A Profile In Giving: AL BROWN

Al Brown has been a loyal Cato Sponsor for many years. Back when he lived in D.C., he attended a Cato event practically every week. Now that he lives in Annapolis, he visits Cato's website just about every day. Last year, Al and his wife Mardy attended a Benefactor's Summit in Florida. Al commented that it was a "delightful and profound experience." Asked what he finds most compelling about Cato, he responded, "Liberty and freedom, not just words, but backed up by sound reasoning and credible data."

A couple years ago, Al began to consider ways that he might give something back to Cato, something above and beyond his annual membership. In an era of low interest rates, Al was attracted to Charitable Gift Annuities because this unique planning device melds together a charitable gift for Cato and an enhanced flow of income for him.

The workings of CGAs are pretty straightforward: a donor transfers either cash or securities to Cato in return for a promise to pay the donor (the "annuitant") a fixed income stream for life. Al chose to transfer appreciated mutual fund shares and, in return, receives a 10.6 percent annuity. Annuity rates are based on tables that take into account the age of the annuitant.

Al also received an immediate income tax charitable deduction for the gift portion of the transfer. The "gift portion" of an annuity is essentially an actuarial calculation of what will be "left over" after payment of the annuity stream. What's more, by giving appreciated securities, Al took advantage of "deferral," a classic tax planning strategy. Rather than selling the shares and paying his capital gains taxes upfront, Al gifted the shares with the result that his capital gain will be spread over the years of his annuity payments.

Al signed up for his first CGA with Cato a little over a year ago. He was pleased enough with the experience that he came back and signed up for a second CGA at the end of 2007.

Although CGAs are not "right" for all donors, they are a popular and flexible device that can suit anyone who

- would like to make a gift to Cato;
- can use a little extra cash flow;
- can take advantage of an income tax charitable deduction (i.e., you must itemize your deductions); and
- would like to defer capital gains taxes (assuming that appreciated securities will be the subject of the gift).

Cato recommends a minimum investment of $10,000 for an initial CGA. There is no upper limit on amount.

Cato has been a part of Al Brown's life for decades. His two CGAs will allow him to make a lasting gift to Cato, a gift that will ensure Cato's voice is heard for generations to come. As Al said, it's all about liberty and freedom.

For more information about charitable gift annuities and other planned gifts, contact Cato's director of planned giving, Gayllis Ward, at 646-717-2080, email gward@cato.org.