

# Lutheran Social Services Guide to Charitable Gift Annuities



Lutheran Social Services

Lutheran Social Services, a Christian organization, is a comprehensive continuum of community, residential and home-based supportive services that helps people gain or retain independence.

## What is a Charitable Gift Annuity and How Does It Work?

A charitable gift annuity is an agreement between you (donor) and a charitable organization (hopefully LSS!). The donor transfers assets (cash or stock) to the organization, and the donor then receives lifetime income based upon his/her age, the annuity rates, and the IRS discount rate. The donor(s) receives an immediate tax deduction and a portion of the annual annuity payment is also tax deductible. Upon the passing of the donor(s), the remainder of the gift is given to the charitable organization.

The donor(s) completes a form and the assets are given to the ELCA Foundation so they can invest the assets during the lifetime of the donor(s). Based upon the IRS discount rate and the annuity rates according to the donor(s) age, the ELCA Foundation will send you an annuity check on at least an annual basis, depending upon the total amount of the gift. Upon the passing of the donor(s), the ELCA Foundation processes the gift and sends a check for the remaining amount to the organization.

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### **Is It an Easy Process?**

Actually, it is a very easy process. It is just a three-page form on which we fill in your names, address, phone number, social security number, birthdate, and amount of the gift. You just sign and date it, and we mail it in for you to the ELCA Foundation. You will receive a confirmation letter from them within a few weeks.

### **What Can I Transfer and Is There a Minimum?**

You may donate cash or stock. The minimum gift is \$1,000.

### **What Are the Estate and Tax Benefits?**

If you itemize, you get an immediate tax deduction. If the full deduction cannot be taken in the year you made the gift, the unused portion may be carried forward for up to five years. You also save income taxes on the annuity payment, as a portion of that is tax-free as well. If your gift is made with stock, you can also avoid some capital gains taxes. A charitable gift made now will remove assets from your estate and possibly reduce estate tax and probate costs.

### **Can I Do More Than One?**

Yes, some donors do one every year and then receive multiple annuity payments.

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### **Why the ELCA Foundation?**

The Evangelical Lutheran Church of America (ELCA) Foundation offers this service for a very small fee to all ELCA Lutheran organizations across the country. They keep up on all the states' laws and invest the funds wisely. Your gifts are backed by the \$188 million under management at the ELCA Foundation (per Dennis Prikkel, Associate Director, as of 1/1/08). This is a great service, as it is very difficult for small organizations, such as LSS, to become authorized to offer charitable gift annuities. As you can imagine, the paperwork to become authorized in New York State is overwhelming. You can obtain further information by going to [www.elca.org/fo](http://www.elca.org/fo).

### **What Portion Gets Returned to the Charity?**

The goal established by the American Council on Gift Annuities is 50%. This means that if the donor(s) set up a \$10,000 gift annuity and it matured in 15 years, the charity could expect to receive \$5,000 from that gift – even after 15 years! Because the ELCA Foundation is so diligent in its management, since January of 1988, the ELCA Foundation has a track record of returning 78% on gift annuities to the charity (per Dennis Prikkel, Associate Director) – so that same gift would mean \$7,800 to your favorite charity. Their return on all deferred gifts under management since January of 1988 is 88%.

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### **Should I Consider a Charitable Gift Annuity?**

If you have a favorite charity that you would like to benefit (hopefully LSS is one of them!), then a charitable gift annuity has many benefits with the charitable deduction and lifetime tax-advantaged annuity payments. Annuity rates with a charitable gift annuity are many times higher than what is available commercially. But be careful of inflation. These annuity payments are fixed for your lifetime, so inflation can have the tendency to erode the purchasing power of the annuity payments.

### **What IRS Discount Rate Should I Choose?**

The IRS discount rate is set on a monthly basis. You may choose the discount rate of the current month or either of the previous two months. If a larger tax deduction is in your best interest, then you would choose the larger IRS discount rate. If you want a larger annuity payment, then you would choose the lowest IRS discount rate.

### **How Are the Annuity Rates Established?**

The American Council on Gift Annuities meets periodically to determine and recommend appropriate gift annuity rates, taking into account the ages of the annuitants, general life expectancy, and the investment climate.

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### **Where can I find the annuity rates and the IRS discount rate?**

You can find the current annuity rates at [www.acga-web.org](http://www.acga-web.org). New rates went into effect on July 1, 2008. They are effective until June 30, 2009; at which time the American Council on Gift Annuities will review them again. The IRS discount rate can be found at [www.pgcalc.com](http://www.pgcalc.com). Or you can just call Gwen Axelson at 716-665-8137 or e-mail her at [gaxelson@lutheran-jamestown.org](mailto:gaxelson@lutheran-jamestown.org).

### **Show Me an Example**

Let's use Dick and Jane as an example. Dick is 79 and Jane is 76. They want to establish a two-life gift annuity with \$50,000 cash. Based upon their ages, the annuity rate for their gift is 6.2%. They will receive an annual payment of \$3,100 for the rest of BOTH their lives. When one spouse dies, the remaining spouse continues to receive the \$3,100 annually for the rest of his/her life.

Since they do itemize, they receive an immediate tax deduction of \$19,793.50. Because the IRS discount rate is set every month, the tax deductions can also change, so a \$50,000 gift in January may have a different tax deduction from a gift that is established in May if the IRS discount rate has changed. In this case, the IRS discount rate is 4.2%. Of their \$3,100 annuity payment, \$2,067.70 is tax deductible, so the ordinary income is \$1,032.30. After receiving the annuity payment for 14.6 years, the entire annuity payment becomes ordinary income.

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*Calculations are for illustration purposes only. Your actual benefits may vary depending on the time of the gift.*

### **Why Should I Establish a Charitable Gift Annuity to Benefit LSS?**

A charitable gift annuity is very easy to set up and is the oldest type of life income gift that has well served thousands of charitable organizations and their donors. Lutheran Social Services has been serving the youth in our community since 1886 and the seniors since 1930. We literally serve thousands of seniors every year with our skilled nursing; assisted living; independent housing; community-based services; and physical, occupational, and speech therapy, including aquatic therapy. We serve hundreds of at-risk youth every year with our therapeutic foster care, residential care, and full educational services. Since 1988, we have provided services to developmentally disabled adults.

All of these services would not be possible without the financial support of our donors. Your gifts fully support our chaplain program and music therapy program. Every year, your gifts provide over \$500,000 in support of our residents.

Perhaps it can best be said in the words of Doreen whose sister was cared for here after a hit-and-run accident. Here is what Doreen said in our local newspaper: "My sister rehabbed at the Lutheran Home and Rehabilitation Center from January 2nd to April 8th....At Lutheran, my sister, her husband, children, and grandchildren found a caring, loving, supportive group of people that went beyond just the everyday aspect of

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rehab care. The staff treated her with utmost respect. They raised her spirits when she was down. They supported her when she felt there was no light at the end of the tunnel, held her when she cried and family couldn't be there, hugged her when she needed it, joked with her and brought laughter back into her life. They gave encouragement each and every day whether it was a good day or bad.... I am grateful for Lutheran and the people who work tirelessly to help those in need to reach their optimum potential. A special thank you goes out to everyone at Lutheran on the nursing staff of A-1, supervisors, physical and occupational therapists, pastoral care, and the supportive staff of unit secretaries, activities, social work, housekeeping/laundry and dietary departments. All of you made quite an impression."

### **Can I Designate My Gift to a Particular Program at LSS?**

Yes you may designate your gift to any of the following programs at LSS: Lutheran Home and Rehabilitation Center, Hultquist Place, Lutheran Senior Housing, GA Family Services, Grace Community Services, the Retired and Senior Volunteer (RSVP) Program, the Foster Grandparent Program, and the Chapel.

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**Does This Qualify Me for Membership  
in the Juliet Anderson Rosch Society?**

Yes. The Juliet Anderson Rosch Society recognizes our donors who establish a planned gift to benefit Lutheran Social Services, and a charitable gift annuity definitely qualifies as a

planned gift. Other examples include bequests in wills and gifts of life insurance.

**Can I Get a No-Obligation  
Proposal Specific to My Situation  
Before Making a Decision?**

Absolutely! Just call Gwen Axelson (see below), and give her your birthdate(s) and amount of the gift. The report will give you your immediate tax deduction, your annual annuity payment, and also how much of your annuity payment is tax deductible.

**Who can I call for more info?**

Feel free to call Gwen Axelson, Development Officer at LSS, directly at 716-665-8137. Or you may reach her via e-mail at [gaxelson@lutheran-jamestown.org](mailto:gaxelson@lutheran-jamestown.org).

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