



Next Level Charitable Gift Annuity Strategies: Fulfilling Donor Needs

April 30, 2024

Presented by:

Chris McGurn
SVP, Director, Planned Giving Solutions Group
PNC, Institutional Asset Management
christopher.mcgurn@pnc.com

Kent Weimer, CAP®
Director of Trusts, Estates & Gift Planning
Parkland Foundation (Ret.)
Fablanthropy LLC, Gift Planning Specialist
giftplanning@fablanthropy.com



0

Today's Agenda



Why CGA's?

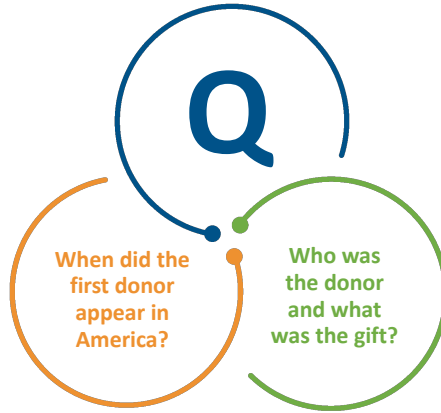
Have You Considered?

Best Practices

1

1

What is a Charitable Gift Annuity? Historical Perspective



A: 1830

John Trumbull,

American painter, gave a painting to Yale College in exchange for an annuity of \$1,000 per year for life.

What is a Charitable Gift Annuity? Historical Perspective



The oldest CGA program in continuous operation.

- Tens of thousands of CGA's since 1843*

* ACGA 2021 Survey of Charitable Gift Annuities report

American Council on Gift Annuities (ACGA) founded in 1927

Philanthropy Protection Act of 1995

What is a Charitable Gift Annuity? Historical Perspective



4,000 charities (501(c)3 organizations)*

* Source: ACGA Survey 2009

More than \$1.7 billion in gift annuity funds are under management**

** ACGA 2021 Survey of Charitable Gift Annuities report

How many Google hits occur when searching for "Charitable Gift Annuity"?
Over 2.0 million results***

*** As of 4-14-24

What is a Charitable Gift Annuity?

A charitable gift annuity is a simple contract between you [donor] and a Charity.

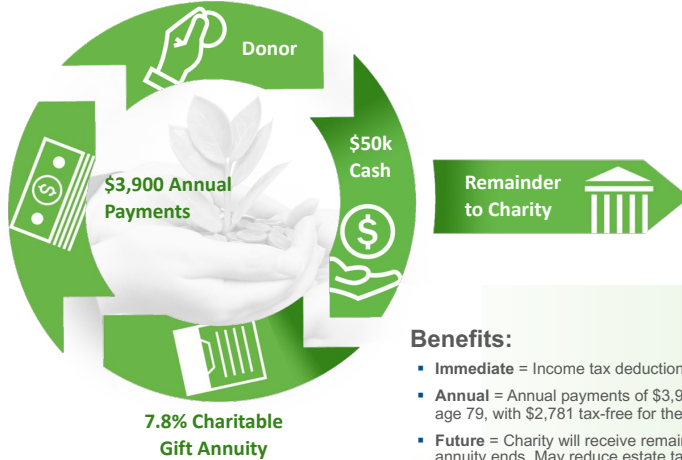
In exchange for your irrevocable gift of cash, securities, or other assets, the Charity agrees to pay one or two annuitants you name a fixed sum each year for life. The payments are backed by the general resources of the Charity.

The older your designated annuitants are at the time of the gift, the greater the fixed payments the Charity can agree to pay.

In most cases, part of each payment is tax-free, increasing each payment's after-tax value. If you give appreciated property you will pay capital gains tax on only part of the appreciation. If you name yourself as an annuitant, the capital gains tax can be spread out over many years rather than be all due in the year of your gift.

Payments are usually made in annual, semiannual, or quarterly installments.

CGA Illustration – Cash Gift



Benefits:

- **Immediate** = Income tax deduction of \$22,459.
- **Annual** = Annual payments of \$3,900 for life of annuitant, age 79, with \$2,781 tax-free for the first 9.9 years.
- **Future** = Charity will receive remaining principal when annuity ends. May reduce estate taxes and costs.

Source: PG Calc – PGM Anywhere Software

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, current IRS discount rate and cash donated. Actual results may vary significantly. This example uses the April 2024 IRS discount rate of 5.2% and the Table 2010CM for calculation of the Charitable Deduction.

6

6

ACGA Suggested Charitable Gift Annuity Rates

SINGLE LIFE

AGE	59	65	70	75	80	85	90+
RATE	5.1%	5.7%	6.3%	7.0%	8.1%	9.1%	10.1%

TWO LIVES

AGE	60/65	65/70	70/75	75/80	80/85	85/90	90/95
RATE	4.8%	5.2%	5.8%	6.5%	7.3%	8.7%	9.9%

Rates effective January 1, 2024

Last reviewed and approved by the American Council on Gift Annuities Board of Directors on November 17, 2023

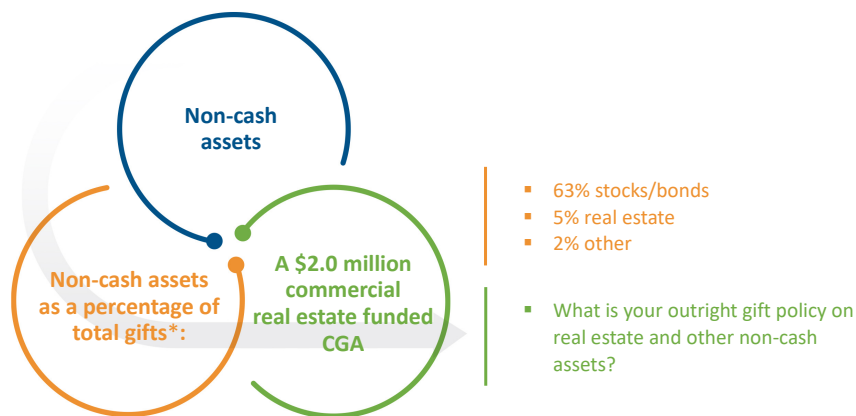
Source: ACGA website www.acgo-web.org

7

7

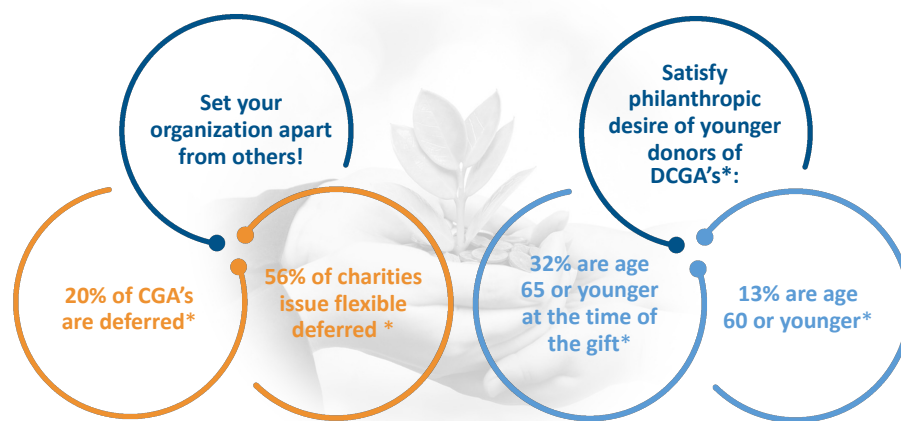
Have you Considered?

Non-Cash Assets



*ACGA 2021 Survey of Charitable Gift Annuities report. All data as of April 2021.

Have you Considered?



*ACGA 2021 Survey of Charitable Gift Annuities report

Deferred and Flexible Deferred CGA's (DCGA)

Have you Considered?

Deferred CGA's; STANDARD ANNUITY RATE

Assumptions:

Annuitant Age	[2/14/1964] 60
Date of Gift	4/12/2024
First Payment Start Date in Range	6/30/2029
Cash Donated	\$50,000
Payment Schedule	Quarterly

BENEFITS:

Charitable Deduction **\$19,834**

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, cash donated, and This example uses the April 2024 IRS discount rate of 5.2% and the Table 2010CM. Actual results may vary significantly.

Basic Gift Illustrations
 IRS Discount Rate is 5.2%
 Source: PG Calc PGM Anywhere software
 * Elective start date 6/30 each year

Schedule for Deferred Payment

(annuity rates from ACGA 2024 table)

Elective Start Date*	Age at Start Date	Annuity Rate	Total
2029	65	7.2%	\$3,600

10

10

Have you Considered?

Deferred, Flexible CGA's; STANDARD ANNUITY RATE

Assumptions:

Annuitant Age	[2/14/1964] 60
Date of Gift	4/12/2024
First Payment Start Date in Range	6/30/2029
Last Payment Start Date in Range	3/31/2039
Cash Donated	\$50,000
Payment Schedule	Quarterly

BENEFITS:

Charitable Deduction **\$19,834**

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, cash donated, and This example uses the April 2024 IRS discount rate of 5.2% and the Table 2010CM. Actual results may vary significantly.

Basic Gift Illustrations
 IRS Discount Rate is 5.2%
 Source: PG Calc PGM Anywhere software
 * Elective start date 6/30 each year

Schedule for Deferred Payment Start Dates

(annuity rates from ACGA 2024 table)

Elective Start Date*	Age at Start Date	Annuity Rate	Total
2029	65	7.2%	\$3,600
2030	66	7.7%	\$3,850
2031	67	8.2%	\$4,100
2032	68	8.8%	\$4,400
2033	69	9.4%	\$4,700
2034	70	10.0%	\$5,000
2035	71	10.6%	\$5,300
2036	72	11.5%	\$5,750
2037	73	12.2%	\$6,100
2038	74	13.0%	\$6,500
2039	75	14.0%	\$7,000

11

11

Have you Considered?

Deferred, Flexible CGA's; STANDARD ANNUITY RATE

Assumptions:

Annuitant Age [2/14/1964] 60
 Date of Gift 4/12/2024
 First Payment Start Date in Range 6/30/2029
 Last Payment Start Date in Range 6/30/2039

Cash Donated \$50,000
 Payment Schedule Quarterly

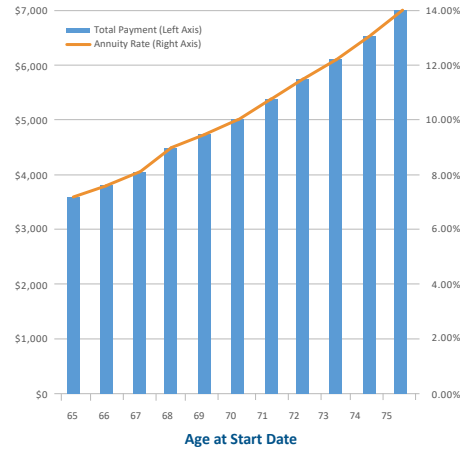
BENEFITS:

Charitable Deduction \$19,834

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, cash donated, and This example uses the April 2024 IRS discount rate of 5.2% and the Table 2010CM. Actual results may vary significantly.

Basic Gift Illustrations
 IRS Discount Rate is 5.2%
 Source: PG Calc PGM Anywhere software
 * Elective start date 6/30 each year

Deferred Flexible CGAs



Have you Considered?

Deferred, Flexible WITH Higher Deduction CGA

Assumptions:

Annuitant Age [2/14/1964] 60
 Date of Gift 4/12/2024
 First Payment Start Date in Range 6/30/2029
 Last Payment Start Date in Range 6/30/2039
Start Date on which to Base Deduction 6/30/2034

Cash Donated \$50,000
 Payment Schedule Quarterly

BENEFITS:

Charitable Deduction \$23,735

Charitable Deduction \$19,834

The above hypothetical is for illustrative purposes only. Charitable Deduction is calculated based on annuitant age, gift date, first payment date relative to gift date, cash donated, and This example uses the April 2024 IRS discount rate of 5.2% and the Table 2010CM. Actual results may vary significantly.

Basic Gift Illustrations
 IRS Discount Rate is 5.2%
 Source: PG Calc PGM Anywhere software
 * Elective start date 6/30 each year

Schedule for Elective Payment Start Dates

(annuity rates from ACGA 2024 table)

ElectiveAge at Start Date*	Start Date	Annuity Rate**	Total Annual
2029	65	6.27%	\$3,134
2030	66	6.85%	\$3,424
2031	67	7.50%	\$3,750
2032	68	8.23%	\$4,116
2033	69	9.06%	\$4,530
2034	70	10.0%	\$5,000
2035	71	10.6%	\$5,300
2036	72	11.5%	\$5,750
2037	73	12.2%	\$6,100
2038	74	13.0%	\$6,500
2039	75	14.0%	\$7,000

ElectiveAge at Start Date*	Start Date	Annuity Rate	Total
2029	65	7.2%	\$3,600
2030	66	7.7%	\$3,850
2031	67	8.2%	\$4,100
2032	68	8.8%	\$4,400
2033	69	9.4%	\$4,700
2034	70	10.0%	\$5,000
2035	71	10.6%	\$5,300
2036	72	11.5%	\$5,750
2037	73	12.2%	\$6,100
2038	74	13.0%	\$6,500
2039	75	14.0%	\$7,000

SECURE 2.0 Enhancements to QCDs

CHANGE: Beginning in 2023, SECURE Act 2.0 expanded the definition of Qualified Charitable Distributions (QCDs) to include distributions to create CGAs and charitable remainder trusts (CRTs)

Some of the key provisions under the new Act include:

- One-time maximum transfer of \$53,000 in exchange with a charity for a CGA, or to a qualified CRT
- The new QCD can only be done once during the lifetime of the IRA owner, and must occur within a single calendar year
- Each spouse may contribute up to \$53,000 to a joint CGA from their respective IRAs (resulting in a \$106,000 CGA for the couple)
- At least one of the income beneficiaries must be at least 70.5 years, and the CGA must have a payout rate of at least 5%, which effectively puts a lower limit on the age of the spouse
- No deferred payment CGAs allowed and the CGA is non-assignable
- The QCD gift does not qualify for an income tax charitable deduction but instead escapes income tax liability on the transfer
- Annuitants must be the IRA owner and/or their spouse

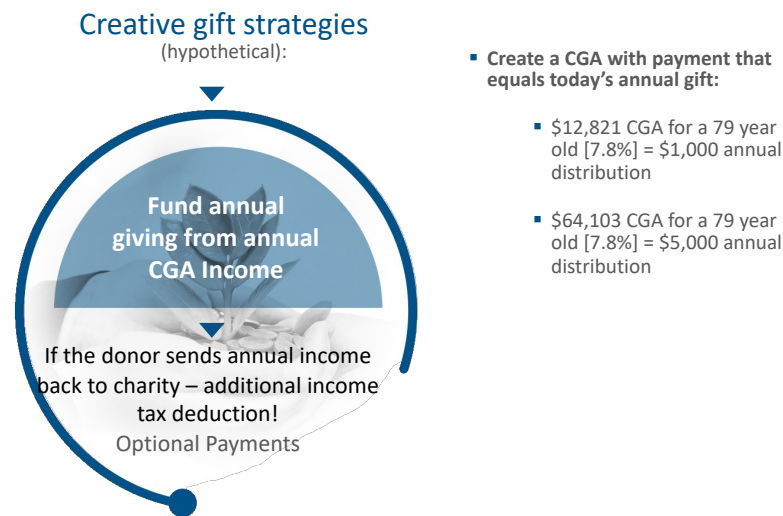
Are you Ready for IRA QCD to CGAs?

15

15

Have you Considered?

Fund Annual Giving with a CGA



**50% is ACGA assumption

16

16

Have you Considered?

Endow Annual Giving with a CGA

Creative gift strategies (hypothetical
CGA for a
79 year old):



- Continue annual giving by funding a CGA + Bequest

- \$1,000 annual distribution = \$50,000 CGA*

- \$25,000 (assume 50% residuum to charity**)

- \$1,000 (assume a 4.0% 'spending rule' from endowment)

*7.8% CGA = \$3,900 annual payment with a \$50,000 gift. The annual distribution will easily support the \$1,000 annual giving and more during their lifetime.

**50% is ACGA assumption

17

17

Have you Considered?



Satisfying Board Member Gift Obligation



Enhanced Income or Retirement Vehicles for Others



Donors have maxed other retirement planning vehicles (401(k); IRA's etc.)



Bunching gifts in a single tax year

Creating Gift Strategies

18

18

Have you Considered?



- People do change their Wills
- Creates a permanent connection to the donor/income beneficiaries that allows for follow-up
- Natural contact – check in ... Are you still with us?
- Family connections/ POA... “What is this deposit every quarter..?”
- May afford gentle expansion of relationship through stewardship of family
- Donors create a deferred CGA to receive a special pin and recognition

CGA as a Tool to Enhance Stewardship

19

19

Have you Considered?

Why CGs can Compliment Other Gifts



- 51% of all annuities were repeat gifts
- Increase their annual giving – 42%
- No effect of annual giving – 55%
- Decrease their annual giving – 4%
- Include a gift to your charity in their estate plans – 52%
- No effect on gifts to your charity from their estate plans – 46%
- Remove a gift to your charity from their estate plans – 3%

*ACGA 2021 Survey of Charitable Gift Annuities report.

20

20

Best Practices

21

Charitable Gift Annuities – “Best Practices”

Observations of the Most Successful Programs



Develop a good working relationship between Finance and Administration:

- Educate your colleagues about the benefits and liabilities of gift annuities – open honest dialogue
- Confirm administrative best practices; Gift process flows smoothly; Easier to resolve payment or tax issues; Easier to obtain exceptions when needed



Marketing your Gift Annuity Program:

- Emphasize the charitable nature of the gift in meetings, proposals, advertising and direct mail; Use caution in describing financial impact and avoid making statements that could be interpreted as legal or tax advice; Encourage donors to consult their advisors;
- **CONSISTENT** marketing



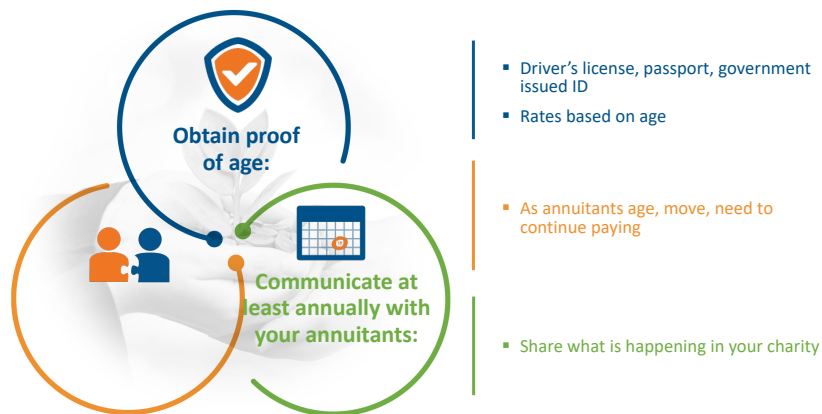
Communicate regularly with your Donors/Annuitants:

- **STEWARDSHIP**
- Open ended questions - “Tell me about...” “Would you mind sharing...”

22

22

Charitable Gift Annuities



Observations and Experiences to Help You

23

23

Market Internally...for Lots of Reasons!



24

24

Conclusion



- 1) Since 2013, our clients have realized over \$145 million in CGA residua.
- 2) The CGA provides an opportunity for certain donors and charitable organizations to help one another.
- 3) Add the CGA to your development Tool Box.

Final Thoughts:

- How will you know the answer if you don't ask the question?
- No usually means, "Now may not be the appropriate time, but the CGA could be beneficial in the future."
- Follow the Golden Rule
- Do you have at least 3 'new to you' idea's?

25

25

Disclosures



The material presented herein is of a general nature and does not constitute the provision by PNC of investment, legal, tax, or accounting advice to any person, or a recommendation to buy or sell any security or adopt any investment strategy. The information contained herein was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy, timeliness, or completeness by PNC. The information contained and the opinions expressed herein are subject to change without notice.

Third party material included herein is intended to provide readers with useful information. It does not constitute the provision by PNC of legal, tax, accounting, or investment advice to any person or a recommendation to buy or sell any security or adopt any investment strategy. PNC is not responsible for the accuracy of the information contained in third party material. Any case, ruling, law, or regulation discussed should be independently reviewed in its entirety before it is relied on in any particular situation.

All data, facts, assumptions, opinions and analysis provided herein are as of the date of this presentation (or other stated date) and are subject to change without notice. PNC Bank assumes no responsibility to review or update this presentation or any data, facts, assumptions, opinions, analysis or other information provided herein. This presentation was prepared using proprietary and third party data and software. PNC Bank makes no representation or warranty of any kind, express or implied, regarding the timeliness, accuracy or completeness of such data and assumes no liability for damages resulting from or arising out of the use of such data or software. All such data is provided on an "as is" basis. PNC Bank assumes no obligation to verify or update such data. The imprecision of such data, malfunctions of software or other technology and programming inaccuracies could compromise the accuracy of this report.

The PNC Financial Services Group, Inc. ("PNC") uses the marketing name PNC Institutional Asset Management® for the various discretionary and non-discretionary institutional investment, trustee, custody, consulting, and related services provided by PNC Bank, National Association ("PNC Bank"), which is a **Member FDIC**, and investment management activities conducted by PNC Capital Advisors, LLC, a wholly-owned subsidiary of PNC Bank

"PNC Institutional Asset Management" is a registered mark, of The PNC Financial Services Group, Inc.

Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.

©2024 The PNC Financial Services Group, Inc. All rights reserved.

30

30



Next Level Charitable Gift Annuity Strategies: Fulfilling Donor Needs

Workshop

April 30, 2024

Presented by:

Chris McGurn
SVP, Director, Planned Giving Solutions Group
PNC, Institutional Asset Management
christopher.mcgurn@pnc.com

Kent Weimer, CAP®
Director of Trusts, Estates & Gift Planning
Parkland Foundation (Ret.)
Fablanthropy LLC, Gift Planning Specialist
giftplanning@fablanthropy.com



Introductions





33

Discuss

5 4 3 2 1

ACCA

34

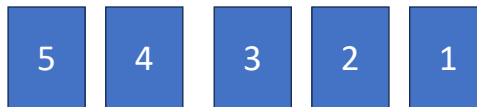


35

35




What would you do?




36

36




Share creative use of CGA stories
Family/donor need it solved
Prepare to report out

10 9 8 7 6 5 4 3 2 1




37

37



Next Level Charitable Gift Annuity Strategies:
Fulfilling Donor Needs

ACGA select survey questions



38

38



Next Level Charitable Gift Annuity Strategies:
Fulfilling Donor Needs

Workshop

April 30, 2024

Presented by:

Chris McGurn

SVP, Director, Planned Giving Solutions Group
PNC, Institutional Asset Management
christopher.mcgurn@pnc.com

Kent Weimer, CAP®

Director of Trusts, Estates & Gift Planning
Parkland Foundation (Ret.)
Fablanthropy LLC, Gift Planning Specialist
giftplanning@fablanthropy.com



39