

A PARTNERSHIP PROGRAM TO OFFER GIFT ANNUITIES THROUGH THE VERMONT COMMUNITY FOUNDATION

The Vermont Community Foundation offers a simple and cost effective way for Vermont non-profit organizations to offer charitable gift annuities (CGA's) to their donors. As an added service to our fellow nonprofits, the VCF provides this turn-key operation specifically designed for smaller development shops. The VCF handles all the administrative, tax reporting, and investment functions of the annuity, and at the death of the income beneficiary the assets remaining in the account are transferred to a VCF Donor Designated Fund to benefit your organization.

To participate in our partnership program, non-profits must have their principal offices located in the state of Vermont, must be willing to adhere to the guidelines which we have developed for this program, and must have at least \$25,000 (including any new charitable gift annuities) in a VCF Donor Designated fund, a VCF Agency Fund, the VCF Charitable Gift Annuity program, or any combination thereof. See below for a current list of participating Vermont nonprofits.

Guidelines

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. 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 the VCF pool. Refer to our investment guidelines for more specific information.

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 latest VCF financial report must be delivered with the application form.
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, but a component fund of the pooled investments 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. 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 85 basis points (0.85%).

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 grant may be made to the non-profit organization and then only for those purposes for which the fund was originally established.

Establishing the Planned Giving Partnership

Step 1 – Secure confirmation from your organization that it desires to enter into a partnership with The Vermont Community Foundation to offer life income gifts. VCF staff is available to meet with your board or committee to present the program and answer questions.

Step 2 – Request a Memorandum of Understanding which will be signed by your organization and The Vermont Community Foundation, and which describes how the program works.

Step 3 – If the VCF is not currently managing at least \$25,000 in an agency fund or a donor designated fund on your behalf, determine how you will meet this requirement.

- A. Establish an Agency Fund with the VCF of at least \$25,000.
- B. Seek out your first gift annuity of at least \$25,000.
- C. Combine your first gift annuity with the establishment of an Agency Fund so that the total equals at least \$25,000.

Step 4 – Identify potential gift annuity donors and provide them with information and encouragement. VCF can provide you with sample promotional literature and suggestions.

Step 5 – When a donor indicates interest in arranging a gift annuity, put him or her in touch with Senior Philanthropic Adviser Tom Smith or V.P. for Donor Services Scott McArdle at the VCF. Scott or Tom will handle all the administrative, tax, and investment details of establishing the CGA (including the annuity payments and tax reporting), working closely with your development staff and the donor.

Step 6 – Create a stewardship/cultivation plan for your donor so that the donor feels appropriately thanked and may contemplate an additional gift in the future.

List of Participating Nonprofit Organizations

American Precision Museum
Flynn Center for the Performing Arts, Burlington
Grace Cottage Hospital Foundation, Townshend
Norman Williams Public Library, Woodstock
Robert Todd Lincoln's Hildene, Manchester
Rutland Health Foundation, Rutland
Shelburne Farms, Shelburne
Vermont Public Radio
Vermont Symphony Orchestra, Burlington
Vermont Youth Conservation Corps, Waterbury
Wake Robin, Shelburne