Sample Gift Annuity Disclosure Statement

*A statement similar to the one below should be given to the donor prior to the gift being made, and might be included with a financial illustration or proposal letter. The statement will need to be updated annually to include current figures on the charity’s assets and annuity reserves.*

**Description of a Gift Annuity**

A gift annuity is a simple contract between the donor(s) and the ABC Charity. In exchange for the donor’s(s’) contribution, the ABC Charity promises to make fixed payments for life to one or two annuitants (usually, but not necessarily, the donor(s)). The amount paid is based on the age(s) of the annuitant(s), in accordance with the ABC Charity’s rate schedule.

**Not a Commercial Investment**

The act of establishing a gift annuity with the ABC Charity is not, and should not be viewed as, an investment. Rather, it is a way to arrange for annuity payments while making a charitable donation. In this respect, a gift annuity issued by the ABC Charity is different from a commercial annuity. While both types of annuities make payments that are usually partially tax-free, the charitable donation aspect of establishing a gift annuity may result in additional tax benefits that are not available when purchasing a commercial annuity. These tax benefits include a current federal income tax charitable deduction (if you itemize your deductions) and possible future estate tax savings. Note that there is no income tax deduction if the annuity is funded by a qualified charitable distribution (QCD) from an IRA.

**Gift Annuity Rates**

Generally, the gift annuity rates paid by the ABC Charity are those suggested by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a significant portion of the contribution remaining for the charity. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

**Assets Backing Annuity**

The annuity payments are a general obligation of the ABC Charity, and they are backed by all of our assets (subject to security interests). As of [*indicate date*] the market value of our total invested funds exceeded $[*amount*], and they are invested in [*describe the general types of investments held by the organization such as stocks, bonds, money market funds, and federal obligations, but do not list assets by name*]. (*If applicable, include the following sentence about maintaining a reserve fund. Otherwise, delete it.*) We also maintain [*a gift annuity reserve fund* or *gift annuity reserve funds*] valued at more than $[*amount*] in accordance with the laws of the states in which we offer gift annuities. Assets received by the ABC Charity for gift annuities are managed [*either say “internally” or say “by” and then name the financial institution*], in a conservative and disciplined manner. [*If a charity will always reinsure, delete the prior sentence and instead substitute*: The ABC Charity reinsures its gift annuities by using a portion of the assets contributed to purchase a commercial annuity.]  [*If a charity sometimes reinsures, retain the “Assets received by” sentence, and add:* In certain instances, the ABC Charity may make the decision to reinsure all or a portion of a gift annuity by using a portion of the assets contributed to purchase a commercial annuity.] If the ABC Charity should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of the ABC Charity.

**Governance**

Responsibility for governing the ABC Charity, which was established in [*state where established*] in [*indicate year*], is vested in a Board of [*Directors/Trustees*] composed of [*number*] persons, who are [*describe manner of selection*]. Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this statement is provided to you in accordance with the requirements of that Act.

**Points to Remember**

* A contribution for a gift annuity is irrevocable.
* The right to annuity payments may not be assigned to any person or organization, other than the ABC Charity. The annuity must be non-assignable when funded by a QCD from an IRA.
* The gift date is the date when you actually transfer assets. In the case of cash, it is the date you mail or deliver a check. In the case of an electronic transfer of securities, it is the date they are received into the account of the ABC Charity. If you have certificates, it is the date they are properly endorsed and mailed or delivered. With a QCD from an IRA, it is the date the IRA administrator withdraws the funds from your IRA account.
* The gift annuity is governed by the laws of the state in which you reside at the time the gift annuity agreement is signed. [*Alternate phrasing, for a charity that names the law of its state of domicile as governing except in states that require otherwise:* The gift annuity is governed by applicable state laws.]

**For More Information**

This disclosure statement is intended to provide basic information regarding the gift annuities issued by the ABC Charity, and is not intended to serve as legal advice. We encourage you to consult your own legal and/or financial advisor about the applicability of such a gift in your own situation. If you have additional questions concerning the ABC Charity’s gift annuity program, please call or write [*person and/or address*].