

**Rates Effective July 1, 2002 - December 31, 2002**

**Approved by the American Council on Gift Annuities April 10, 2002**

For the complete copy of the ACGA Gift Annuity Rates Effective July 1, 2002 Report (37 pages), released at our April 2002 conference, please Contact Us.

- Single Life - ACGA Suggested Gift Annuity Rates
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- Deferred Payment Gift Annuity Factors (For New York & New Jersey Only)
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**SINGLE LIFE**

Age	Rate	Age	Rate
20 and under	4.8%	56	6.1%
21	4.8	57	6.2
22	4.8	58	6.3
23	4.9	59	6.4
24	4.9	60	6.4
25	4.9	61	6.5
26	4.9	62	6.6
27	5.0	63	6.6
28	5.0	64	6.7
29	5.0	65	6.7
30	5.0	66	6.8

31	5.1	67	6.9
32	5.1	68	7.0
33	5.1	69	7.1
34	5.2	70	7.2
35	5.2	71	7.3
36	5.3	72	7.4
37	5.3	73	7.6
38	5.3	74	7.7
39	5.4	75	7.9
40	5.4	76	8.0
41	5.5	77	8.2
42	5.5	78	8.4
43	5.5	79	8.6
44	5.5	80	8.9
45	5.6	81	9.1
46	5.6	82	9.4
47	5.6	83	9.7
48	5.7	84	10.1
49	5.7	85	10.4
50	5.7	86	10.8
51	5.8	87	11.1
52	5.8	88	11.4

53	5.9	89	11.7
54	5.9	90 and over	12.0
55	6.0		

**WARNING:** These annuity rates, for both immediate and deferred annuities and for both single life and two lives, should not be used if the gift portion, based on IRS tables and the applicable discount rate, is not more than 10% of the amount paid for the annuity.

**NOTES:**

1. The rates are for ages at the nearest birthday.
2. These rates will result in a charitable deduction of at least 10% if the CMFR is 5% or higher. If the CMFR falls below 5%, rates at certain young ages may have to be reduced to meet the 10% deduction requirement.

## Two Lives - Joint and Survivor

Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate
20 & under	All	4.6	72	78-80	7.0	82	91-92	8.8
21	21+	4.6	72	81-83	7.1	82	93-94	8.9
22	22+	4.6	72	84+	7.2	82	95+	9.0
23	23+	4.6	73	73	6.8	83	83	8.2
24	24+	4.6	73	74-75	6.9	83	84	8.3
25	25+	4.7	73	76-78	7.0	83	85	8.4
26	26+	4.7	73	79-80	7.1	83	86	8.5
27	27+	4.7	73	81-83	7.2	83	87	8.6
28	28+	4.7	73	84-87	7.3	83	88	8.7
29	29+	4.7	73	88+	7.4	83	89	8.8
			74	74	6.9			

30	30+	4.7	74	75-76	7.0	83	90	8.9
31	31+	4.8	74	77-78	7.1	83	91-92	9.0
32	32+	4.8	74	79-81	7.2	83	93-94	9.1
33	33+	4.8	74	82-83	7.3	83	95+	9.2
34	34+	4.8	74	84-87	7.4	84	84	8.4
35	35+	4.8	74	88+	7.5	84	85	8.6
36	36+	4.9	75	75	7.0	84	86	8.7
37	37+	4.9	75	76-77	7.1	84	87	8.8
38	38+	4.9	75	78-79	7.2	84	88	8.9
39	39+	5.0	75	80-81	7.3	84	89	9.0
40	40+	5.0	75	82-84	7.4	84	90-91	9.1
41	41+	5.0	75	85-86	7.5	84	92	9.2
42	42+	5.1	75	87-90	7.6	84	93	9.3
43	43+	5.1	75	91+	7.7	84	94+	9.4
44	44+	5.1	76	76	7.1	85	85	8.7
45	45+	5.2	76	77-78	7.2	85	86	8.8
46	46+	5.2	76	79	7.3	85	87	8.9
47	47+	5.3	76	80-81	7.4	85	88	9.0
48	48+	5.3	76	82-84	7.5	85	89	9.1
49	49+	5.4	76	85-86	7.6	85	90	9.2
50	50+	5.4	76	87-89	7.7	85	91	9.3

51	51+	5.5	76	90+	7.8	85	92	9.4
52	52+	5.6	77	77-78	7.3	85	93	9.5
53	53+	5.6	77	79-80	7.4	85	94	9.6
54	54+	5.7	77	81-82	7.5	85	95+	9.7
55	55-57	5.7	77	83	7.6	86	86	8.9
55	58+	5.8	77	84-85	7.7	86	87	9.1
56	56+	5.8	77	86-88	7.8	86	88	9.2
57	57-63	5.9	77	89-91	7.9	86	89	9.3
57	64+	6.0	77	92+	8.0	86	90	9.4
58	58-61	6.0	78	78-79	7.4	86	91	9.5
58	62+	6.1	78	80	7.5	86	92	9.7
59	59-62	6.1	78	81-82	7.6	86	93-94	9.8
59	63+	6.2	78	83	7.7	86	95+	9.9
60	60-61	6.1	78	84-85	7.8	87	87	9.2
60	62+	6.2	78	86-87	7.9	87	88	9.4
61	61-66	6.2	78	88-89	8.0	87	89	9.5
61	67+	6.3	78	90-92	8.1	87	90	9.6
62	62-65	6.2	78	93+	8.2	87	91	9.8
62	66-71	6.3	79	79	7.5	87	92	9.9
62	72+	6.4	79	80	7.6	87	93	10.0
63	63-64	6.2	79	81-82	7.7	87	94	10.1

63	65-69	6.3	79	83	7.8	87	95+	10.2
63	70+	6.4	79	84-85	7.9	88	88	9.5
64	64-67	6.3	79	86	8.0	88	89	9.7
64	68-73	6.4	79	87-88	8.1	88	90	9.8
64	74+	6.5	79	89-91	8.2	88	91	10.0
65	65-66	6.3	79	92-93	8.3	88	92	10.1
65	67-71	6.4	79	94+	8.4	88	93	10.2
65	72+	6.5	80	80	7.7	88	94	10.3
66	66-69	6.4	80	81-82	7.8	88	95+	10.5
66	70-73	6.5	80	83	7.9	89	89	9.8
66	74+	6.6	80	84	8.0	89	90	10.0
67	67-68	6.4	80	85-86	8.1	89	91	10.2
67	69-72	6.5	80	87	8.2	89	92	10.3
67	73-76	6.6	80	88-89	8.3	89	93	10.5
67	77+	6.7	80	90-91	8.4	89	94	10.6
68	68-70	6.5	80	92-94	8.5	89	95+	10.7
68	71-74	6.6	80	95+	8.6	90	90	10.2
68	75-78	6.7	81	81	7.8	90	91	10.4
68	79+	6.8	81	82	7.9	90	92	10.5
69	69	6.5	81	83	8.0	90	93	10.7
69	70-72	6.6	81	84	8.1	90	94	10.8

69	73-76	6.7	81	85	8.2	90	95+	11.0
69	77-80	6.8	81	86-87	8.3	91	91	10.5
69	81+	6.9	81	88	8.4	91	92	10.6
70	70-71	6.6	81	89-90	8.5	91	93	10.8
70	72-74	6.7	81	91-92	8.6	91	94	10.9
70	75-77	6.8	81	93-94	8.7	91	95+	11.1
70	78-81	6.9	81	95+	8.8	92	92	10.7
70	82+	7.0	82	82	8.0	92	93	10.9
71	71-73	6.7	82	83	8.1	92	94	11.0
71	74-76	6.8	82	84	8.2	92	95+	11.2
71	77-79	6.9	82	85	8.3	93	93	11.0
71	80-82	7.0	82	86	8.4	93	94	11.1
71	83+	7.1	82	87	8.5	93	95+	11.3
72	72	6.7	82	88-89	8.6	94	94	11.2
72	73-74	6.8						
72	75-77	6.9	82	90	8.7	94	95+	11.4
						95 & over	95+	11.5

## Deferred Payment Gift Annuity Factors

1. Determine the annuity starting date, which is:

- One year before the first payment, if payments are made annually.
- Six months before the first payment, if payments are made semi-annually.
- Three months before the first payment, if payments are made quarterly.
- One month before the first payment, if payments are made monthly.

2. Determine the number of whole and fractional years from the date of the contribution to the annuity starting date (the deferral period). Express the fractional year as a decimal of four numbers.

3. If the deferral period is 20 years or less, use the following formula to determine the compound interest factor:

$$F = 1.0575^d, \text{ where}$$

F is the compound interest factor and

d is the deferral period

Example: If the period between the contribution date and the annuity starting date is 11.5760 years, the compound interest factor would be  $1.0575^{11.5760} = 1.9102$

4. Multiply the compound interest factor (F) by the immediate gift annuity rate for the nearest age or ages of a person or persons at the annuity starting date.

Example: If the sole annuitant will be nearest age 65 on the annuity starting date and the compound interest factor is 1.9102, the deferred gift annuity rate would be  $1.9102 \times 6.7\% = 12.8\%$  (rounded to the nearest tenth of a percent).

5. For deferral periods of more than 20 years, the procedure for calculating the compound interest factor is somewhat more complex. That is because the compound interest rate decreases for periods longer than 20 years.

The compound interest rates are:

1 - 20 years	-	5.75%
20+ - 25 years	-	5.50%
25+ - 30 years	-	5.25%
30+ years	-	5.0%

Example: If the deferral period is 28.7050 years, follow this procedure:

$$1.0575^{20} = 3.0592$$

$$1.0550^5 \times 3.0592 = 3.9984$$

$$1.0525^{3.7050} \times 3.9984 = 4.8329$$

Each calculation is rounded to a decimal of four numbers.

**Comments:**

- The annuity starting date for purposes of calculating the deferred gift annuity rate will be the same as the annuity starting date for calculating the charitable deduction, if payments are at the end of the period (which is usually the case). This was not true with the pre-July 1, 2001 methodology.
- An annuitant is credited with compound interest for the entire period from the date of contribution to the annuity starting date. Under the previous methodology, compound interest was credited only for the number of whole years between the two dates

**Deferred Payment Gift Annuity Factors for New York and New Jersey \***

If the deferral period does not exceed 20 years, you may follow the same procedure as for all other states.

If the deferral period is more than 20 years, you must use a lower compound interest factor for the entire period. Through August of 2002, a compound interest factor not exceeding 5.25% for the entire deferral period would meet New York and New Jersey requirements in nearly all instances.

When New York and New Jersey release their interest assumptions later this year, the maximum compound interest factor for longer deferral periods may change. Information about the maximum compound interest factors for these two states will be posted on the ACGA website at that time. See [www.ACGA-WEB.ORG](http://www.ACGA-WEB.ORG).

\* New York and New Jersey are the two states known at this time to require different interest factors for deferred gift annuities with longer deferral periods.

## ASSUMPTIONS & COMMENTS FOR IMMEDIATE GIFT ANNUITIES

2001 Rates	2002 Rates
1. 50% Residuum	1. 50% Residuum
2. Life expectancy based on the Annuity 2000 Mortality Table for female lives with a 1.0 year setback in ages. Projections for increased life expectancies.	2. Life expectancy based on the Annuity 2000 Mortality Tables for female lives with a 1.5 year setback in ages. Projections for increased life expectancies.
3. Annual expenses for investment and administration are .75%.	3. Annual expenses for investment and administration are 1.0%.
4. Total annual return on reserves is 6.50%.	4. Total annual return on reserves is 6.75%.
5. Rates for youngest and oldest ages based on lower assumed returns.	5. Rates for youngest and oldest ages based on lower assumed returns.

The net return (total assumed return minus assumed expenses) turns out to be the same for the 2001 and 2002 rates. The increase of 25 basis points for expenses was offset by an increase of 25 basis points in the assumed return. Thus, the only net material change in the assumptions is slightly increasing life expectancies by setting ages back 1.5 years instead of 1.0 years. This change would reduce rates .1% to .2%. Although such a rate reduction is justified by the mortality study, the Gift Annuity Rates Committee and ACGA board decided that such a slight adjustment would not justify the resultant cost and disruption to charities and vendors.

## **ADDITIONAL ASSUMPTIONS FOR DEFERRED GIFT ANNUITIES**

### **2001 Rates**

1. Annual compound interest rate credited during the deferral period:
  - 1 - 20 years - 6.50%
  - 20+ - 25 years - 6.25%
  - 25+ - 30 years - 6.0%
  - 30+ years - 5.0%
  
2. Annual expenses for investment and administration are .75%.
  
3. Net total compound interest credited during deferral period:
  - 1 - 20 years - 5.75%
  - 20+ - 25 years - 5.50%
  - 25+ - 30 years - 5.25%
  - 30+ years - 5.00%

### **2002 Rates**

1. Annual compound interest rate credited during the deferral period:
  - 1 - 20 years - 6.75%
  - 20+ - 25 years - 6.50%
  - 25+ - 30 years - 6.25%
  - 30+ years - 5.25%
  
2. Annual expenses for investment and administration are 1.0%
  
3. Net total compound interest credited during deferral period:
  - 1 - 20 years - 5.75%
  - 20+ - 25 years - 5.50%
  - 25+ - 30 years - 5.25%
  - 30+ years - 5.00%

Since the net compound interest credited during the deferral period did not change, the 2002 deferred gift annuity rates will be the same as the 2001 rates.