



The Washington
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Comparison of Life Income Gifts

Charitable Gift Annuity vs. Charitable Remainder Trust

The charitable gift annuity (CGA) and charitable remainder trust (CRT) are the two primary options for charitable gifts that provide lifetime incomes to donors and other beneficiaries designated by donors. While they are similar in some ways, they are different in others.

Understanding the differences can help your decision-making for these significant charitable gifts.

If you are trying to decide which one best suits your needs and goals, you will want to weigh the options with your advisor(s). When looking at these two options, please consider:

- the gift types' varying levels of complexity,
- the individual beneficiaries you have in mind and their ages,
- whether you prefer fixed or variable payments, and
- who you would prefer to manage the principal of your gift throughout the period of time payments need to be made.

The Washington Animal Rescue League's development department is always available to provide obligation-free calculations and other information focused on your own unique circumstances.

Furthermore, we welcome the opportunity to collaborate with your advisors in exploring what options might be best for you.

With this CGA vs. CRT comparison, we hope to shed light on those aspects which will make one of these two gift types more attractive to you. For both gift types, we can send you printed fact sheets.

Origin

A CGA is a time-honored arrangement first used in the middle of the 19th century that has become very popular in our day.

CRTs have been available in their current form since 1969, although similar arrangements existed under prior law.

Set-Up

A CGA is a simple contract with the Washington Animal Rescue League that is one to two pages in length and is easily set up.

CRTs are more complex than CGAs in terms of documentation, accounting, and overall management. Private foundation rules, which may be complex and require tax and legal expertise, apply to CRTs.

Assets Involved

You can fund a CGA at the Washington Animal Rescue League (or any charity that offers CGAs) with different kinds of assets: cash, marketable securities, real estate, closely held stock, etc.

For the most part, the same applies for CRTs.

Gift Amounts

Our minimum CGA is \$10,000, an amount that may well correspond with a matured certificate of deposit, redeemed U.S. savings bonds (particularly those that no longer pay interest), or annual mandatory retirement plan distribution.

CRTs are typically not feasible with assets worth less than \$100,000, and some trustees will require substantially more.

Funds Management

When establishing a CGA, your gift is made directly to the Washington Animal Rescue League, which engages a financial institution to assist with management of its entire pool of annuity funds. Each annuity is ultimately backed by all of the Washington Animal Rescue League's unencumbered assets.

With a CRT, assets are transferred to the trust itself, rather than to the Washington Animal Rescue League. The trustee can be any qualified person or entity you choose. In certain cases, you can even serve as your own trustee. Payments to beneficiaries are backed by the assets in the trust.

Beneficiaries

CGA payments can be made to any one or two persons: you and/or a spouse, partner, friend, parent, sibling, or child. For a two-life annuity, beneficiaries need not be legally related to each other.

CRT payments can be made to any number of persons, either for life or for a term of up to 20 years, regardless of legal relationship. Nevertheless, various considerations often put an upper limit on the number of recipients, and most trusts end up being established for just one or two persons – usually the donor(s).

Payments

The amount paid with a CGA each year is fixed for life, making this an attractive option for older individuals.

In addition, the older a person is when CGA payments begin, the larger the payments will be. The Washington Animal Rescue League CGA rates (which are those recommended by the American Council on Gift Annuities) are available via the League's development department.

Even though CGA payments usually begin immediately, they can be deferred until retirement or some other future event to obtain a higher fixed rate.

The amount paid by a CRT each year can be either a fixed sum (a charitable remainder annuity trust or CRAT) or a fixed percentage of the value of the trust's assets as that value changes from one year to the next (a charitable remainder unitrust or CRUT).

CRATs are generally appropriate for older persons or those who need a set amount of money for a period of time, whereas CRUTs are far more common and are suitable for a variety of situations.

CRATs pay the same amount from the first year onward, but sometimes CRUTs can be managed to defer payments until future years. Also, with a CRUT it is possible for payments to increase or decrease from one year to the next because payments are a percentage of the portfolio's value, which changes each year. If the assets in a CRUT grow (or decline) in value, the annual payment from the trust will increase (or decrease), as well.

Taxation

Regardless of when CGA payments begin, you receive an income tax deduction in the year the gift is made for part of the donation. Payments are taxed favorably for many years, often with a significant amount of what is paid being entirely tax-free.

With either type of CRT, you receive an income tax deduction in the year the gift is made for a significant part of the donation. A CRAT can be funded only once, but a CRUT can receive additional contributions at any point over the years, which is an advantage attractive to many donors.

The taxation of payments will vary from year to year, depending on the nature, extent, and timing of the income earned by the trust, and a portion may be tax-free in any given year. Still, payments are often some mix of ordinary income and capital gain only.

Capital Gains

When long-term appreciated securities or other long-term capital assets are contributed to fund a CGA, a significant portion of the gain escapes taxation. The rest of the gain can be spread over a period of many years if payments are made initially to the donors.

With a CRT, the trust itself is tax-exempt, so when it sells appreciated assets it pays no tax on the capital gain. For this reason, people often use securities, real estate, or other long-term capital assets to fund a trust. When the assets are sold by the trust, their full value becomes available for reinvestment by the trustee.

Testamentary Gifts

A testamentary CGA can be established upon death for the benefit of heirs through a will or by means of a special designation governing funds remaining in an IRA or other retirement plan. This can result in additional income and estate tax benefits.

CRTs can be established upon death for the benefit of heirs through a will and can receive funds remaining in an IRA or other retirement plan. This can result in additional income and estate tax benefits.

After Beneficiaries Die or Trust Period Concludes

When a CGA's payment obligation ends after the beneficiary passes away (or both beneficiaries on a two-life annuity pass away), what remains of the original contribution becomes available to the Washington Animal Rescue League for its use.

When the CRT ends, its assets are distributed to the Washington Animal Rescue League, as well as any other charitable remainder beneficiaries you may have named.

Join Our Legacy Society with Your Planned Gift

If you establish a CGA with the Washington Animal Rescue League or designate the League as a beneficiary of a CRT you become a member of our legacy group: the 1914 Society. The League was established in 1914—imagine that, almost a century of helping animals in need! Our hope is that you will let us know about your planned gift so we can thank and recognize you.

You will receive these privileges of membership in the 1914 Society:

- Washington Animal Rescue League's annual report,
- Updates on League news through our *Animal Report* newsletter,
- Invitations to special events, including our annual 1914 Society reception, and
- Recognition of your planned gift in the League's publications (unless you prefer to remain anonymous).

Special Considerations

Please contact us about restricting your gift to the specific League program(s) of your choice.

Unrestricted contributions are preferred; however, we also welcome a conversation if funding a specific program is critical to you. We have many projects – both short-term and ongoing – at the Washington Animal Rescue League for which we seek support. We can tell you about all the available options today – and tomorrow, when a new generation of animals in need will look to us for aid.

Gifts to the League may be made in memory of any deceased person(s) or pet(s) or in honor of any living person(s) or pet(s).

Other Types of Planned Gifts that May Interest and Benefit You

If you are considering either a charitable gift annuity or a charitable remainder trust to benefit the Washington Animal Rescue League, be aware that other gift types may be suitable or preferable, taking into account your goals and needs.

Of course, arranging a gift for the Washington Animal Rescue League through a will or through some other element of an estate plan – e.g., including our organization as a beneficiary of a financial, retirement, or life insurance asset – is also an act of considerable generosity that many people can afford even if a large lifetime gift is not realistic.

Our development staff can help you plan the right gift in light of your assets, income, family, and other estate or financial obligations. You may be able to be a greater philanthropist than you realize. Would you consider making the gift of a lifetime to the Washington Animal Rescue League if we can show you how?

We Invite You to Contact Us

The Washington Animal Rescue League neither requests nor accepts government funding. We are a 501(c)(3) charity and our programs and endowment depend on your support. Our tax identification number is 53-0162440.

Direct your confidential inquiries and notifications about legacy gifts for the benefit of the Washington Animal Rescue League to:

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Information also available at warl.org/plannedgiving.

**This information provided by the Washington Animal Rescue League is not financial, tax or legal advice.
You should consult your advisors before making your charitable giving decisions.**