

**Lifetime Income Gifts to Support Northwestern College & Radio  
Comparison of Three Options**

	<b>Charitable Gift Annuity (CGA)</b>	<b>Charitable Remainder Annuity Trust (CRAT)</b>	<b>Charitable Remainder Unitrust (CRUT)</b>
<b>Basic transaction</b>	Irrevocable transfer of property to NWC&R Foundation in exchange for Foundation's promise to pay annuity to donor and/or others for life, remainder to NWC&R	Irrevocable transfer of property to trust, with annual payment to donor and/or others for life or term of years, remainder to NWC&R (and other charities, if desired)	Same as CRAT
<b>Trust required?</b>	☺ No. Simple contract with NW Foundation	Yes, and legal counsel should prepare (or review NWC&R-prepared) trust document	Same as CRAT
<b>Initial setup costs</b>	☺ None, unless real estate is used to fund the annuity	Legal fees for trust creation or review plus real estate appraisal and transaction fees as applicable	Same as CRAT
<b>Minimum funding</b>	\$5,000	\$100,000 if NWC&R is trustee	Same as CRAT
<b>Minimum beneficiary age</b>	60	n/a (but IRS limitations may apply)	Same as CRAT
<b>Number of beneficiaries</b>	Maximum of two income beneficiaries; NW Foundation is 100% remainder beneficiary for the benefit of predetermined NWC&R or other ministries	☺ No maximum for either income or remainder beneficiaries, but if NWC&R serves as trustee, at least 50% of remainder must go to NWC&R	☺ Same as CRAT
<b>Percentage Payout</b>	Fixed at percentage of <u>original</u> FMV of property transferred (Note: Percentage is recommended by American Council on Gift Annuities and is based on beneficiary age (s))	If NWC&R is trustee, 5%-7% of <u>original</u> FMV of property transferred, i.e., fixed annuity	If NWC&R is trustee, 5%-7% of <u>annual</u> FMV of trust, i.e., variable annuity
<b>Donor's income tax deduction</b>	Immediate deduction (subject to normal percentage limitations) for present value of NW Foundation's remainder interest	Same as CGA	Same as CGA
<b>Capital gains tax deferral/bypass?</b>	Partial	Potential	Same as CRAT
<b>Income taxation of payout</b>	☺ Part tax-free income, part ordinary income, and if appreciated property is transferred, part capital gain (Note: If annuitant outlives original expectancy, full annuity becomes taxable as ordinary income)	Taxable based on character of trust's income in following order: ordinary income (with qualified dividends, if any, taxed at lower capital gains rate); capital gain; tax-free income; corpus (Note: Life expectancy is not relevant to beneficiary's income taxation)	Same as CRAT
	<b>CGA</b>	<b>CRAT</b>	<b>CRUT</b>

☺ Denotes "clear winner" among alternatives from ALL perspectives: donor, annuitant and NWC&R  
(Rev. Sept. 2005)

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	<b>CGA</b>	<b>CRAT</b>	<b>CRUT</b>
<b>Type of property to fund transfer</b>	Typically cash and/or marketable securities, but charities might accept real property or other illiquid assets depending on marketability and other factors	Same as CGA	Same as CGA
<b>Donor's gift tax consequences</b>	None unless annuity is given to someone other than donor or spouse	Same as CGA	Same as CGA
<b>Donor's estate tax consequences</b>	Contributed assets, including any post-transfer appreciation, are removed from taxable estate	Same as CGA	Same as CGA
<b>Possibility to defer income stream (flexibility)</b>	☺ Yes, with deferred-payment annuity (Note: Deferral will increase annuity rate and available income tax deduction)	No	☺ Yes, with "flip" unitrust, net-income CRUT or NIMCRUT (Note: Deferral will not increase income tax deduction, but may increase value of payments in later years after trust appreciates)
<b>Source of payments</b>	NW Foundation (Note: Minnesota law requires NW Foundation to maintain reserves to back annuities)	Trust assets only	Trust assets only
<b>Steward/trustee; investment of assets</b>	NW Foundation invests 100% of annuity assets in a separate fund with a professional investment manager	NWC&R, bank, trust company and/or individual may serve as trustee(s). With NWC&R as trustee, 100% of assets are invested in a separate fund with a professional investment manager	Same as CRAT
<b>Recurring maintenance costs</b>	☺ Fee assessed by NW Foundation against remainder balance before distribution to predetermined ministry	Trust administration (including trustee fees), trust accountings, and annual trust tax filings (Note: Maintenance costs affect NWC&R's remainder and generally do not affect annuity amount)	Same as CRAT (Note: Maintenance costs reduce trust assets and thereby reduce annuity amount and NWC&R's remainder)
<b>Additional gifts allowed under existing arrangement</b>	No, but additional annuities may be created	No, but additional CRATs may be established	☺ Yes
	<b>CGA</b>	<b>CRAT</b>	<b>CRUT</b>