

**Rates Effective July 1, 2004 - June 30, 2005**

**Approved by the American Council on Gift Annuities on May 5, 2004**

Note: July 1, 2003, July 1, 2004, July 1, 2005, July 1, 2006 & July 1, 2007 - Immediate gift annuity rates are the same. Please check the Assumptions & Comments page for further information about deferred payment gift annuities.

- Single Life - ACGA Suggested Gift Annuity Rates
- Two Lives - ACGA Suggested Gift Annuity Rates
- Deferred Payment Gift Annuity Factors (All states except New York & New Jersey)
- Deferred Payment Gift Annuity Factors (For New York & New Jersey Only)
- Assumptions & Comments on Gift Annuity Rates

**SINGLE LIFE**

<b>Age</b>	<b>Rate</b>	<b>Age</b>	<b>Rate</b>
0-1	3.7%	55	5.5%
2-5	3.8	56	5.6
6-12	3.9	57	5.6
13-19	4.0	58	5.7
20	4.0	59	5.7
21	4.1	60	5.7
22	4.1	61	5.8
23	4.1	62	5.9
24	4.1	63	5.9
25	4.1	64	6.0
26	4.2	65	6.0
27	4.2	66	6.1
28	4.2	67	6.2
29	4.3	68	6.3
30	4.3	69	6.4
31	4.3	70	6.5
32	4.4	71	6.6
33	4.4	72	6.7
34	4.4	73	6.8
35	4.5	74	6.9
36	4.5	75	7.1

37	4.6	76	7.2
38	4.6	77	7.4
39	4.7	78	7.6
40	4.7	79	7.8
41	4.8	80	8.0
42	4.8	81	8.3
43	4.9	82	8.5
44	5.0	83	8.8
45	5.0	84	9.2
46	5.1	85	9.5
47	5.2	86	9.9
48	5.2	87	10.2
49	5.3	88	10.6
50	5.3	89	11.0
51	5.4	90 and over	11.3
52	5.4		
53	5.5		
54	5.5		

**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. For immediate gift annuities, these rates will result in a charitable deduction of more than 10% if the CMFR is 4.0% or higher, whatever the payment frequency. If the CMFR is less than 4.0%, the deduction will be less than 10% when annuitants are below certain ages.
3. For deferred gift annuities with longer deferral periods, the rates may not pass the 10% test when the CMFR is low.
4. To avoid adverse tax consequences, the charity should reduce the gift annuity rate to whatever level is necessary to generate a charitable deduction in excess of 10%.

## Two Lives - Joint and Survivor

Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate
0-1	All	3.5%	71	80-83	6.3	83	83	7.4
2-5	2+	3.6	71	84+	6.4	83	84	7.5
6-12	6+	3.7	72	72	6.0	83	85	7.6
13-19	13+	3.8	72	73-74	6.1	83	86	7.7%
20	20+	3.8	72	75-77	6.2	83	87	7.8
21	21+	3.8	72	78-80	6.3%	83	88	7.9
22	22+	3.8	72	81-84	6.4	83	89	8.0
23	23+	3.9	72	85+	6.5	83	90-91	8.1
24	24+	3.9	72	73	6.1	83	92	8.2
25	25+	3.9	73	74-75	6.2	83	93-94	8.3
26	26+	3.9	73	76-78	6.3	83	95+	8.4
27	27+	3.9	73	79-81	6.4	84	84	7.6
28	28+	3.9	73	82-84	6.5	84	85	7.8
29	29+	4.0	73	85+	6.6	84	86	7.9
30	30+	4.0	73	74	6.2	84	87	8.0
31	31+	4.0	74	75-76	6.3	84	88-89	8.1
32	32+	4.0	74	77-79	6.4	84	90	8.2
33	33+	4.1	74	80-81	6.5	84	91	8.3
34	34+	4.1	74	82-84	6.6	84	92	8.4
35	35+	4.1	74	85+	6.7	84	93-94	8.5
36	36+	4.1	74	75	6.3	84	95+	8.6
37	37+	4.2	75	76-77	6.4	85	85	7.9
38	38+	4.2	75	78-79	6.5	85	86	8.0
39	39+	4.2	75	80-82	6.6	85	87	8.1
40	40+	4.3	75	83-85	6.7	85	88	8.2
41	41+	4.3	75	86-88	6.8	85	89	8.3
42	42+	4.3	75					

43	43+	4.4	75	89+	6.9	85	90	8.4
44	44+	4.4	76	76	6.4	85	91	8.5
45	45+	4.5	76	77-78	6.5	85	92	8.6
46	46+	4.5	76	79-80	6.6	85	93-94	8.7
47	47+	4.6	76	81-82	6.7	85	95+	8.8
48	48+	4.6	76	83-84	6.8	86	86	8.1
49	49+	4.7	76	85-87	6.9	86	87	8.2
50	50+	4.7	76	88+	7.0	86	88	8.4
51	51+	4.8	77	77	6.5	86	89	8.5
52	52+	4.9	77	78-79	6.6	86	90	8.6
53	53+	4.9	77	80	6.7	86	91	8.7
54	54	5.0	77	81-82	6.8	86	92	8.8
55	55+	5.0	77	83-84	6.9	86	93	8.9
55	55+	5.0	77	85-87	7.0	86	94	9.0
56	56-57	5.1	77	88-90	7.1	86	95+	9.1
56	58+	5.2	77	91+	7.2	87	87	8.4
57	57-58	5.2	78	78-79	6.7	87	88	8.5
57	59+	5.3	78	80-81	6.8	87	89	8.6
58	58-63	5.3	78	82	6.9	87	90	8.8
58	64+	5.4	78	83-84	7.0	87	91	8.9
59	59-61	5.4	78	85-86	7.1	87	92	9.0
59	62+	5.5	78	87-89	7.2	87	93	9.1
60	60	5.4	78	90-92	7.3	87	94	9.2
			78	93+	7.4	87	95+	9.3
60	61+	5.5	79	79	6.8	88	88	8.7
61	61-65	5.5	79	80-81	6.9	88	89	8.8
61	66+	5.6	79	82	7.0	88	90	8.9
62	62-64	5.5	79	83-84	7.1	88	91	9.1
62	65-70	5.6	79	85-86	7.2	88	92	9.2
62	71+	5.7	79	87-88	7.3	88	93	9.3
63	63	5.5	79	91-93	7.5	88	94	9.4
63	64-68	5.6	79	94+	7.6	88	95+	9.5

63	69+	5.7	80	80	6.9	89	89	9.0
64	64-66	5.6	80	81	7.0	89	90	9.1
64	67-72	5.7	80	82	7.1	89	91	9.3
64	73+	5.8	80	83-84	7.2	89	92	9.4
65	65	5.6	80	85	7.3	89	93	9.5
65	66-70	5.7	80	86-87	7.4	89	94	9.7
65	71+	5.8	80	88-89	7.5	89	95+	9.8
66	66-68	5.7	80	90-91	7.6	90	90	9.3
66	69-73	5.8	80	92-94	7.7	90	91	9.5
66	74+	5.9	80	95+	7.8	90	92	9.6
67	67	5.7	81	81	7.1	90	93	9.8
67	68-71	5.8	81	82-83	7.2	90	94	9.9
67	72-76	5.9	81	84	7.3	90	95+	10.1
67	77+	6.0	81	85	7.4	91	91	9.6
68	68-70	5.8	81	86-87	7.5	91	92	9.8
68	71-74	5.9	81	88	7.6	91	93	10.0
68	75-78	6.0	81	89-90	7.7	91	94	10.1
68	79+	6.1	81	91-92	7.8	91	95+	10.3
69	69	5.8	81	93-94	7.9	92	92	10.0
69	70-72	5.9	81	95+	8.0	92	93	10.2
69	73-76	6.0	82	82-83	7.3	92	94	10.4
69	77-80	6.1	82	84	7.4	92	95+	10.6
69	81+	6.2	82	85	7.5	93	93	10.4
70	70-71	5.9	82	86	7.6	93	94	10.6
70	72-74	6.0	82	87	7.7	93	95+	10.8
70	75-77	6.1	82	88-89	7.8	94	94	10.8
70	78-82	6.2	82	90	7.9	94	95+	11.0
70	83+	6.3	82	91-92	8.0	95 & over	95+	11.1
71	71-73	6.0	82	93-94	8.1			
71	74-76	6.1	82	95+	8.2			
71	77-79	6.2						

## 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. For a deferral period of any length, use the following formula to determine the compound interest factor:

$F = 1.05^d$ , 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 14.5760 years, the compound interest factor would be  $1.05^{14.5760} = 2.0364$

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 2.0364, the deferred gift annuity rate would be  $2.0364 \times 6.0\% = 12.2\%$  (rounded to the nearest tenth of a percent).

### 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 pre-July, 2001 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 \*

Through August of 2004, the following compound interest factors during the deferral period will satisfy the requirements of New York and New Jersey:

For deferral periods of 20 years or less:

Single-life and two-life annuities, whatever the gender of the annuitants, a compound interest factor of 5%. This is ACGA's suggested compound interest factor for deferred gift annuities.

For deferral periods of more than 20 years:

Single-life annuity (male annuitant) or two-life annuity (both males), compound interest factor of 5%.

Single-life annuity (female annuitant), compound interest factor of 4.9%.

Two-life annuity (both females), compound interest factor of 4.8%.

Two-life annuity (one male and one female), compound interest factor of 4.9%, unless the female is significantly younger than the male, in which case it might be necessary to lower the interest factor to 4.8%.

When New York and New Jersey release their internal assumptions later this year, the maximum compound interest factors 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 that may require different interest factors for deferred gift annuities with longer deferral periods.

## Assumptions & Comments on Gift Annuity Rates

At its meeting on May 5, 2004 in Orlando, immediately prior to the ACGA conference, the ACGA board approved the recommendation of the Gift Annuity Rates Committee to CONTINUE the CURRENT gift annuity rates (established on 7-1-03) for another year.

Unless unforeseen circumstances should necessitate an interim adjustment, the rates that became effective on July 1, 2003 will remain in effect at least THROUGH June 30, 2005.

Although the rates will **NOT** change this year (7-1-04), there **WAS A CHANGE** in the methodology for calculating the assumed return on gift annuity reserves. The new methodology did not result in a change in the return assumption this year, but it could in subsequent years.

The new methodology included a change in the assumed asset allocation of Invested gift annuity reserves and in the assumed total return on the equity portion of the portfolio. Although these changes may affect the calculation of CGA rates in the future, they did NOT result in an adjustment of rates this year (as of 7-1-04).

A detailed 20-page paper providing an explanation of the rates and fund earnings assumptions, as well as the reasons for the board action, was provided to conference participants. It is now available from the ACGA, please Contact Us.

The paper begins with a discussion of historical gift annuity rates. Next, it explains the assumptions underlying the rates and provides a rationale for EACH of them, (including the gift residuum, life expectancy, expenses, investment returns, and asset allocation.) Then it compares gift annuity rates with those offered by insurance companies (“commercial rates”). Finally, it shows why it is prudent for charities NOT to exceed the recommended maximum rates.

Assumptions for ACGA Suggested Maximum Gift Annuity Rates (7-1-04):

Asset Allocation: Equities: 40 %  
Bonds: 55 % (10 Year Treasury Bonds)  
Cash: 5 %

Average Annual Total Return: (See ACGA Paper for details):

Equities: 9.0 %  
Bonds: 4.0 %  
Cash: 1.0 %