



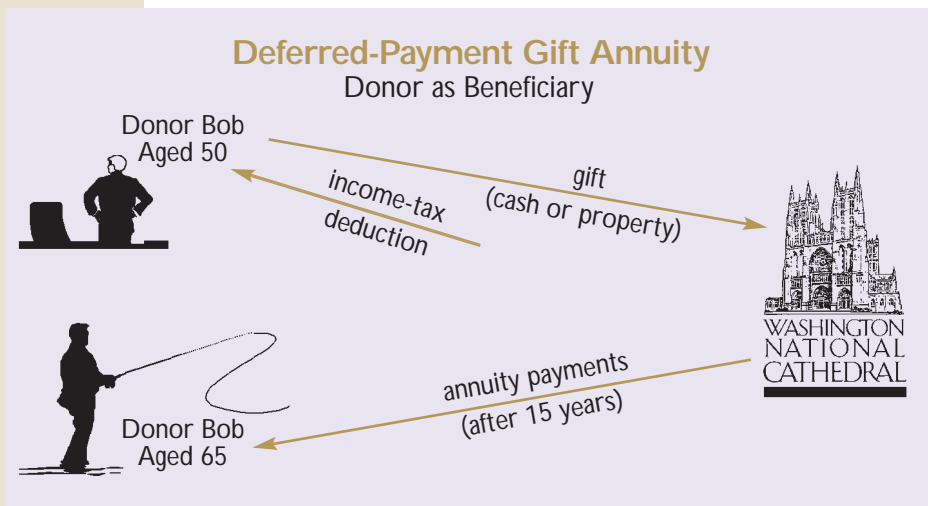
Many features of the deferred gift annuity make it an extremely attractive choice for gift planning, including:

- **Larger Payments.** Because the deferred annuity does not begin making payments until a future date, it pays a higher percentage rate than the immediate-payment gift annuity. The longer the deferral period between the gift and the start of payments, the larger they will be. This is an advantage for the person looking to maximize future cash flow.

- **Larger Income-Tax Deductions.** The size of the payment is not the only factor that increases when payments are deferred. The charitable income-tax deduction is also greater compared to a gift annuity with payments that begin immediately.

- **Reduced and Deferred Recognition of Long-Term Capital Gain.** If a deferred gift annuity is funded with long-term appreciated stock, the annuity payments and the charitable income-tax deduction are based on the full fair-market value of that property. However, the donor does not have to recognize all the gain.

- **Estate-Tax Savings.** Funds contributed for a deferred gift annuity are effectively removed from the taxable estate of the donor, even though a donor may have selected payments for life. (**Note:** If someone other than the donor or the donor's spouse is named as a beneficiary, the value of that beneficiary's payments will be subject to federal estate or gift tax.)



## A PLAN FOR ALL SEASONS

Not only does the deferred charitable gift annuity offer these attractive tax benefits, it is also extremely versatile in addressing the planning needs of the many stages of life and varied financial profiles.

**Planning for Retirement.** One of the most popular uses of the deferred gift annuity is for retirement planning. With tighter limits on deductible contributions to qualified retirement plans than in the

past, the deferred gift annuity is especially attractive to persons in peak-income years looking to supplement retirement benefits and make a meaningful gift.

**Example:** Marsha Roberts, 42, has reached her maximum contribution limits for her qualified retirement plan. She still feels the need to set aside additional funds for her retirement and would also like to make meaningful gifts to support the Cathedral's ministries.

She decides to start a program of deferred gift annuity contributions of \$10,000 a year for the next five years. The annuities will begin paying her at the age of 65—a total of \$8,270 per year for life. Of that amount, \$1,690 will be tax-free over the balance of her life expectancy.

Cumulatively, the annuities generate a deduction of \$16,365. In her 35% bracket, these deductions save her a total of \$5,728. None of the payments she receives from the gift annuities will count toward the maximum benefits she can receive from other qualified retirement plans.

- **Flexibility.** A donor has complete control over the amount contributed for a deferred gift annuity and determining the date when payments will begin. By contrast, some financial vehicles—such as qualified retirement plans—have very specific requirements on the amount of contributions. They also place severe restrictions on when benefits must be paid.

Payments from a deferred gift annuity can begin at any time the donor chooses, as long as it is at least one year from the date of the gift.

- **Tax-Free Return.** A portion of each deferred gift annuity payment is treated as a return of principal. Consequently, it is not taxable income. (**Note:** Because this return of principal is not income, it is also not included in calculations to determine the taxable portion of Social Security benefits. In some cases this will reduce the amount of Social Security benefits subject to tax.)

Essentially, you can create your own “charitable IRA” by making annual contributions for a deferred gift annuity program. A significant portion of each amount you contribute is deductible, and this plan generates an important source of funds to supplement retirement income. Best of all, there are no limits on how much you can contribute while addressing significant charitable goals over time.

**Unlocking Gain.** A deferred gift annuity can also help you escape a “locked in” position in an investment, the sale of which would trigger substantial gain.

**Example:** *Liz Reynolds, aged 50, holds growth stock worth \$50,000 that she purchased for \$10,000. Although concerned about the future of the stock, she is reluctant to sell it and incur a \$6,000 capital-gain tax. Liz also wants to make a meaningful gift to the Cathedral but is concerned about maintaining her current income.*

*Liz decides to use the stock to fund a deferred gift annuity. The stock pays no dividends, so this plan does not diminish her current income. In fact, the gift actually increases her current cash flow due to the tax savings from the \$17,201 charitable deduction. It also preserves the entire \$50,000 value of the stock to generate retirement funds for her. Note: Liz will recognize some of the gain when she actually starts to receive payments.*

**Planning for College Expenses.** A deferred gift annuity can also be used creatively to help fund a college education, often a top priority of parents and grandparents. A deferred annuity can be planned to create a source of funds just when the student needs it most—when he or she starts college. In some cases those payments can even be “accelerated” into the time the student is in college, rather than being payable over the student’s lifetime.

## A LIFETIME OF GIFTS

Most of us want to do all we can for the persons and institutions that mean the most to us. We all hope that the impact of our lives will be felt even after we are gone.

Some people have discovered the unique way of using charitable deferred gift annuities to achieve those goals. Deferred annuities can be used to create a lifetime reminder of care and affection to a loved one with an annual payment to that person on a special occasion—perhaps a birthday or an anniversary. In this way, your gift truly will last a lifetime. In addition, it will be an important expression of your commitment to this National House of Prayer.

In this newsletter we have touched on some of the many ways deferred gift annuities can be used in your personal and charitable planning. The deferred gift annuity is among the most versatile charitable vehicles. If you would like to learn more about how it might fit into your plans, simply return the enclosed card for a complimentary copy of our latest booklet, **Augmenting Your Retirement Security: The Deferred-Payment Gift Annuity**. Or if you prefer, contact Jane Kolson, Director of Planned Giving, at (202) 537-5293 or [jkolson@cathedral.org](mailto:jkolson@cathedral.org).

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.

## A Shared Devotion *continued from page 1*

public discourse, aimed at strengthening each other’s ministries. In addition, Roy served as canon for ecumenical and interfaith affairs from 2000 to 2003 and now serves as a Cathedral chaplain.

The Enquists share strong convictions about the importance of personal stewardship. “It starts with the realization that our time and our gifts have been given by God,” says Roy. “Those of us who have been blessed need to use our resources to support things that really matter in life.” Because both Mia and Roy feel privileged to be part of the Cathedral community, they have made the Cathedral a beneficiary of a life insurance policy. “We are the recipients of the generosity of past generations,” comments Roy, “and now it’s our responsibility to be philanthropic and good stewards for the benefit of future generations.”



Donovan Marks

## Our Partner in Philanthropy

The Cathedral is fortunate to have a wonderful partner in its gift-planning ministry: the Episcopal Church Foundation. Founded in 1949 by The Rt. Rev. Henry Knox Sherrill, the Foundation seeks to strengthen Episcopal churches, dioceses, and other entities across the country by helping with resource development and leadership formation.



Donovan Marks

**Jane Kolson**

In the Foundation's Philanthropic Services Division, the goal is to "invite the abundant life by enabling generosity," according to Fred Osborn, its director. In addition to providing church leaders with training in the ministry of gift planning—program development, marketing, and gift management—the Foundation also counsels individual donors on opportunities for Episcopal philanthropy and offers legal, administrative, and investment services. Training is offered through its *Academy for Episcopal Philanthropy*, which sponsors workshops and seminars on philanthropy for both clergy and laity around the country.

I am delighted to report that, since affiliating with the Foundation in 2003, the Cathedral's planned giving program has already enjoyed significant benefits from this partnership. Perhaps most important has been the Foundation's willingness to take over the administration and investment management of the charitable gift annuities arranged by Cathedral friends and supporters. The Foundation also absorbs the costs of drafting trust and estate plans for donors whose planned gifts will ultimately support the Cathedral. Through its affiliation, the Cathedral has joined with hundreds of other Episcopal churches that have, collectively, entrusted more than \$80 million in planned giving and endowment assets to the Foundation for management and stewardship.

The mission of the Foundation is one that Fred Osborn warmly embraces. "I feel privileged to work with so many nice people who are generous, want to do good, and make the world better. Helping them do that by planning their legacy is very fulfilling." I certainly echo his sentiments, and I am grateful for the vital role the Foundation is now playing in strengthening and expanding the Cathedral's important ministries.

## The Cathedral Founders' Society

The **Cathedral Founders' Society** is an honorary society of friends who have chosen to support the life and work of Washington National Cathedral through bequests, trusts, or other deferred gifts. In gratitude for their generosity, the Cathedral awards Society members special recognition, including a worship service in their honor each year and a lapel pin in the design of the Cathedral's shield, the crossed keys and sword. ♦ If you have already remembered the Cathedral in your estate plans, we invite you to notify us in writing, so that we might extend our thanks and welcome you into the Founders' Society. You may, if you wish, become an anonymous member. ♦ If you would like to learn more about this opportunity to support the Cathedral, please return the attached reply card or call our office.



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