

Thank you to Roy Harrill for this comparison chart.

Lifetime Deferred Gifts to Support the University of Virginia Comparison of Three Options			
	Charitable Gift Annuity (CGA)	Charitable Remainder Annuity Trust (CRAT)	Charitable Remainder Unitrust (CRUT)
Basic transaction	Irrevocable transfer of property to UVa Foundation in exchange for Foundation's promise to pay annuity to donor and/or others for life, remainder to UVa	Irrevocable transfer of property to trust, with annual payment to donor and/or others for life or term of years, remainder to UVa (and other charities, if desired)	Same as CRAT
Trust required?	☺ No. Simple contract with UVa Foundation	Yes, and legal counsel should prepare (or review UVa-prepared) trust document	Same as CRAT
Initial setup costs	☺ None, unless real estate is used to fund the annuity	Legal fees for trust creation or review plus real estate appraisal and transaction fees as applicable	Same as CRAT
Minimum funding	\$5,000	\$50,000 if UVa is trustee	Same as CRAT
Minimum beneficiary age	55	n/a (but IRS limitations may apply)	Same as CRAT
Number of beneficiaries	Maximum of two income beneficiaries; One remainder beneficiary – 100% must go to UVa (including its associated schools and programs)	☺ No maximum for either income or remainder beneficiaries, but if UVa serves as trustee, at least 51% of remainder must go to UVa (including its associated schools and programs)	☺ Same as CRAT
Payout percentage	Fixed at percentage of <u>original</u> FMV of property transferred (Note: Percentage is recommended by American Council on Gift Annuities and is based on beneficiary age(s))	If UVa is trustee, 5%-7% of <u>original</u> FMV of property transferred, i.e., fixed annuity	If UVa is trustee, 5%-7% of <u>annual</u> FMV of trust, i.e., variable annuity
Donor's income tax deduction	Immediate deduction (subject to normal percentage limitations) for present value of UVa's remainder interest	Same as CGA	Same as CGA
Capital gains tax deferral/bypass?	Partial	Potential	Same as CRAT
Income taxation of payout	☺ Part tax-free income, part ordinary income, and if appreciated property is transferred, part capital gain (Note: If annuitant outlives original expectancy, full annuity becomes taxable as ordinary income)	Taxable based on character of trust's income in following order: ordinary income (with qualified dividends, if any, taxed at lower capital gains rate); capital gain; tax-free income; corpus (Note: Life expectancy is not relevant to beneficiary's income taxation)	Same as CRAT
	CGA	CRAT	CRUT

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Comparison of Three Options**

	CGA	CRAT	CRUT
Type of property to fund transfer	Typically cash and/or marketable securities, but charities might accept real property or other illiquid assets depending on marketability and other factors	Same as CGA	Same as CGA
Donor's gift tax consequences	None unless annuity is given to someone other than donor or spouse	Same as CGA	Same as CGA
Donor's estate tax consequences	Contributed assets, including any post-transfer appreciation, are removed from taxable estate	Same as CGA	Same as CGA
Possibility to defer income stream (flexibility)	☺ Yes, with deferred-payment annuity (Note: Deferral will increase annuity rate and available income tax deduction)	No	☺ Yes, with "flip" unitrust, net-income CRUT or NIMCRUT (Note: Deferral will not increase income tax deduction, but may increase value of payments in later years after trust appreciates)
Source of payments	UVa Foundation (Note: Virginia law requires UVa Foundation to maintain reserves to back annuities)	Trust assets only	Trust assets only
Steward/trustee; investment of assets	UVa Foundation invests 100% of annuity assets with the UVa endowment	UVa, bank, trust company and/or individual may serve as trustee(s). UVa invests 100% of assets in trust pools with the UVa endowment	Same as CRAT
Recurring maintenance costs	☺ Annual fee assessed by UVa Foundation against contract assets (Note: fee affects UVa's remainder only)	Trust administration (including trustee fees), trust accountings, and annual trust tax filings (Note: Maintenance costs affect UVa's remainder and generally do not affect annuity amount)	Same as CRAT (Note: Maintenance costs reduce trust assets and thereby reduce annuity amount and UVa's remainder)
Additional gifts allowed under existing arrangement	No, but additional annuities may be created	No, but additional CRATs may be established	☺ Yes
	CGA	CRAT	CRUT