

Deferred Gift Annuity Example*

Mary Brunski is 60, nearing retirement, and has already put the current-year maximum amounts allowed into her pretax retirement plans—IRAs, 401(k) and 403(b). She wants to support her congregation with a gift, but she also has to keep her retirement savings goals in mind.



Mary has two maturing certificates of deposit (CDs) that are earning a common rate (4%). She wants to convert the CDs into a charitable gift annuity with

LCEF. In choosing a deferred gift annuity, Mary delays her annuity payments until age 65, but immediately receives an income tax deduction in the year the gift was established. By deferring the start of her annuity payments until after retirement, Mary will likely be in a lower tax bracket, and her annuity will realize a higher rate of return!

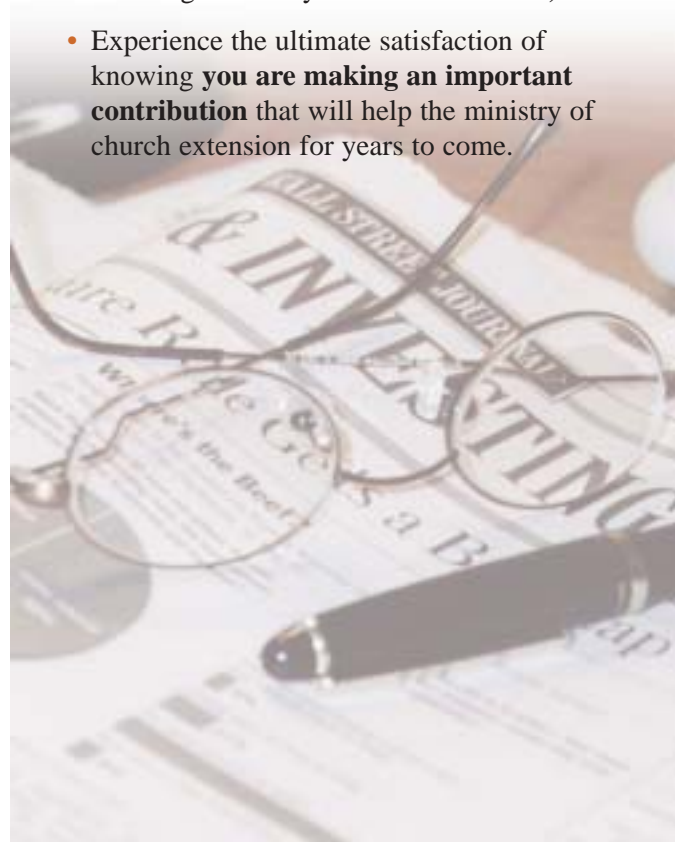
Mary says, “Funding a gift annuity through LCEF allowed me to make a meaningful charitable gift providing long-term financial support to my congregation, and it increased my own retirement income for the future.”

*This is an example only. Your gift annuity payments and tax savings will depend on the amount gifted, your age, the age of the second beneficiary (if applicable), and the month when you begin the agreement. Rates are based on tables from the American Council on Gift Annuities, effective July 1, 2003. If you would like a free, personal illustration showing your annuity payment calculations and the income tax advantages of entering a gift annuity agreement, please call an LCEF Information Representative at 800-843-5233.

Advantages of a Charitable Gift Annuity

A gift annuity helps you wisely manage the gifts God has given you.

- Receive a **fixed payment for life**.
- Obtain an immediate **income tax charitable deduction**.
- Possibly **reduce estate taxes and avoid probate costs**.
- **Bypass capital gains taxes on the sale** of appreciated assets.
- **Choose a second beneficiary** to receive payments for life when you die.
- Create as many gift annuities as you want; there is **no limit**.
- Fund a gift annuity with **as little as \$5,000**.
- Experience the ultimate satisfaction of knowing **you are making an important contribution** that will help the ministry of church extension for years to come.



Additional Information

Once you establish a charitable gift annuity, you may not add to or change the agreement. However, you may create additional gift annuities using other assets.

Your age at the time you establish your gift annuity will determine your annuity rate and tax savings. The older you are, the higher your rate, income tax deduction and tax-free portion. Each time you establish a gift annuity, you may name different income beneficiaries or ministries to benefit from your gift.

Information in this brochure is of a general nature and reflects our understanding of current federal tax laws as they apply to charitable gift annuities. These laws are subject to different interpretations and subject to change. The information provided is not intended to be legal, accounting or tax advice.

Neither the Lutheran Church Extension Fund nor its representatives give legal, accounting or tax advice. We suggest that you consult with your tax advisor as to the applicability of this information to your own situation.

Gift annuities that support an LCEF ministry are issued by The Lutheran Church—Missouri Synod Foundation, and the LCMS Foundation is obligated to pay each annuity in accordance with the terms of the contract. These gift annuities may not be available in all states. In those states where they are available, certain provisions may vary or may not be available. Prior to entering a gift annuity agreement, contact the Lutheran Church Extension Fund for complete contract provisions and details.

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GIFT ANNUITY

Strengthen Your Financial Future
and the Ministry of LCEF



Charitable Gift Annuity
Receive a guaranteed, fixed income
during your lifetime, while making
a future gift that will help spread
the Gospel of Jesus Christ.

“I long to see you so that I may impart to you some spiritual gift to make you strong—”

Rom. 1:11



What Is a Charitable Gift Annuity?

Your charitable gift annuity (CGA) is a simple combination of two concepts: an annuity contract and a charitable gift. In exchange for your gift, you (and/or another beneficiary) will be paid a fixed payment for life.

Who Will Receive My Gift?

Your gift could help fund (and even lower the cost of) LCEF loans to congregations that need new schools, childcare centers or sanctuaries. Or your gift could support the work of a local congregation or any other ministry within The Lutheran Church—Missouri Synod. Two LCEF programs that would benefit are:

Specialized Ministry Loan Fund

The goal of the Specialized Ministry Loan Fund is to assist ministries with special needs and challenges. New mission starts, ethnic congregations and inner-city churches benefit from this fund.

General Fund Balance

The purpose of the General Fund Balance is to sustain an adequate base that supports the financial position and operations of LCEF. The mission of LCEF continues to be Church Extension: Provide opportunity to make funds and services available in support of the Great Commission.



What Types of Gifts Can I Use to Fund My CGA?

Using cash to purchase a charitable gift annuity is very common, but some gift annuities are funded through transfers of stocks, bonds, mutual funds or other property.

It is important to note that CGAs are *irrevocable* because the IRS allows you to take an immediate income tax deduction for the present value of your gift. You cannot reverse this deduction, so the gift is irrevocable. Speak with your LCEF Gift Planning Counselor about which gifts suit your financial plan best.

Immediate Gift Annuity Example*

Jack and Mabel Donahue, both age 75, own stock valued at \$60,000. They originally purchased the stock for \$10,000. As part of their nest egg, Jack and Mabel want to sell the stock, but the difference in the cost basis (\$10,000) and the current fair market value (\$60,000) will incur a capital gains tax. The Donahues would have to pay 15% in taxes on the \$50,000 profit—a total of \$7,500!

Instead of selling the stock, the Donahues create a gift annuity supporting an LCEF ministry, naming Jack and then Mabel as the annuitants. Jack will receive a payment for life; and upon his death, Mabel will receive lifetime annuity payments. When Mabel dies, LCEF's General Fund Balance will receive the remainder of the annuity.

Annuity payments are determined by age, so Jack (75) will receive 6.3% of the value of the \$60,000 gift. Jack will receive \$3,780 income each year for the rest of his life—an excellent payment on the Donahues' initial \$10,000 investment.

Gift annuity payments are treated on a tax-favored basis. When the annuity is funded with cash, a significant portion of the payment is treated as tax-free return of principal over the annuitant's life expectancy. When appreciated securities or other assets are used to fund the annuity, the payment will be taxed as tax-free income, capital gain income and ordinary income, generally over the life expectancy of the annuitant.

By incorporating a charitable gift annuity into their retirement plan, the Donahues will not only accumulate future income but also ease their current tax burden. Jack says, “This plan appealed to Mabel and me because it was simple, there were tax benefits, and we gave a gift together to a Lutheran ministry we care about.”

