



ANNUITY TERMINATION PROCESS

An annuity contract terminates at the death of the annuitant or in the case of a two lives contract at the death of the surviving annuitant.

There are several ways Catholic Extension begins the termination process:

A. PBI REPORT (Pension Benefit Information)

Catholic Extension subscribes to this service which searches social security records for matches of our annuitants. A weekly report is produced with matches the system has detected, it is emailed to us.

B. Family Member Calls

A family member may call us after the death of an annuitant. We ask for the following information:

- Annuitant name
- Date of death
- Contact information (address and phone) for person handling estate and relation to annuitant.

C. Death Certificate Received

At times we may receive a death certificate in the mail advising us of the death of an annuitant.

D. Written Notice of Revocation

A letter releasing the obligation of all future payments of the annuity contract.

Our process:

1. Notify State Street to stop any upcoming payments, or recall any payments made after the death of the annuitant.
2. Catholic Extension will notify the diocese of the annuitant's death.
3. A letter is sent to the annuitant's family with condolences from Fr. Wall. The letter also contains, any applicable tax information associated with the annuity, examples follow.
4. Quarterly, funds are distributed to the diocese to be used as designated in Schedule A of the agreement.



Building Faith | Inspiring Hope | Igniting Change

July 15, 2014

Mr. Donald Smith
12772 Happy Lane
Anytown, OH 12345

Dear Mr. Smith,

We were sorry to learn about the death of your mother, Elizabeth Smith, on July 2, 2014. Please accept my expression of sympathy and the assurance of our prayers for the repose of her soul.

Elizabeth had one Charitable Gift Annuity with Catholic Gift Annuity as follows:

Date	Annuity	Amount	Semi-Annual Payment Dates	Annual Income	Unrecovered Investment
9/21/06	234567	\$ 5,000.00	Mar & Sept 15th	\$ 570.26	\$ 126.97

According to the terms of the agreement, all payments ceased with the last payment preceding her death. There is no cash surrender value and no beneficiaries. The Unrecovered Investment of **\$126.97** may be taken as a miscellaneous deduction on her final income tax return. Enclosed are copies of the Tax Calculations and Deduction for the Unrecovered Investment.

In January 2015 we will send you a 1099-R Tax Form listing the annuity income and taxable portion that was received in 2014 for filing with her final income tax return.

I do not wish to place this burden on you; however, at the request of our auditors please send us a **copy** of the death certificate.

If you should have any questions, please call Bobbi Hannigan 1(800) 842-7804.

Elizabeth was a good friend of **St. Mary's Catholic School, Anytown**, Ohio. Her generosity and compassion for the less fortunate will serve as a lasting memorial to her.

With prayerful warm wishes, I am

Sincerely yours in Christ,

Reverend John J. Wall
President



CATHOLIC GIFT ANNUITY
Administered by Catholic Church Extension Society
Deduction for Gift Annuity Termination

Prepared for:
Elizabeth Smith
July 15, 2014
Annuity# 234567

ASSUMPTIONS:

Reason for Computing Deduction	Death of last annuitant
Total Amount Payable in First Partial Year	\$562.38
Total Amount Payable in Each Full Year	\$570.26
Total Amount Paid in Final Year	\$0.00
Year of Final Payment	2013

Breakdown of Annuity before Termination:

	Tax-free Portion
2007 to 2007	\$400.98
2008 to 2012	\$406.60
2013 to 2013	\$126.97
2014 onward	\$0.00

RESULTS:

Deduction for Unrecovered Investment in Contract	\$126.97
Taxation of Annuity in Final Year (2013)	
Ordinary Income	\$0.00
Tax-free Portion	\$0.00

Note: The deduction may be taken as a miscellaneous deduction on the deceased annuitant's final income tax return.

Prepared by: BA

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.



CATHOLIC GIFT ANNUITY
 Administered by Catholic Church Extension Society
Taxation of Gift Annuity Payments

Prepared for:
 Elizabeth Smith
 July 15, 2014
 Annuity# 234567

Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	[8/7/1920] 86
Date of Gift	9/21/2006
Cash Donated	\$5,000.00
Payout Rate	8.0%
Payment Schedule	semiannual at end

CALCULATIONS:

Charitable Deduction	\$2,439.05
Number of Payments in First Year	2
Days in First Semiannual Period (9/16/2006 to 3/15/2007)	181
Days of Payment Credit in First Semiannual Period (9/21/2006 to 3/15/2007)	176
Annuity	\$570.26
Semiannual Payment	\$285.13
First Partial Payment on 3/15/2007 (176/181 x \$285.13)	\$277.25

BREAKDOWN OF ANNUITY:

	Tax-free Portion	Ordinary Income	Total Annuity
2007 to 2007	400.98	161.40	562.38
2008 to 2012	406.60	163.66	570.26
2013 to 2013	126.97	443.29	570.26
2014 onward	0.00	570.26	570.26

After 6.3 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.

July 2, 2014

Mrs. Barrett McIntyre
12772 Happy Lane
Anytown, OH 12345

Dear Mrs. McIntyre,

I was sorry to hear about the death of your husband, Joseph McIntyre, on June 19, 2014. Please accept my expression of sympathy and the assurance of our prayers for the repose of his soul.

You and your husband had established one, Two Lives Charitable Gift Annuity with Catholic Gift Annuity as follows:

Annuity	Date	Amount	Payments	Annual Income	Fair Market Value
123456	5/21/04	\$5,000.00	May & Nov 15 th	\$369.56	\$1,627.32

In accordance with the terms of the agreements, payments will now be made in your name only. You will continue to receive the same payments on the above annuity for your lifetime. We suggest you consult a tax advisor as to the effect the annuities may have on your husband's final estate tax return regarding the total Fair Market Value of **\$1,627.32** at the time of his death. The marital deduction is available--IRC 2056 (b) (7) (c).

Also, at the request of our auditors, please send us a copy of the death certificate.

If you should have any questions, please call Bobbi Hannigan 1(800) 842-7804.

Perhaps it will be of some comfort to know that we at Catholic Extension are keeping you and your family close in thought and in prayer. Be at peace as you recall the wonderful memories of your husband, now he is at home with the Lord.

With prayerful warm wishes, I am

Sincerely yours in Christ,

Reverend John J. Wall President



CATHOLIC GIFT ANNUITY
Administered by Catholic Church Extension Society
Present Value

Prepared for:
Joseph McIntyre
July 24, 2014
Annuity# 123456

ASSUMPTIONS:

Amount to Be Received in Future	\$2,845.61
Years until Amount Will Be Received	7.7
Annual Interest Rate	7.391%
Compounding Frequency	Semiannual

RESULTS:

Present Value	\$1,627.32
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Prepared by: BA

These calculations are for illustration purposes only and should not be considered legal, accounting, or other professional advice. Your actual benefits may vary depending on several factors, including the timing of your gift.



CATHOLIC GIFT ANNUITY
 Administered by Catholic Church Extension Society
Taxation of Gift Annuity Payments

Prepared for:
 Joseph McIntyre
 July 24, 2014
 Annuity# 123456

7.391% Charitable Gift Annuity

ASSUMPTIONS:

Annuitant	[1/13/1931], 83
Date of Gift	6/19/2014
Cash Donated	\$5,000.00
Payout Rate	7.391%
Payment Schedule	semiannual at end

CALCULATIONS:

Charitable Deduction	\$2,703.75
Number of Payments in First Year	1
Days in First Semiannual Period (5/16/2014 to 11/15/2014)	184
Days of Payment Credit in First Semiannual Period (6/19/2014 to 11/15/2014)	150
Annuity	\$369.56
Semiannual Payment	\$184.78
First Partial Payment on 11/15/2014 (150/184 x \$184.78)	\$150.64

BREAKDOWN OF ANNUITY:

	Tax-free Portion	Ordinary Income	Total Annuity
2014 to 2014	121.57	29.07	150.64
2015 to 2021	298.23	71.33	369.56
2022 to 2022	87.07	282.49	369.56
2023 onward	0.00	369.56	369.56

After 7.7 years, the entire annuity becomes ordinary income.

The charitable deduction displayed above is based on an IRS discount rate for a month prior to the month of gift. To take your deduction based on this rate, you must specify it in an election statement that you file with your tax return.