

# Strengthen your charitable gift annuity (CGA) program through reinsurance

## CGA reinsurance:

- is a way of **transferring some of the risks** associated with your CGA program to an insurance company;
- can **reduce the administrative burdens** of running a gift annuity program; and
- may allow for **immediate access** to donor funds.<sup>1</sup>

## How does reinsurance work?

The organization purchases a single premium immediate annuity, as an asset, to provide a guaranteed source of funds to the charity. If so desired, the insurance company can make the lifelong payments directly to the donor.

## CGA process

### Nonprofit organization retains all risks



Donation made to nonprofit organization

Annuity agreement created by nonprofit organization

Donor receives annuity payments and tax deductions<sup>2</sup>

Delayed access to funds until donor's death

## CGA reinsurance process

### Investment and longevity risk transferred to insurance company



Donation made to nonprofit organization

Annuity agreement reinsured by insurance company

Donor receives annuity payments and tax deductions<sup>2</sup>

Reserves may be released, increasing organization's cash flow<sup>1</sup>

## What are the benefits of reinsuring?

### Security and certainty

- Investment, longevity and concentration risks along with administrative burdens are reduced or eliminated.
- There is no need to draw on other revenues to meet donor obligations.

### Use of CGA donations

- Difference between remaining value of gift and cost of annuity may be released for immediate use.<sup>1</sup>
- Donor sees benefit of gift while he or she is still alive.

### Renewed focus on the charity's primary mission

- The transfer of risk to the insurance company requires less of your organization's resources to maintain the program and increases capacity for additional CGAs, giving you more time to focus on your primary mission.

### Reassurance about the security of lifetime payments

- Feel confident about lifelong payments being made through insurance company.
- If desired, the insurance company providing the CGA reinsurance can make the lifelong payments directly to the donor.

## Is reinsurance right for your organization?

You should develop charitable gift annuity risk management policies that answer the following questions:

- Is limiting risk important to our management of a CGA program?
- When will we try to reduce risk and which strategies will we employ?
- At what level should we consider reinsuring all or a part of the gift based on our risk-tolerance threshold?
- Is lowering long-run costs important to our organization?
- Could our organization benefit from increased up-front cash flow?<sup>1</sup>

Clearly, every organization will have different answers to these questions, but it is important to view charitable gift annuity acceptance beyond minimum ages and minimum gift sizes.

## Please contact a member of our team for more information:



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1. Reserve requirements differ by state. Consult state regulations for specific information regarding reserves.
2. Donor tax deduction is based on the difference between the gift amount and the value of the annuity.

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