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A retained life estate plus charitable gift annuity combines two gift arrangements. The arrangements allow a donor to use some of the value of her home or farm to fund a plan that will make payments to her or others for life.

The first part of the gift plan is a retained life estate. As the creator of a retained life estate, the donor irrevocably deeds to the charity her home or farm, but retains the right to use it for the rest of her life, a term of years, or a combination of the two. The donor may also use a vacation home to create this kind of gift.

While the donor retains the right to use her property, she continues to be responsible for all routine expenses - maintenance fees, insurance, property taxes, repairs, etc. If she later decides to vacate her property, she may rent all or part of the property to someone else or sell the property in cooperation with the charity.

When the donor's retained life estate ends, the charity can then use the property or the proceeds from the sale of the property for the purpose the donor designates.

Based on the remainder value of the donor's home or farm, the charity agrees in a simple contract to pay the donor (or someone the donor names) a fixed sum each year for life. This is the charitable gift annuity part of the plan. The older the donor is at the time of the gift, the greater the fixed amount the charity can agree to pay. In most cases, part of each payment is tax-free, increasing each payment's after-tax value. Payments don't have to go to the donor. The donor may name any one or two people to receive the payments. The donor gets a deduction for the difference between the present value of the annuity payments and the remainder value of the retained life estate.

Payments may be made annually, semiannually, or quarterly.

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