



# Charitable Gift Annuity

## Disclosure Statement (8-1-16)

**The charitable gift annuity is not insurance under the laws of the State of Hawaii, is not subject to regulation by the insurance division, and is not protected by any state guaranty fund.**

Welcome! Thank you for considering a charitable gift annuity with Hawai'i Community Foundation (the "Foundation"). With a gift annuity, you simultaneously make a charitable gift for the well-being of our community, and provide guaranteed payments for life to yourself and/or another person, the Annuitant. The fact that you are making a charitable gift may entitle you to income, gift and estate tax deductions. However, because a charitable gift is involved, the annuity rates offered by the Foundation are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

What is a Charitable Gift Annuity? A charitable gift annuity is a simple contract between you and the Foundation. In exchange for your irrevocable gift of cash, securities, or other assets, the Foundation agrees to pay one or two annuitants you name a fixed sum each year for life. The payments are backed by the general resources of the Foundation. In most cases, part of each payment is tax-free, increasing each payment's after-tax value. If you give appreciated property you will pay capital gains tax on only part of the appreciation. In addition, if you name yourself as the first or only annuitant the capital gains tax will be spread out over many years rather than be all due in the year of your gift. Payments are usually made in annual, semiannual, or quarterly installments.

Background: The Foundation was established in 1916. Responsibility for governing the organization is vested in a Board of Governors comprised of 21 individuals who are respected community leaders chosen for their sensitivity to and knowledge of Hawai'i's needs.

Fees: The Foundation shall charge reasonable fees to administer the charitable gift annuity. Our combined investment and administrative fee is approximately .80% annually of the market value of the fund on a monthly basis and is subject to change without prior notice to you. We also assess a one-time setup fee of \$500. We may also assess additional fees in the future, which may include but are not limited to loss reserve and audit fees.

Per the gift annuity agreement, guaranteed payments of the amount indicated will be made to named annuitants for life. These payments are a general obligation of our organization, and they are backed by all of our assets. As of December 31, 2015, our total funds exceeded \$600 million and are invested in mostly domestic equities and bonds with a small amount of international equity investment as well.

Separate Reserves: The State of Hawai'i requires us to maintain segregated reserves for our CGA obligations. A copy of our State filing is available to you if you would like to review it.

Draft Agreement Only: We may provide you with a draft agreement for your review. You are encouraged to seek the advice of your counsel, independent advisor and/or trusted family member or friend to review the agreement with you. We are not engaged in the practice of law and make no representations regarding the sufficiency of the documents insofar as your interests are concerned.

"Annuitant" - The person who is designated under the Agreement to receive a fixed stream of income for the specified annuity period. The Annuitant may be the Donor or an individual as designated by the Donor in the Agreement. If the Annuitant becomes incapacitated, the term "Annuitant" may also include the

trustee of any trust in which the Annuitant is the primary or sole beneficiary and/or a duly authorized agent under an Annuitant's valid power of attorney, but only if the Foundation in its sole and absolute authority determines that redirecting payments to such trustee or agent is in the best interest of the Annuitant or the Annuitant's family.

Investment Policy: Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this document is provided to you in accordance with the requirements of that Act.

Minimum Age: The minimum age to start a CGA with us is 60 years. The CGA may be immediate or deferred.

Minimum Contribution: The minimum contribution to start a CGA with us is \$20,000. A \$50,000 or greater contribution is required for those who are donors to a charity which participates in our sponsored CGA program or those who want the option of establishing a fund at the end of the annuity term. You may wish to contribute more to start a CGA depending on how much input you desire on the balance that goes to charity.

Minimum Residuum Balance: Our current minimum residuum balance goal is at least 50% of your contribution amount. For example, our hope is that a \$50,000 CGA results in no less than a \$25,000 residuum balance at the end of the CGA term (i.e., at the death of the Annuitant). We may revise our minimum residuum balance goal without prior written notice to you or changing our materials beforehand. The residuum balance represents the amount available for charitable giving at the end of the CGA. Generally, any balance that is below the then minimum residuum balance at the Annuitant's death may be applied towards the unrestricted use of the Foundation to broadly support the improvement of the well-being and vitality of Hawaii and its residents.

For donors to a sponsored CGA, please check with your participating charity as to how the residuum balance is allocated between it and HCF.

Re-Insurance: The Foundation may decide to reinsure some or all of the annuity obligation under this Agreement in order to ensure payments to the Annuitant as well as to ensure funding of the charitable purpose. The Foundation may have to share personal information with a life insurance company for the reinsurance and by signing a CGA agreement, the Donor/Annuitant is agreeing to assist the Foundation to the extent that the Annuitant's signature or any other personal information is necessary to complete a reinsurance transaction.

Additional Information: We would be pleased to provide any additional information at your request.