consulting agency, legal counsel or other organization with qualified software.
3. Annuity payments will be made on a quarterly, semiannual, or annual basis, depending upon the size of the payment.
4. Quarterly payments will be due to the annuitant on the last business day of each quarter.
5. Semiannual payments will be due to the annuitant on the last business day of the second and fourth quarter.
6. Annual payments will be due to the annuitant on the last business day of the calendar year.
7. Annuity payments will be rounded upward to ensure that each payment is exactly the same.
8. The first annuity payment will be prorated based on the date the agreement takes effect and the date of the first scheduled payment.
9. If the final annuitant dies on the payment date, the payment belongs to the annuitant's estate.
10. If the final annuitant dies before the exact payment date, the payment belongs to the Foundation, which shall have a legal right to the return of the payment from the estate of the final annuitant.

## Investments & Bookkeeping

1. The Foundation will maintain gift annuities in the general investment pool.
2. The Foundation's Investment Committee shall have the responsibility and authority for determining the most appropriate investment vehicles for all annuity funds.
3. The full annuity gift will be admitted to the gift annuity fund of the Foundation and will be maintained until the demise of the last annuitant in the agreement.
4. The Foundation will maintain separate fund records for each annuity on record.
5. The Foundation will not charge a Fund Management Fee to the annuities in the pool.
6. All annuities in the annuity pool will share their fair portion of investment management fees.

## Restrictions on Use of Residual

The Foundation's preference is to encourage 100% of the residual to be allocated the Community Investment Fund, due to the risk that the Foundation assumes during the life of the donor. If a donor's preference is to allocate residual outside of the Community Investment Fund, a portion of the residual will always be allocated back to the Community Investment Fund as outlined below.

1. New Fund established with Residual
  - a. Two thirds (2/3) to the newly established fund, One third (1/3) to the Community Investment Fund
2. Agency Endowment Fund Receives Residual
  - a. One third (1/3) distributed as spendable to agency, One third (1/3) to agency endowment fund, One third (1/3) to the Community Investment Fund.
3. Other Fund Types Receive Residual
  - a. One third (1/3) to a Foundation endowment fund or nonprofit as specified by the donor, Two thirds (2/3) to the Community Investment Fund.

## Other Criteria and Reporting

1. The Foundation's annual obligations for annuity payments shall not exceed \$100,000 until such a time as the Foundation's Board of Trustees have determined that the size of the entire annuity investment pool is sufficient to cover all potential annuity obligations.
2. The Foundation will report all taxable annuity payment amounts paid in the prior calendar year by January 31<sup>st</sup> to all annuitants.
3. Annual Capital Gains that may be reported ratably over the donor's lifetime will be reported to each donor/annuitant.
4. The Foundation will maintain separate records for each donor/annuitant containing all information and data that has been reported for the donor/annuitant.
5. The Foundation will provide the donor/annuitant at the time the Annuity Agreement is established, a chart depicting all appropriate tax reporting data (charitable deduction, capital gains, tax free and taxable annuity payments) for all the years of their projected life expectancy.