

# St. Jude Charitable Gift Annuity

—— Helpful Facts ——

A GIFT PLAN THAT PAYS YOU FOR LIFE



St. Jude patient **Za'Mya**  
pictured with her mom



St. Jude Children's  
Research Hospital

Finding cures. Saving children.

ALSAC • DANNY THOMAS, FOUNDER

# St. Jude Children's Research Hospital®

## Charitable Gift Annuity Program

St. Jude is leading the way the world understands, treats and defeats childhood cancer and other life-threatening diseases. Our purpose is clear: *Finding cures. Saving children.*

### The Purpose of this Disclosure Statement

This Disclosure Statement is intended to provide donors with general information concerning charitable gift annuity agreements administered by ALSAC/St. Jude Children's Research Hospital. This document briefly summarizes the creation, administration and general tax consequences of such agreements. Donors are encouraged to read this Disclosure Statement and consult with their tax and/or legal advisors before establishing a charitable gift annuity.

### The Purpose of a Charitable Gift Annuity

A charitable gift annuity provides a way for you, as a donor, to make an irrevocable gift to ALSAC/St. Jude to support its lifesaving mission, while at the same time providing a source of fixed income for life to you or another annuitant. In addition, a charitable gift annuity may provide you with certain federal (and possibly state) tax benefits.

### Helpful Facts About a Charitable Gift Annuity

Legally, an ALSAC/St. Jude charitable gift annuity is a contract between the donor(s) and ALSAC/St. Jude. The provisions of the agreement govern the specific terms of your annuity. The basic terms of the contract are:

- **The donor has irrevocably transferred cash, marketable securities, or monies from an IRA Required Minimum Distribution** to ALSAC/St. Jude in order to make a donation and establish the annuity contract. Assets contributed cannot be returned to the donor, either now or in the future.
- **ALSAC/St. Jude promises to pay the agreed-upon amount** for the life or lives of up to two beneficiaries. The amount of the payment is fixed and will never change. Payments end upon the passing of the final annuitant (beneficiary). *\*Please note that payments unknowingly made after the passing of the annuitant are required to be returned by the estate.*
- **The annuity agreement is governed by the laws of a specified state**, which may be your state or may be Tennessee (ALSAC/St. Jude national headquarters), depending on the laws



of your state.

- **The age(s) of the annuity recipients are calculated to the nearest whole year(s)** in order to determine the payment rate.
- **ALSAC/St. Jude's obligation to make gift annuity payments** is backed by the full net assets of ALSAC/St. Jude.

## Payment Rates

The rate of payment to you or your designated beneficiary(ies) is determined by the age of the beneficiary(ies) on the date on which the annuity is established. The older the annuitant, the higher the rate of payment. If there are two annuitants that will receive a payment that also impacts the rate of payment. ALSAC/St. Jude offers gift annuity payment rates suggested by the American Council on Gift Annuities (ACGA), which is a national non-profit organization that has been in existence since 1927.

The rates are calculated to ensure that a gift annuity not only provides lifelong payments to the beneficiary, but also provides a gift to ALSAC/St. Jude. Therefore, ALSAC/St. Jude's payment rates for gift annuities may be less than those that you might receive through the purchase of a commercial annuity. This difference represents the charitable gift element, which may allow you to claim a federal income tax charitable deduction. A donor may request a rate lower than the ACGA's recommended payment rate, and if they do, it will result in a larger charitable deduction and most likely a larger gift to St. Jude. **A charitable gift annuity is not a financial or commercial investment, but rather a means to make a gift to ALSAC/St. Jude while receiving payments for life.**

Payments may begin immediately or be deferred to begin in a specified year, at least one year from the date of the gift. A donor may opt for flexible deferred payments where the payments begin in the future, within a specified 1 to 30 year window of time. The minimum contribution amount to establish a deferred charitable gift annuity is \$25,000.

Based on how your annuity is established, there are three ways your payment can be allocated. 1) A one-life payment is for one income beneficiary. 2) Payments may be made jointly for two lives with single payments to both beneficiaries, continuing until the death of the second (for example, a couple). 3) Additionally, payments can also be successive for two lives where payments are made to one beneficiary and upon their death are then made to the other beneficiary (for example, a parent and child).

## Management of the Charitable Gift Annuity Fund

Assets received by ALSAC/St. Jude for charitable gift annuities are managed by



ALSAC/St. Jude's Investment Department in a conservative and disciplined manner. Your gift will be commingled with those of other annuitants in a charitable gift annuity portfolio. As of June 30, 2020, investments of the charitable gift annuity fund totaled \$86,627,434. Custody of the charitable gift annuity fund is provided by State Street Global Advisors® and administered by their Charitable Asset Management group. While the charitable gift annuity fund is designed to meet ALSAC/St. Jude's obligations to all of its charitable gift annuity beneficiaries, your charitable gift annuity contract and the payments agreed upon are general obligations of ALSAC/St. Jude. Therefore, ALSAC/St. Jude's obligation to make annuity payments to you is not affected by the investment performance of the annuity fund described above. Accordingly, ALSAC/St. Jude would be required to use other assets to meet its annuity obligations if for any reason the charitable gift annuity fund should prove to be insufficient.

## Tax Considerations

Establishing an ALSAC/St. Jude gift annuity can possibly provide you, the donor, with several tax benefits.

- You will receive a current federal income tax deduction, subject to certain limitations, if you itemize your deductions. A donor may deduct an amount equal to 60% of the donor's adjusted gross income (AGI) for gifts of cash and 30% of the donor's AGI for gifts of long-term appreciated property. Gift amounts in excess of these limits may be deducted in as many as five succeeding tax years.
- Part of your annuity payments will be considered a return of principal and will, therefore, be tax-free. Each year, ALSAC/St. Jude will send you a 1099R to help you determine the amount reportable as interest income (or capital gain, if applicable) for the preceding year.
- Establishing an ALSAC/St. Jude charitable gift annuity may provide future estate tax savings, if your estate is subject to federal or state estate or inheritance taxes.

Something else to consider when establishing an ALSAC/St. Jude charitable gift annuity is the IRS discount rate that you choose. Each month the IRS provides the required discount rate for calculating the amount of the charitable donation for funding a charitable gift annuity and for calculating the tax-exempt portion of each annuity payment. Donors may select the rate of the current month, or from one of the two previous months. Generally, a higher discount rate increases the amount of the charitable donation and lowers the tax-exempt portion of each annuity payment. A lower IRS discount rate decreases the amount of the charitable donation and increases the tax-exempt portion of each annuity payment. When there is only a slight change in amount between the IRS discount rates from month to month, the differences to the charitable deduction and tax-free portion of payments may be negligible, but when there is a significant difference between the rates, the differences to the charitable deduction and



tax-free portion of payments may be significant, especially for charitable gift annuities of large amounts. The IRS discount rate has no impact on the total amount of annuity payments, regardless of which rate the taxpayer chooses. We recommend that you consult with your tax advisor to determine if a higher or lower discount rate is better for you.

## Date of Gift for Stocks and Bonds

Because stocks and bonds fluctuate in value daily, the date on which your annuity is funded is the date on which a marketable security is received by ALSAC/St. Jude. In the case of securities in certificate form, the date of the gift is the date that the properly endorsed stock certificate is mailed or hand delivered. In the case of securities delivered by wire or DTC, the date of the gift is the date on which the security is received into ALSAC/St. Jude's brokerage account. Securities are valued on the aforementioned dates of receipt to determine the funding amount of your annuity. If a donor wishes to fund a single annuity with multiple securities or a combination of cash and securities, the date of the gift is that date on which the last of the funding assets is received by ALSAC/St. Jude.

## Important Considerations for Gifts of Securities

A donor should not attempt to transfer securities to ALSAC/St. Jude without staff assistance. It is crucial to inform ALSAC/St. Jude of your intentions and provide the necessary information so that we can ensure proper receipt.

**Appreciated, long-term securities.** Please take care in determining the ownership status of appreciated, long-term securities. Adverse capital gains tax consequences—such as the possible requirement that the donor recognize all gain in the year of the gift—may arise depending in part on ownership status. Donors residing in a community property state are encouraged to consult with their legal or tax professionals to determine legal ownership of the asset.

**Securities owned for one year or less .** (short-term securities). Please identify securities you have owned for one year or less. The IRS requires the charitable deduction for such securities be based on the lesser of the original cost per share or fair market value.

**Securities that have lost their value.** If the securities you intend to give are worth less than what you paid for them, you may want to consider selling the securities yourself and gifting the cash proceeds to ALSAC/St. Jude. You may be entitled to take a loss on your tax return, and by giving cash, can deduct up to 60% of your adjusted gross income in the year of the gift (with a five-year carry-over).

Donors giving long-term securities can deduct up to 30% (annually) of their adjusted gross income.



**Inherited securities.** Please identify any securities you have inherited. The date of death should also be used when determining the securities' cost per share.

**ALSAC/St. Jude cannot and does not provide tax or other legal advice to donors. Therefore, it is recommended that you consult with your tax advisor if you have any questions about the tax consequences that may be unique to your personal financial situation and the charitable gift annuity you wish to establish.**

## **Federal Securities Law**

ALSAC/St. Jude's charitable gift annuities qualify for exemption for the registration requirements of the federal securities laws under the Philanthropy Protection Act of 1995 and the Charitable Donation Antitrust Immunity Act of 1997, and the annuities have thus not been registered with the Securities and Exchange Commission. The statutes require ALSAC/St. Jude to provide to donors written information describing the material terms of the operation of the charitable gift annuity fund; this disclosure statement is intended to comply with this requirement.

**If you have questions about the ALSAC/St. Jude Charitable Gift Annuity program, please call us at (800) 395-4341 or email [giftplanning@stjude.org](mailto:giftplanning@stjude.org).**





