

From Good to Great

The Charitable Gift Annuity as a GREAT Planning Tool

Additional Materials for our time go to goo.gl/aAvrdR

Art Stine
Director of Gift Planning



The Basics

- Assets
- Transfer
- The Pool
- The Matching Pool
- The Contract
- Income Payouts
- Year End Reporting

Donor Motivations

- Certificates of Deposits
- Savings Accounts
- “Bonds” in Portfolio
- Charitable Deduction
- Tax Free Income*
- Capital Gain Treatment*

*IRS Life Tables

Donor Motivations

- Help to give more
- IRA is “overstuffed”
- College for Grandchild
- Gift to adult children, grandchildren
- Gift to friend

Our Motivation: Donor Engagement

- Month, Quarter, Semi-Annual, Annual Touches
 - Increases Stewardship
 - Increases Cultivation
- Individual Stewardship Plan
- Donor Stories
- Anonymity
- Back Stage Passes

But We Don't Do Charitable Gift Annuities

- Community Foundations
 - Donors with Donor Advised Funds
 - Partner with CF in order to promote Charitable Gift Annuities
- Charitable Funds (e.g., Vanguard, Fidelity)
- Should we start our own program?

American Council on Gift Annuities

Considering a CGA Program?

Last Updated: Thursday, 26 May 2016 15:30 | [Print](#)

There are a number of issues to consider when starting a charitable gift annuity program. If you are thinking about starting a program at your charity, it is important to review your organization's background, financials, structure and management to determine whether you are ready to take on the responsibilities entailed. Below, are some of the issues for your organization to consider before beginning a gift annuity program.

I. History, Corporate Structure

A. Organization Longevity

1. Is there a pipeline of possible, if not probable donors that are able and likely to create gift annuities with the organization?
2. Do donors have confidence in the longevity of the organization, such that they assume that it will make all present and future income payments as obligated under the annuity agreement?
3. Does the organization have a stable and successful investment history that demonstrates the fiduciary responsibility and financial stewardship that donors look for before establishing a gift annuity with a charitable organization?

B. Corporate Structure

1. Do the articles of incorporation and bylaws of the organization or any other organizational documents make reference to the ability of the organization to act in a fiduciary role, such as is required for offering gift annuities?
2. Does the organization have a clear written strategic and long-term mission that focuses on perpetual issues that transcend generations of donors? The presence of endowments and other long-term gift and investment vehicles will be important to donors looking to establish a lifetime annuity with the organization.
3. Does your board have a gift acceptance policy that includes or could be revised to include the types of gift annuities accepted, guidelines for variations in gift annuities to be issued, administration and investment policies and procedures?

II. Financial Review

A. Threshold Requirements

1. Does your organization satisfy the minimum threshold in financial assets (usually \$300,000 to \$500,000 in unrestricted assets) required by many states for the issuance of gift annuities? Your answer to this question may limit the geographic area in which your organization can legally issue gift annuities.
2. Is your organization financially secure such that it is able to undertake a gift annuity program that may generate future income but possibly little or no current income for years?

Putting It All Together

- Create Collateral (Hardcopy & Web)
- Choose Illustration Software (e.g., Crescendo, PG Calc)
- Promote and Market Charitable Gift Annuities
 - Postcards
 - Newsletters
 - Email Blasts (and targeted)
- Connect Charitable Gift Annuities to Stewardship & Cultivation

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OPEN MIC

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2. Is your organization financially secure such that it is able to undertake a gift annuity program that may generate future income but possibly little or no current income for years?
3. Can your organization bear the costs of marketing gift annuities, issuing agreements and making annuity payments now and in the future? Typical costs include staff time and generally some outside legal fees.

B. Financial Administration

1. Does your charity currently manage its own endowment, investments or other funds? If so, does it have an investment policy that provides for the safety needed to generate a reasonable return on gift annuity reserves?
2. Does your organization have the desire and ability to maintain a separate annuity reserve fund and ensure that there are sufficient investment returns to assist in making the payments either on its own or with outside assistance?
3. Would your organization consider reinsurance of its gift annuities as a way to mitigate risk? While some states may not permit reinsurance, other states will permit reinsurance subject to differing reserve requirements.

III. Development Efforts

1. Does the organization have an established (minimum 3-5 years), consistent development program that successfully identifies, cultivates, solicits, recognizes, and stewards individual donors through multiple vehicles and dollar ranges?
2. What is the staffing level for development management, front-line fundraisers, and administrative support? Is this a one-state/local charity, regional, or national in scope, requiring field staff in various regions of the country?
3. Is there currently a planned giving program with a baseline bequest program and the capacity to recognize planned giving donors appropriately?

IV. Program Management

A. Adequate Staffing

1. Are there staff members available and knowledgeable to not only solicit gifts, but to ensure effective administration and investment of gift annuities, either in-house or through an outside provider?
2. Do staff members have the legal and/or financial background to understand the risks of a program and to be able to determine which gifts are appropriate?
3. Is there in-house or outside legal counsel available to provide guidance on issues related to gift annuities?
4. Is there sufficient communication between internal divisions of the organization (i.e. resource development finance and legal) to operate a program effectively?

B. Sufficient Training

1. Are staff members sufficiently trained to market gift annuities, prepare gift annuity proposals and close gifts?
2. Is training available to new or existing employees to learn about the technical issues related to offering gift annuities?
3. Are ongoing education or training opportunities available for staff to stay informed of changes in gift annuity regulations?

C. Ability to Administer

1. Does the organization have the knowledge-base, staffing and structure in place to administer gift annuities in-house?
2. If not, are financial resources available to hire an outside firm for administration and investment purposes?
3. Can staff or outside consultants provide the ability to evaluate which firm to hire if administration help is needed?

There are just some of the many issues to consider when starting a charitable gift annuity program. If you are thinking about starting a new program, there is more information that will be of help to you throughout this web site. On the web site, you can also become an ACGA member, which will provide you with access to a wealth of resources to assist your organization in establishing an effective well-managed gift annuity program.