



## **A Partnership Program to offer Gift Annuities through The Vermont Community Foundation**

The Vermont Community Foundation offers the option for other non-profit organizations located in the state of Vermont to offer charitable gift annuities to their donors. Our partnership program is an additional VCF service to help non-profits meet their needs and the needs of their donors.

To participate in our partnership program, non-profits must have their principal offices located in the state of Vermont and must be willing to adhere to the guidelines which we have developed for this program.

The Vermont Community Foundation will manage its own charitable gift annuities and charitable gift annuities issued on behalf of other organizations in essentially the same manner. The following guidelines apply to all charitable gift annuities (CGAs):

### **Who is eligible for a charitable gift annuity?**

For a regular CGA – the youngest beneficiary must be at least age 60.

For a Deferred Payment CGA – the youngest beneficiary must be at least age 21.

### **What is the minimum gift amount?**

\$15,000 for annual payments; \$25,000 for quarterly payments.

### **What rate schedule is to be used?**

The rates suggested by the American Council on Gift Annuities are the maximum rates available, except in special circumstances. Lower rates are acceptable if agreed to by the VCF and the donor.

### **How frequently will the VCF make payments to annuitants?**

Quarterly is the preferred frequency. Semi-annual or annual payments are alternatives. For annuities less than \$25,000, only annual payments are available.

### **When will payments be made?**

Quarterly payments will be made at the end of February, May, August and November. Annual payments will be made at the end of August.

### **How will the gift annuity component fund be invested?**

The investment strategy will be the same as that of other component funds in our investment pool. Currently the asset allocation is approximately 65% in equities and 35% in fixed income securities.

**Who will provide tax information to the donor, annuitant and the IRS?**

Tax information (such as 1099-R forms) will be prepared and distributed by the VCF.

**What is the process used to purchase a gift annuity?**

1. An application form must be completed and signed by the donor.
2. The disclosure statement on the reverse of the application form must be noted.
3. The donor must be made aware of the latest VCF financial report.
4. The annuity agreement will be signed by both the VCF and the donor.
5. The VCF will provide the donor with a packet of information with suggestions on how to report the gift on the donor's income tax return.

**Will the VCF maintain a reserve fund?**

Not formally, unless required by state law, but a component fund of the pooled endowment will be used to hold the original gift until all liabilities are released. This fund will share in the investment returns of the pool, and will be debited for investment expenses and annuity payments as they are made.

**What fee will be charged to administer gift annuities?**

An annual fee of 75 basis points (0.75%) of the account value is charged against each annuity account. This charge is lower than the assumption on administrative costs used by the American Council on Gift Annuities (1%). In addition, gift annuities invested in the gift annuity component fund will be assessed a proportionate share of VCF's annual custodial and investment expenses, which currently amount to approximately 93 basis points (0.93%).

**Can an annuitant contribute her/his income interest if the income is no longer needed?**

Yes, but only to the VCF as the issuing charity, as per IRS regulations. The annuity will terminate early if this income interest is the only income interest remaining. The annuitant/donor will qualify for an additional income tax deduction for the value of the remaining income interest.

**What is the VCF procedure when the annuitant dies?**

For gift annuities issued on behalf of other non-profit organizations, the VCF will use the remainder of the annuity, after the death of the last annuitant, to create or add to a Donor Designated fund for the benefit of the non-profit organization. Unrestricted gift annuities for the same organization can be pooled into one Donor Designated fund. Non-profit organizations will receive an annual distribution from the fund in accordance with the VCF's regular distribution policies. Distributions in excess of the annual amount may be made at the sole discretion of the VCF, and then only for the original purpose for which the fund was established.