

FREQUENTLY ASKED QUESTIONS

Q: Who might be interested in taking out a Catholic Gift Annuity?

Current or potential donors, who are committed to supporting future Catholics by creating a legacy gift to the Catholic organization of their choice and are interested in an additional source of stable income for life.

Q: What is the minimum amount and age to establish a Catholic Gift Annuity?

The minimum amount is \$5,000 and the minimum age to start receiving payments is 55. A younger donor can establish a deferred annuity, with payments beginning after age 55 or some point in the future.

Q: How does a Catholic Gift Annuity differ from a commercial annuity?

A commercial annuity, typically sold by banks and life insurance companies, will provide the owner with fixed or variable income based on commercial rates of return. These plans establish their annuity payments based on the assumption that all of the assets in the plan will be used up by the end of the income beneficiaries' lives.

A charitable gift annuity is part annuity and part charitable contribution. The donor receives a partial income tax deduction based on the assumed value of the gift the organization will ultimately receive. A gift annuity establishes its payments on the assumption that there will be something left for the organization at the end of the contract. In most cases, payout rates for gift annuities are lower than payout rates of a commercial annuity because of the charitable component in the contracts.

Q: How are your rates determined?

Catholic Gift Annuity program follows the American Council on Gift Annuities (ACGA) rates.

The ACGA was formed in 1927 as the Committee on Gift Annuities for the purpose of providing educational and other services to American charities regarding gift annuities. The Rates Committee develops its schedule of suggested maximum rates by targeting a residual gift to the charity equal to 50% of the funds transferred. The Committee uses a set of assumptions for annuitant mortality, expenses, and investment returns to identify for each age a suggested rate which will produce the targeted nominal residual gift.

The ACGA current rates have been in effect since July 2018.

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Q: *What determines the size of each payment, and does the annuitant's age matter?*

The annuitant's age at the time of the gift and the size of gift determines the payment amount. The older the age the higher the payment rate, if the annuitant is within 6 months of their next birthday, they will qualify for the higher payment rate.

Q: *Are the payments guaranteed?*

Catholic Gift Annuity payments are made from a segregated pool with adequate reserves to meet statutory requirements. Payment obligations are also backed by Catholic Extension's unrestricted net assets of over \$100 million. Catholic Extension has not missed an annuity payment for the 102 years of the program. A copy of our annual audited financial statements is available upon request.

Q: *What is a two lives annuity contract?*

The two lives contract is typically a husband and wife, but it could be two siblings or two friends, etc. Beneficiaries must be at least 55 at the time payments begin. The rate is a blended based on the ages of both annuitants and their life expectancy as recommended by the ACGA. Fixed payments continue as long as either annuitant is alive.

Q: *What is a deferred annuity contract?*

A deferred annuity contract allows payments to begin at the age of 55 or some point in the future. The rate as recommended by the ACGA is higher than immediate payment contracts.

This type of gift can be very attractive to donors who are in their peak earning years and may benefit from a charitable tax deduction now and are looking for stable source of income in the future.

Q: *Does the donor receive a charitable deduction?*

The donor maybe eligible to receive charitable tax deduction the year the gift is made. A tax advisor would be able to provide guidance.

Q: *Can the donor add funds to an annuity to receive a larger payout?*

*Since an annuity is a contract, and is irrevocable, additional funds **cannot** be added. However, the donor can establish an additional annuity and have the payments made on the same schedule.*

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Q: What if the donor does not need the income anymore?

The donor can revoke all future payments at anytime and the remainder of the annuity amount would go to benefit the Catholic organization designated at the time of the initial gift. Additional tax benefits may apply when revoking your annuity. A tax advisor would be able to provide guidance.

Q: Can the donor transfer the payments on to their children?

No, distributions are payable only to the annuitant.

Q: Can a donor establish an annuity for another person, such as a spouse or child?

Yes, a donor can establish a “for the benefit of” annuity contract naming another person as beneficiary. The beneficiary must be at least 55 years old at the time payments begin. Gift tax rules may or may not apply. A tax advisor would be able to provide guidance.

Q: What are some ways dioceses can promote the Catholic Gift Annuity?

Dioceses can promote the Catholic Gift Annuity program various ways, by simply making the material available to parishioners in back of the church or a full campaign. For example:

- *advertise in parish bulletins and diocesan newspapers*
- *educate clergy and parish staff*
- *host estate seminars for parishioners*
- *select pilot parishes to participate*
- *mail brochures to constituencies such as retired priest, deacons, active lay volunteers, alumni or parents or grandparents.*

Q: What should the donor be aware of before taking out a Catholic Gift Annuity?

*The donor should know it is an **irrevocable** gift and is not an investment vehicle. A copy of the disclosure statement should be available.*

Q: Do the participating dioceses have any risk?

The annuity contract is between the donor and Catholic Extension. Dioceses are under no obligation to fulfill the contract, the only “risk” to the diocese is that the residual balance may be exhausted and no funds are available to distribute per the donor’s intent. Catholic Extension is obligated to make payments to the donor for life and is responsible for the administration, including state and tax reporting.

Q: What is the 10% Catholic Gift Annuity Reserve for?

The 10% will be retained in the segregated pool to build reserves to meet state regulatory requirements as well as offset potential longevity and investment risk associated with issuing annuities.