



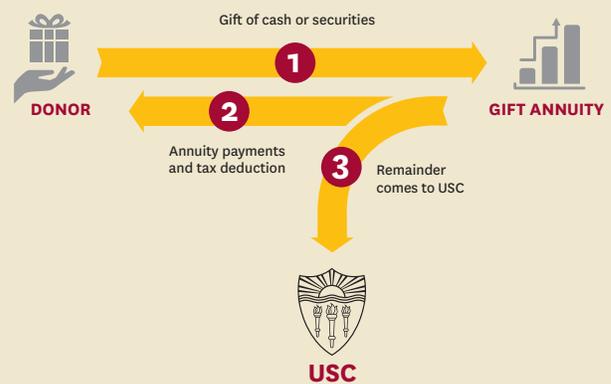
Charitable Gift Annuity

A **Charitable Gift Annuity** is a simple and secure form of life income gift. It provides you with a guaranteed steady income for life, a charitable tax deduction now, and a great way to support USC in the future.

Benefits and Considerations

- **Secure Income for Life.** Charitable gift annuities are backed by USC and its good faith and credit, making them a very secure source of future income.
- **Immediate tax benefits.** You receive an immediate charitable income tax deduction based on the fair market value of your gift less the present value of your future annuity payments.
- **Avoid capital gains tax.** If you fund your charitable gift annuity with appreciated securities or other assets, you pay no capital gains tax at the time of the gift.
- **Tax treatment of payments.** For a period of time, part of each payment is treated as a tax-free return of principal, with the balance treated as ordinary income. If the annuity is funded with appreciated securities or other assets, a portion is also taxed as capital gain.
- **Deferred Gift Annuity.** By deferring the start date on your annuity, you can receive a higher payout rate. This is ideal if you wish to claim an income tax deduction now, defer receipt of payments for a year or longer, and are looking for additional or retirement income in the future.

How It Works:



- 1 You transfer cash or other assets to USC, which uses the proceeds to fund your annuity.
- 2 In exchange for your gift, USC promises to pay you, or up to two annuitants you name, a fixed income for life.
- 3 At the death of the last annuitant, the balance of the remaining gift becomes available to USC for the purpose you have designated.

Frequently Asked Questions about Charitable Gift Annuities

Are the annuity payments guaranteed?

A gift annuity contract becomes a legal and financial obligation of USC and is backed by its good faith and credit and all of its unrestricted assets.

How are the annuity payments calculated?

Annuity rates are based on the age(s) of the annuitant(s). The younger a beneficiary, the lower the rate. Including a second beneficiary will also result in a lower rate.

Who sets the payout rates, and are they negotiable?

Like most U.S. charities, USC utilizes the gift annuity rate structure published by the *American Council on Gift Annuities*. USC's gift annuity program is regulated by the California Department of Insurance, which prohibits any departure from the rate structure unless the donor desires a rate that is lower than the published rate.

SAMPLE USC GIFT ANNUITY RATES*			
One Life		Two Lives	
AGE	RATE	AGE	RATE
65	4.7%	65/65	4.2%
70	5.1%	70/70	4.6%
75	5.8%	75/75	5.0%
80	6.8%	80/80	5.7%
85	7.8%	85/85	6.7%
90	9.0	90/90	8.2%

*Rates as of 8/1/12. USC utilizes the annuity rate structure published by the American Council on Gift Annuities.

Is it better to give cash or appreciated securities to fund a gift annuity?

Both assets produce the same annuity rate—there's no difference in the payout you would receive. However, there is a difference in how that payment would be taxed. A gift of cash will produce a larger tax-free portion of the annuity. With a gift of appreciated securities you do not pay any capital gains tax at the time of the gift, but a portion of each payment is treated as capital gains, reducing the tax-free portion.

How can I use the income tax deduction I receive for my gift?

The IRS provides an actuarial formula to determine the portion of your gift that is tax deductible. USC will provide you with this calculation as well as a gift receipt for this amount. If you funded your annuity with cash, you may take the deduction up to 50% of your adjusted gross income (AGI) annually. If you used appreciated assets, you may deduct up to 30% of your AGI annually. In both cases the unused portion of your deduction can be carried over and deducted for up to five additional years.

Who should I call if I have questions, would like to request an illustration, or am seeking more information?

The USC Office of Gift Planning is staffed with professionals who are available to assist or meet with you. Please feel free to contact us:

USC Office of Gift Planning
1150 S. Olive Street, Suite 2500
Los Angeles, CA 90015
(213) 740-2682
www.usc.edu/giftplanning