



American Council on Gift Annuities

Research Committee Overview



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ACGA Research Committee

Key Research Committee activities consist of:

- Conduct the Gift Annuity Survey every 4 years; Plan and conduct new research
- Promulgate key findings from survey results and translate them into practical action items
- Use findings to conduct trainings and promote greater awareness for CGA programs
- Provide valuable data and collected materials to ACGA Board members and other committees
- Report results at the ACGA Conference and make them available for members on the ACGA website



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Thank you Research Committee Members

Kinna Clark, VP, Research & Director
 Bryan Clontz, Non-Board Volunteer
 Russell James, Non-Board Volunteer
 Lawrence Katzenstein, Director
 Shane Leib, Actuary
 Phil Purcell, President-Elect & Director
 Carl Wayne, Director
 Jon Bergdoll, Non-Board Volunteer

Alicia Gilbert, Executive Office
 Alanna Mejia, Executive Office




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Research Importance

- The gift annuity surveys conducted by the ACGA are the best source of information about charitable gift annuity policies, practices, and trends.
- The surveys include questions related to gifts, annuitants, administration, and investments. The surveys report data on over 20 years of continuities as well as changes.
- The ACGA's survey reports help charities evaluate their gift annuity programs and establish policies regarding their programs.
- The reports also provide supporting evidence to some charities as they explore the possibility of starting new programs.




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Examples of Past Research

- 2023 Marketing Survey
 - Russell will discuss today
- 2020-21 Gift Annuity Mortality Study
 - Bryan will discuss today
- 2021 Survey of Charitable Gift Annuities
 - This report on the 2021 Survey of Charitable Gift Annuities displays and analyzes the responses from 152 charitable organizations provided from April 2, 2021, through June 15, 2021. Many of the questions about gifts, annuitants, administration, and investments were asked in previous ACGA surveys. The results were reported at the 2022 ACGA Conference and reported to members after.
- 2019 Survey of Charitable Gift Annuity Program Best Practices
 - This report on the 2019 Survey of Charitable Gift Annuity Program Best Practices displays and analyzes the responses from 344 charitable organizations provided from April 1 through July 31, 2019. This important survey was conducted jointly by the American Council on Gift Annuities (ACGA) and the National Association of Charitable Gift Planners (CGP).
- Charitable Gift Annuities Surveys from previous years
 - Members can view on the ACGA Site: <https://www.acga-web.org/research>



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Upcoming Research and Call for Action


- Stay Tuned:
 - Marketing Survey Results Article – Website and Planned Giving Today
 - New Research Project Survey – Partnership with IU Lilly Family School of Philanthropy colleagues
 - 2025-26 CGA Survey
- Call to Action:
 - The ACGA is always looking for suggestions for future research that can be valuable for members and colleagues.
 - Please email suggestions or ideas to the ACGA at acga@acga-web.org.



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QUESTIONS?



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The Exciting and Exotic Tales of Mortality
Table Assumptions and Gift Planning

Bryan Clontz, Phd, CFP[®], CAP[®]




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Agenda

1. Longevity Risk: A Definition and Gift Planning Applications
2. Gift Planning Mortality Tables
3. ACGA Mortality Assumptions
4. Past CGA Mortality Study
5. Longevity Implications
6. Exhaustion Frequency and Severity for CGAs and CRATs




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Hers
9% CRAT in 2006

His
7.7% CGA in 1999



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Longevity Defined and PG Applications

Having a longer life than expected – AKA, outliving assumed life expectancy.


1900 – Average person expected to live to 47
2000 – Average person expected to live to 77
2020 – Average person expected to live to 79

Applications for Gift Planning

1. Gift Annuity Taxation
2. Present Value Calculations for Charitable Deduction Purposes
3. Calculating Life Income or Remainder Interest Values
4. Calculating FASB Liabilities or CGA Reserve Requirements
5. Planned Gift Risk Management/Acceptance Policies
6. ACGA Rate Recommendations
7. Planned Gift Investment Management
8. Planned Gift Valuation Standards
9. RMD Payments




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“I intend to live forever or die trying.”

Groucho Marx




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Gift Planning Mortality Tables

- **2000CM Table (2000 Census) – Static/Unisex**
Could be used prior to June 2, 2023, some use for FASB liability purposes.
- **2010CM Table (2010 Census) – Static/Unisex [Treasury Decision 9974]**
Mandatory for charitable income tax deduction purposes after June 2, 2023 (up to 3 year lookback), some use for FASB liability purposes.
- **Individual Annuity Reserve Table (2012) – Improving (G2 table)/Gender Specific**
Some used for FASB liability purposes, some used for CGA reserve calculations, and an adjustment for ACGA rates (use 45% Male-55% Female blend).
- **Expected Return Multiple Table (1983 Basic) – Static/Unisex**
Used to calculate CGA installment sale life expectancy and the CGP Valuation Guidelines.
- **Social Security Table (Static/Gender Specific) and Uniform Life Table – Static/Unisex**
Used to calculate CGA installment sale life expectancy and the CGP Valuation Guidelines.




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Miss Alabama in the 1994 Miss USA Contest

Question: If you could live forever, would you and why?

Answer: "I would not live forever, because we should not live forever, because if we were supposed to live forever, then we would live forever, but we cannot live forever, which is why I would not live forever."




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ACGA Mortality Assumption

- Mortality data collected from 50,000 lives over 5 number of years – 130,000 exposure years (2021 report)
- Mortality Data then “fitted” to closest published table with any necessary adjustments
- IAR 2012 with Projection Scale G2 (roughly 1%) with 45% male/55% female was the best fit model
- Differences were found between charity types, as well as **strong** self-selection meaning new CGAs had extremely low mortality




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Personal Life Expectancy Calculator

<https://www.blueprintincome.com/tools/life-expectancy-calculator-how-long-will-i-live/>



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2005 CGA Mortality Research

- Behan-Clontz CGA Mortality Study for the Society of Actuaries – 22,000+ CGAs from 27 Charities


Sample Case: 78-Year-Old Female/\$100K 7.2% CGA-Q/5% Discount Rate

2010 IRS Table	8.6 Years	\$50,334 Liability (PV of Life Income)
CGA Return Table	9.6 Years	
RMD	11.5 Years	
ACGA-LE	12.8 Years	
IAR 2012	14.1 Years	\$72,536 Liability
Behan-Clontz	14.8 Years	\$74,979 Liability (PV of Life Income)

Income Tax Deduction Overstated by 100%
Liability Understated by 50% over 2010 IRS Table




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Longevity Implications on Planned Giving

- Higher proportion of CGAs and CRATs will exhaust than assumed
- Asset managers invest with a shorter time-horizon than actual
- FASB liabilities are 10-30% under-stated
- Charitable deduction is 20-40% over-stated
- Reinsurance is generally underpriced
- Life income interests are under-stated
- Remainder interests are over-stated
- Valuation standards over-stating actual PV gifts




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Exhaustion Frequency and Severity

- 1998-2002 and 2006-2008: 20-45% Exhaustion Probability for all CGAs/CRATs
*Assumed 60% Equity/40% Bond Allocation, ACGA-Assumed Life Expectancies and Historic Future Returns
- 6-12% Exhaustion Probability for New CGAs
- Of the CGAs that exhaust, the average cumulative "loss" on original gift is 10-15%
- Lowest Risk – Young Single Male with Deferred Annuity
- Highest Risk – 90-Year-Old Single Female



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Research: Statistics and Psychology in Charitable Gift Annuity Marketing

3:00 14:00 15:00 16:00 17:00 18:00 19:00 20:00 21:00 22:00 23:00 24:00

Professor Russell James

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Major findings from 2023 Survey

Summary by Professor Russell James



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What research data can the ACGA provide to add value for you and/or your organization?

Open-ended response. Most common themes were:

- | | |
|-----------------------------------|--------------------------------------|
| 1. Marketing (19) | 8. Administrative examples/forms (3) |
| 2. Best practices/benchmarks (10) | 9. Risk/Actuarial/Reinsurance (3) |
| 3. Trends (5) | 10. IRA Funding (2) |
| 4. ROI/Residuums (5) | 11. Regulations/legislation (2) |
| 5. Rates (5) | |
| 6. CGA Contract Statistics (5) | |
| 7. CGA Annuitant Demographics (4) | |




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What marketing provider did you use or did you create it in-house?

- In-House (25)
- Crescendo (7)
- Stelter (5)
- PG Calc (3)
- Pentera (2)
- Other – MarketSmart (1); CDR (1); Endowment Development Services (1)




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Is there one marketing piece that had higher response rates than others?

Open-ended response. Most common themes were:

- No/Can't Tell (14)
- Providing estate planning information (4)
- Rate changes (3)
- Email/personal email (3)
- Newsletter (3)
- In-Person (2)
- Letter/personal letter (2)
- One-page info sheet (2)
- QCD-CGA (1)
- Younger audience deferred CGAs (1)




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Nonprofit sectors if organization named

- Colleges, universities, schools (24)
- Religion (6)
- Healthcare/Cancer (6)
- Other (8)



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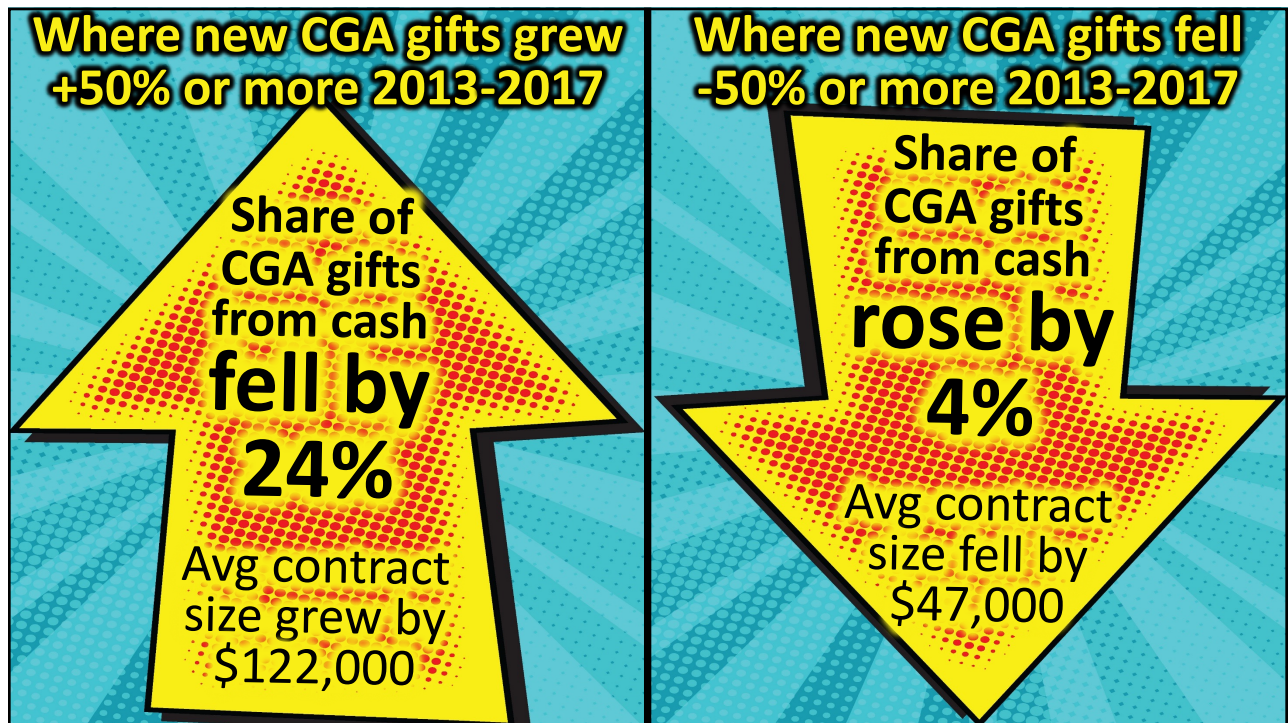
**National IRS 990 data shows noncash gifts like stocks and real estate drive future contributions growth. (A “mental accounting” shift from income sharing to wealth sharing)
What about planned gifts like Charitable Gift**



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What
job titles
work best
for donors?

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Would definitely contact	Very likely to contact	Somewhat likely to contact	Somewhat unlikely to contact	Very unlikely to contact	Would never contact
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Who at the charity are you more likely to contact?

- Gift of stock
- Real estate gift
- Charitable gift annuity
- Gift in a will

5,621 People Surveyed.
Each person chose from only 13 titles for each scenario. Scenarios and titles were rotated among ten different respondent groups balancing alphabetical and reverse alphabetical title order.

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**Tested
71 Titles**




Chief Advancement Officer; Advancement Development; Business Development; Campaign; Charitable Estate Planning; Development; Donor Development; Donations Consultant; Donor; Donor Assistant; Donor Counselor; Donor Ombudsman; Donor Relations; Estates; Executive; External Relations; Finance; Financial; Financial Advisor for Donors; Fundraising; Gift Planner; Gift Planning; Individual Giving; Institutional Advancement; Leadership Gifts; Legacy Planning; Major Gifts; Philanthropic Strategist; Planned Gifts; Planned Giving; Real Estate Gifting; Resource Development; Special Gifts; Stewardship

Director of Advancement; Advancement Development; Advancement/Planned Giving; Annual Giving; Charitable Estate Planning; Charitable Planning; Complex Gifts; Development; Development & Marketing; Donor Advising; Donor Assistance; Donor Development; Donor Relations; Donor Guidance; Estate & Gift Planning; Estates; Finance; Fundraising; Institutional Advancement & Gift Planning; Institutional Advancement; Legacy Planning; Major Gifts; Major Gifts & Legacy Planning; Personal Philanthropy; Philanthropic Opportunities; Philanthropy; Planned Gifts; Planned Gifts & Grants; Planned Giving; Planned Giving & Estate Administration; Planned Giving & Finance; Planned Giving

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You read in a newspaper article about a plan where you can receive a tax deduction and make a gift that pays you income for life.

Who at the charity are you more likely to contact to ask about this?



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Charitable Gift Annuity

Best 10 Titles (of 71 tested)

1. (co) Financial Advisor for Donors
2. (do) Planned Giving & Finance
3. (do) Donor Advising
4. (do) Planned Giving
5. (do) Trusts, Estates & Gift Planning
6. (do) Advancement & Planned Giving
7. (do) Planned Gifts & Grants
8. (co) Gift Planning
9. (co) Individual Giving
10. (co) Donations Consultant

Worst 10 Titles (of 71 tested)


1. (co) Campaign
2. (co) Advancement Development
3. (co) Advancement
4. (co) Institutional Advancement
5. (do) Institutional Advancement
6. (do) Advancement Development
7. (do) Advancement
8. (co) Development
9. (co) Resource Development
10. (do) Development & Marketing

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Do we communicate with donor language or insider language?




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Make a gift
and in exchange receive a guaranteed lifetime income from the charity.

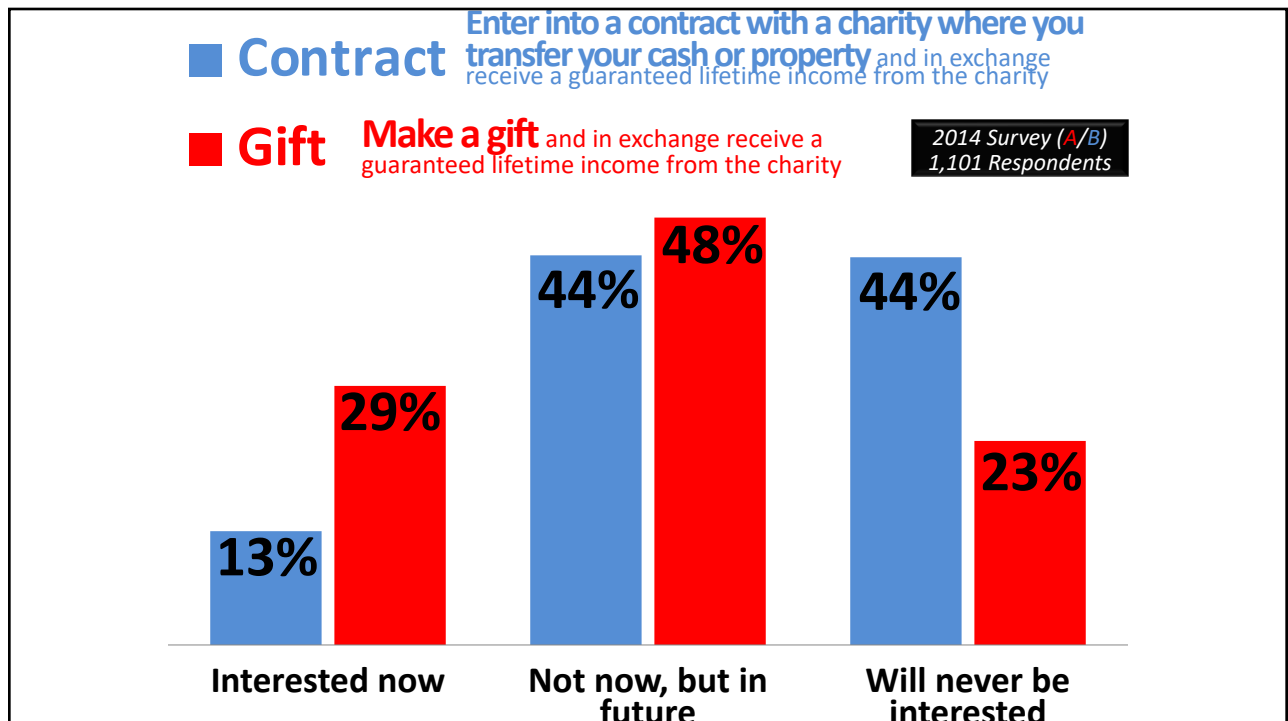
Describing a CGA



Enter into a contract with a charity where you transfer your cash or property
and in exchange receive a guaranteed lifetime income from the charity.

Does it make much difference?

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Formal terms lower charitable interest

2014 Survey, 1,418 Respondents, Group F/G

**Interested
Now**

**Will Never
Be
Interested**

50%

Receive a tax deduction and make a gift that pays you income for life

8%

23%

Receive a tax deduction and make a gift that pays you income for life

19%

**called a “Charitable
Gift Annuity”**

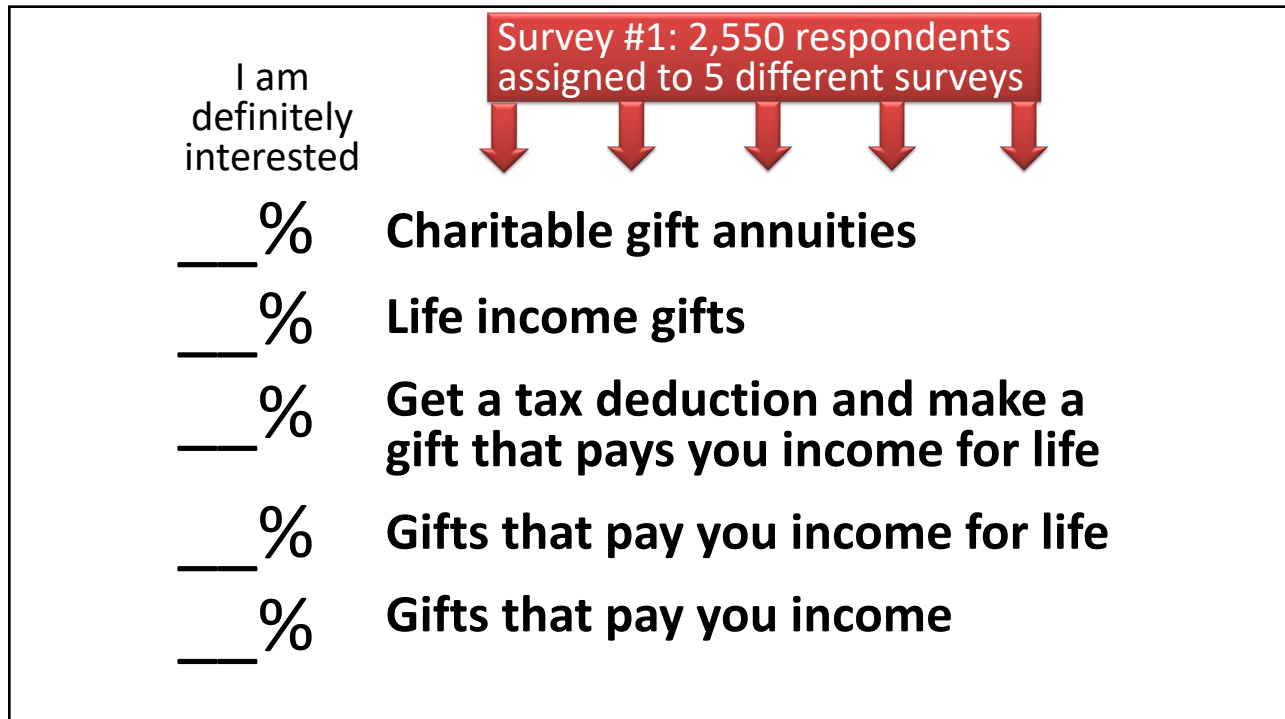
45

Suppose you are viewing the website of a charity representing a cause that is important in your life. In addition to a “Donate Now” button, the following buttons appear on the website. Please rate your level of interest in clicking on the button to read the corresponding information.

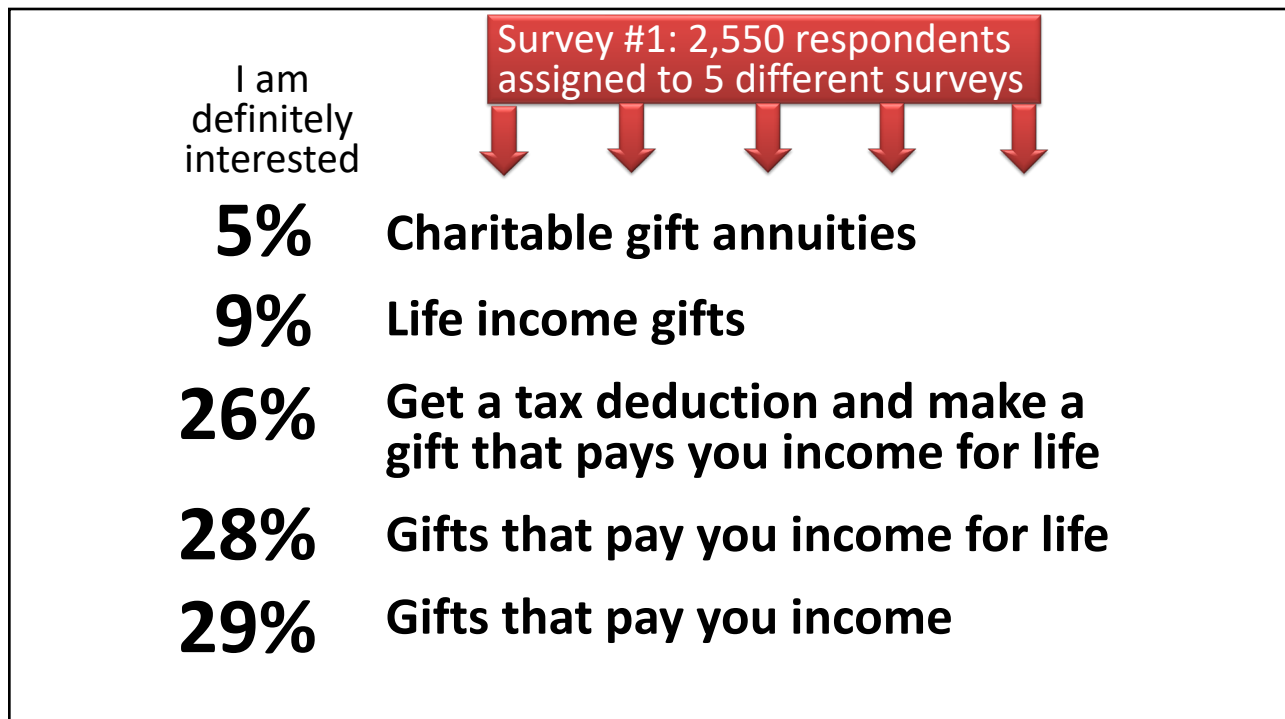
- (1) I am definitely NOT interested**
- (2) I don’t think I would be interested**
- (3) I don’t know if I would be interested**
- (4) I might be interested**
- (5) I am definitely interested**



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Does this differ for people of different ages, or for people who make substantial donations to charity?

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Group Differences			
All	55+	Donor \$1k+	I am definitely interested
5%	4%	5%	Charitable gift annuities
9%	11%	10%	Life income gifts
26%	22%	26%	Get a tax deduction and make a gift that pays you income for life
28%	25%	27%	Gifts that pay you income for life
29%	23%	26%	Gifts that pay you income


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Combined Results		"How to make a gift and, in return, receive lifetime income from the charity"
I am definitely interested		I definitely expected this
___%	Charitable gift annuities	___%
___%	Life income gifts	___%
___%	Get a tax deduction and make a gift that pays you income for life	___%
___%	Gifts that pay you income for life	___%
___%	Gifts that pay you income	___%


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Combined Results		"How to make a gift and, in return, receive lifetime income from the charity"
I am definitely interested		I definitely expected this
5%	Charitable gift annuities	15%
9%	Life income gifts	24%
26%	Get a tax deduction and make a gift that pays you income for life	31%
28%	Gifts that pay you income for life	34%
30%	Gifts that pay you income	30%

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Social Desirability Bias



People are unlikely to report giving as motivated by personal benefits like tax deductions

The motivational effects of tax benefits are clear when measured *directly*

Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding

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Mentioning tax deductions increases charitable interest

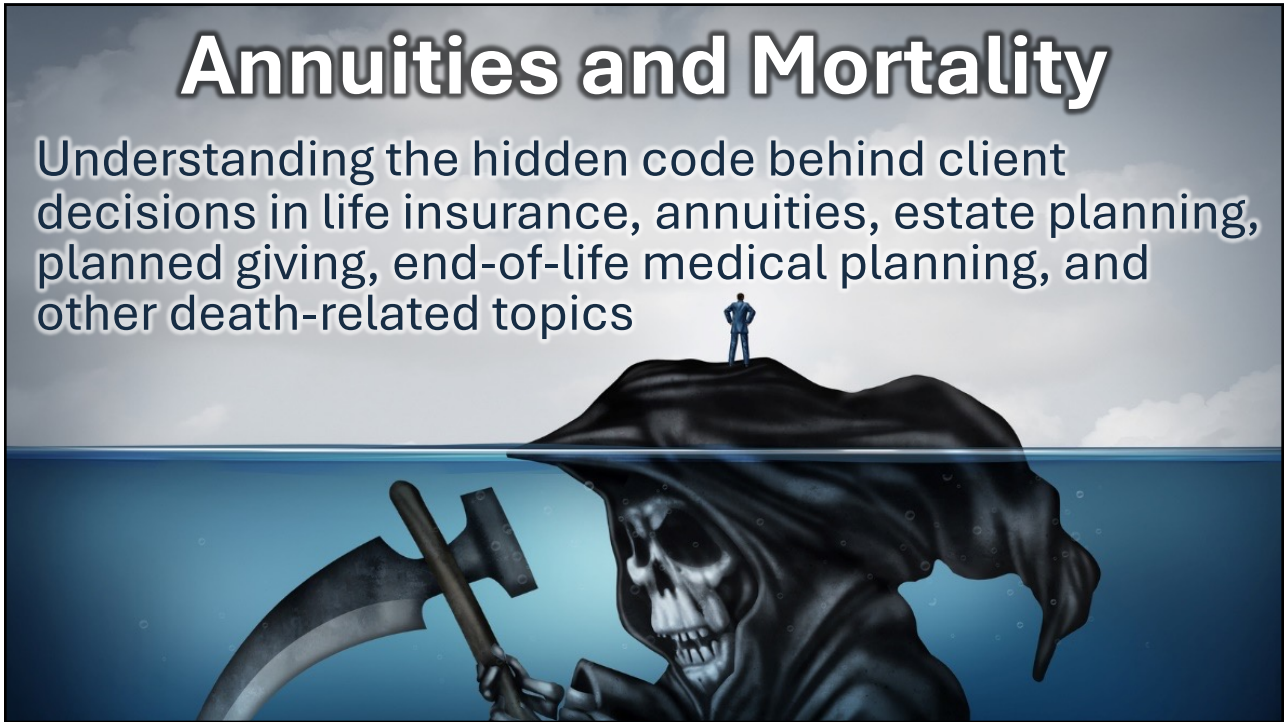
2014 Survey, 1,904 Respondents, Groups D/E/F

<p>Interested <u>Now</u> 50%</p>	<p>Receive a tax deduction and make a gift that pays you income for life.</p>	<p>Will Never Be Interested 8%</p>
<p>33%</p>	<p>Make a gift that pays you income for life and receive a tax deduction.</p>	<p>14%</p>
<p>31%</p>	<p>Make a gift that pays you income for life.</p>	<p>20%</p>

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Annuities and Mortality

Understanding the hidden code behind client decisions in life insurance, annuities, estate planning, planned giving, end-of-life medical planning, and other death-related topics



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Mortality reminders are inherent in a variety of decisions with major financial planning implications



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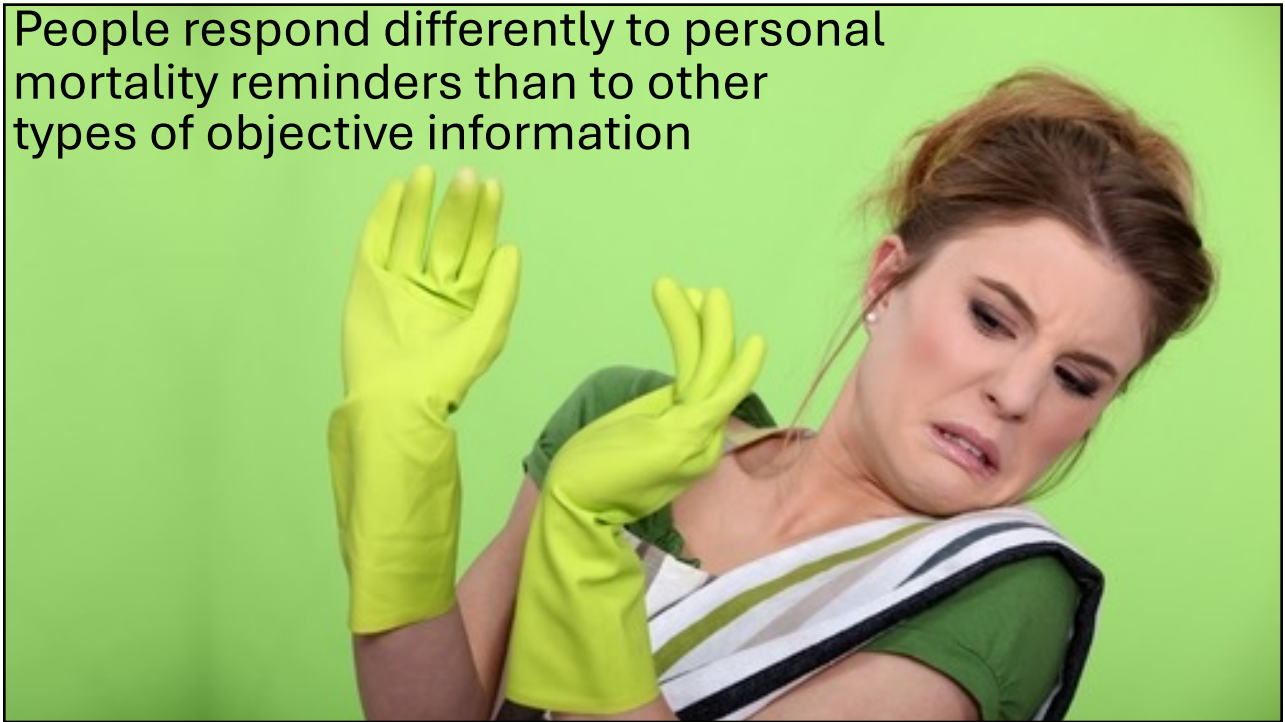
<p>What you see</p>  <p>Seminar Tonight: Estate Planning</p>	<p>What the client's subconscious sees</p>  <p>Seminar Tonight: Your Upcoming Death</p>
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<p>What you see</p>  <p>Seminar Tonight: Annuities</p>	<p>What the client's subconscious sees</p>  <p>Seminar Tonight: Your Upcoming Death</p>
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People respond differently to personal mortality reminders than to other types of objective information

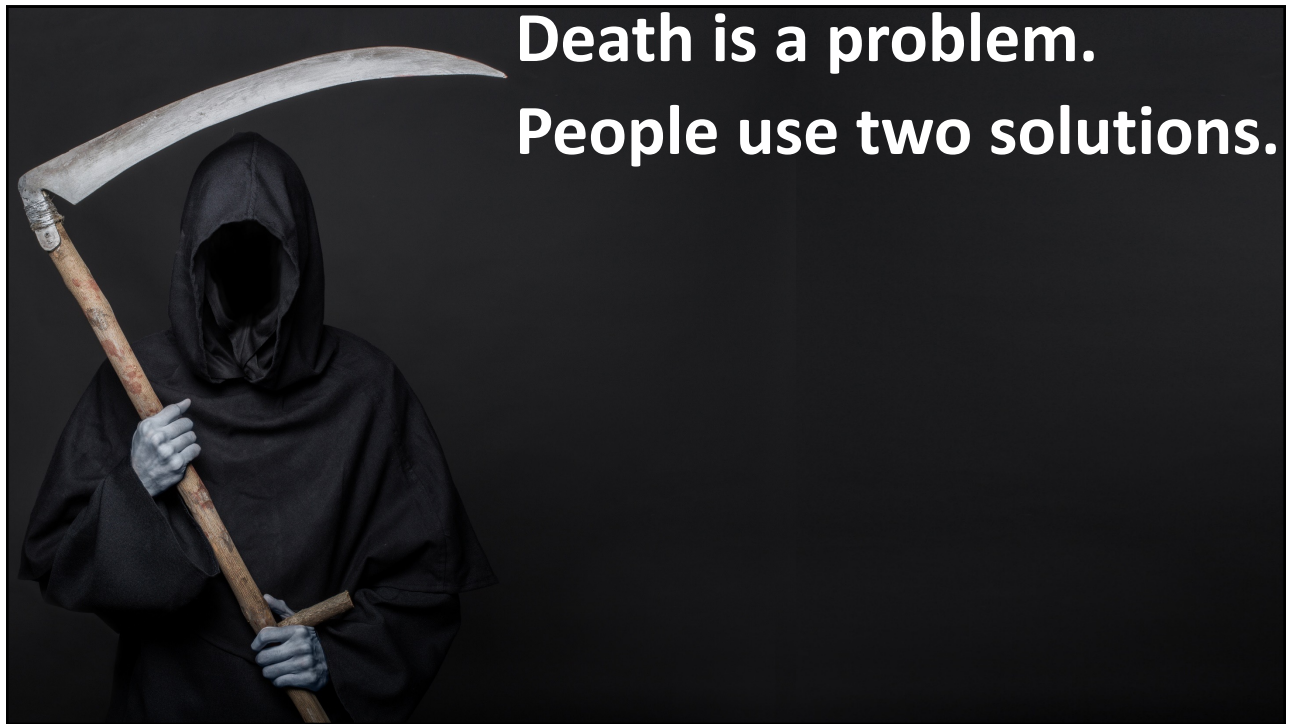


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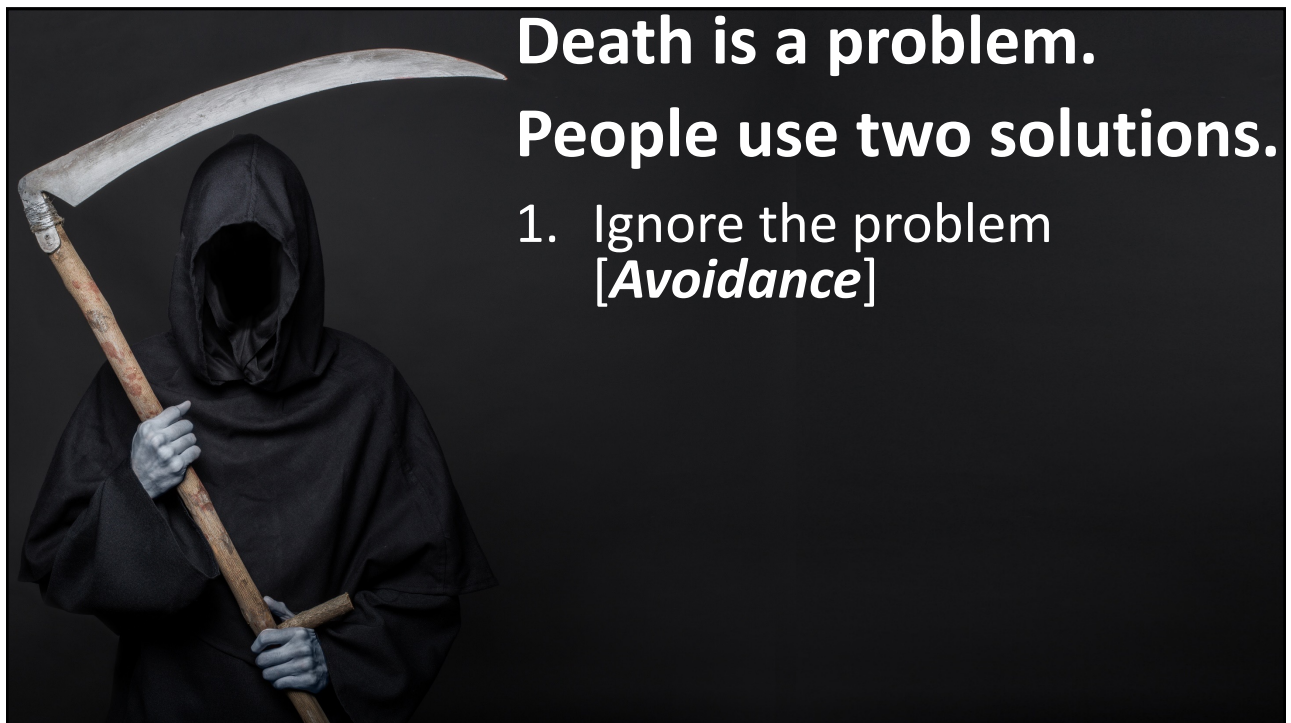
Death is a problem.




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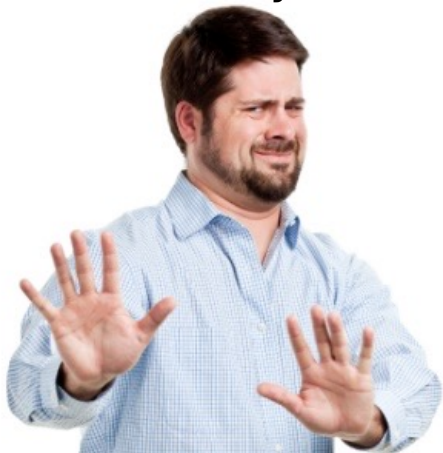
**Death is a problem.
People use two solutions.**

1. Ignore the problem
[*Avoidance*]
2. Live on after death
[*Symbolic immortality*]

In the tangible world, the only thing that survives to remember us is our family, our community, our group, a.k.a., our in-group

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Both economic and psychological approaches predict that mortality reminders can lead to



1. Avoidance
(initial and induced)



2. Pursuit of lasting social impact
("symbolic

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Annuities



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Annuities are a death reminder



An annuity involves an explicit bet on one's own longevity.

When asked to list their thoughts, 1% of those contemplating an IRA mentioned death-related thoughts, as compared with 40% of those contemplating an annuity.

Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. *Journal of*

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Initial avoidance suggests resistance to contemplation



Changing annuity description from “each year you live” to “each year you live until you die”, and “if the annuity holder lives up to different ages” with “depending on the age when the annuity holder dies” increased death-related thoughts and consequently lowered interest in purchasing annuities. The reduction in interest was fully mediated by the change in death-related thoughts.

Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. *Journal of Consumer Psychology*, 26(3), 417-425.

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Induced avoidance suggests increased resistance to contemplation after death reminders



Participants were randomly assigned to write an essay about either dental pain or their own death before indicating their interest in purchasing an annuity at age 65. Among those who first wrote about their own death, only 23% expressed interest in purchasing an annuity at age 65, while 41% of the comparison group did so.



Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. *Journal of Consumer Psychology*, 26(3), 417-425.

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Pursuit of lasting social impact
suggests that once mortality
salience is induced, a bequest
benefit will become more
attractive

Both increasing death wording and writing a death essay increased preference for an annuity with a bequest benefit instead of a standard annuities (Williams & James, 2017)

Increasing bequest motivation will decrease interest in standard annuities (Friedman & Warshawsky, 1990; Lockwood, 2012).

Three-fourths of all annuities owned by recent retirees actually contain survivor benefits (Lockwood, 2012).

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Strategies

If you want a larger audience, don't lead with death

Reduces avoidance response, thus increasing general audience willingness to engage with initial, preparatory, lead-in topics



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Strategies

If you want a larger audience, don't lead with death

- It's "each year you live" not "each year you live until you die"
- It's "if the annuity holder lives up to different ages" not "depending on the age when the annuity holder dies"

Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. *Journal of Consumer Psychology*, 26(3), 417-425.



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Strategies:
Emphasize
lasting social
impact



Something reflecting the person's life story
(community and values) will live beyond them

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Strategies: Emphasize **lasting** social impact

- Consider annuities with survivor benefits
- Reframe a standard annuity as protecting a bequest benefit from other assets. Without an annuity, excessive longevity will eat through all assets leaving no bequest for future generations.
- In experiments this increases interest in annuity purchase, especially for those interested in leaving a bequest



Yan, Y. & James, R. N., III. (2021). Framing the Annuity as Bequest Protection: An Experimental Test. *Financial Services Review*, 29, 277-291.

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Strategies: **Present a social norm default**

- Pursuit of lasting social impact suggests that once mortality salience is induced, social approval becomes more important.
- Induced avoidance suggests increased resistance to contemplation after death reminders. A simple default limits contemplation effort.



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What “you” would do or what another donor has done?

You make a gift and receive a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of your life.

Gift Annuity

Interested Now
Definitely/somewhat/slightly

All: _____%
55+: _____%

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

All: _____%
55+: _____%

Please rate your interest in pursuing the above described charitable giving arrangement

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What “you” would do or what another donor has done?

You make a gift and receive a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of your life.

Gift Annuity

Interested Now
Definitely/somewhat/slightly

All: **33.5%**
55+: **23.2%**

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

All: **38.6%**
55+: **38.6%**

Please rate your interest in pursuing the above described charitable giving arrangement

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Text only or text and donor picture?

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.

Gift Annuity



Please rate your interest in pursuing the above described charitable giving arrangement: % Interested now (definitely/somewhat /slightly)

All: ___%

All: ___%

55+: ___%

55+: ___%

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Text only or text and donor picture?

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount will go to the charity at the end of her life.

Gift Annuity

Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.

Gift Annuity



Please rate your interest in pursuing the above described charitable giving arrangement: % Interested now (definitely/somewhat /slightly)

All: **38.6%**


All: **31.1%**

55+: **38.6%**




55+: **29.8%**

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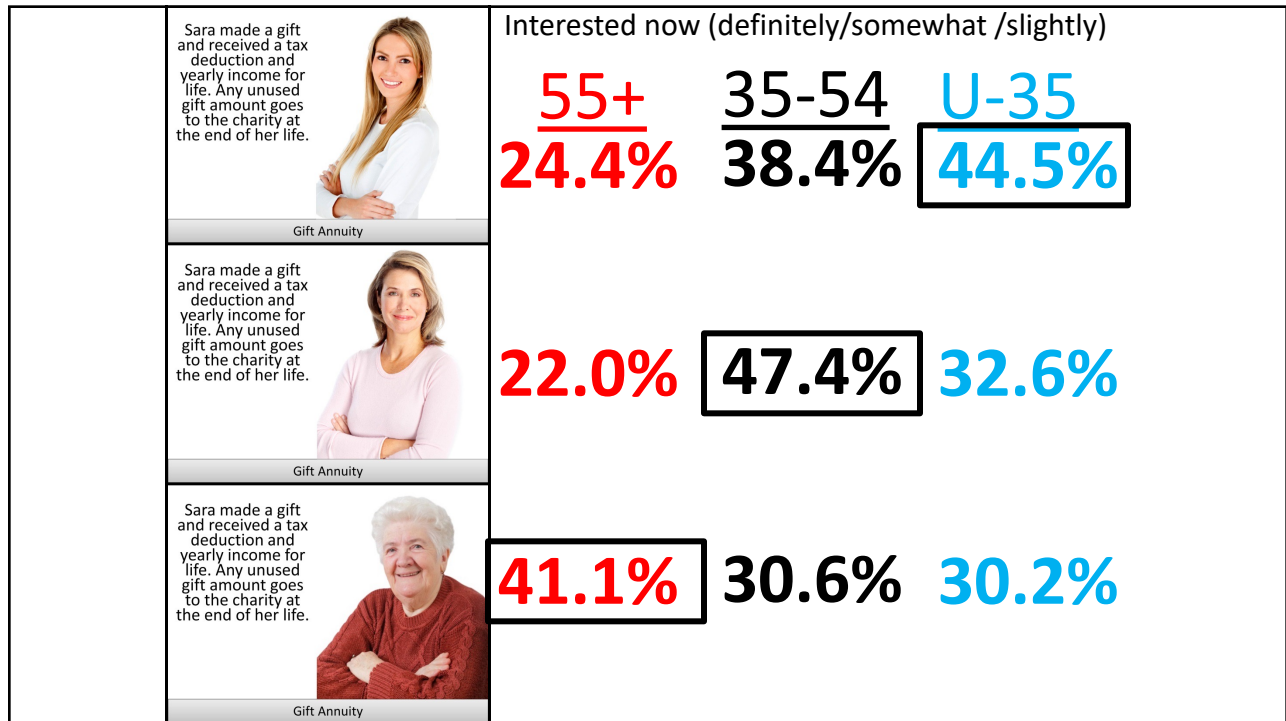
What's the problem with the donor picture? Is it just this photo? This donor age? Is it photos in general or what?



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		Interested now (definitely/somewhat /slightly)		
		55+ ____%	35-54 ____%	U-35 ____%
<p>Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.</p>  <p>Gift Annuity</p>				
<p>Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.</p>  <p>Gift Annuity</p>				
<p>Sara made a gift and received a tax deduction and yearly income for life. Any unused gift amount goes to the charity at the end of her life.</p>  <p>Gift Annuity</p>				

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How do these compare with text only or a non-donor photo?

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Similar [dissimilar] age donor photos did better [worse] than text only or non-donor photo

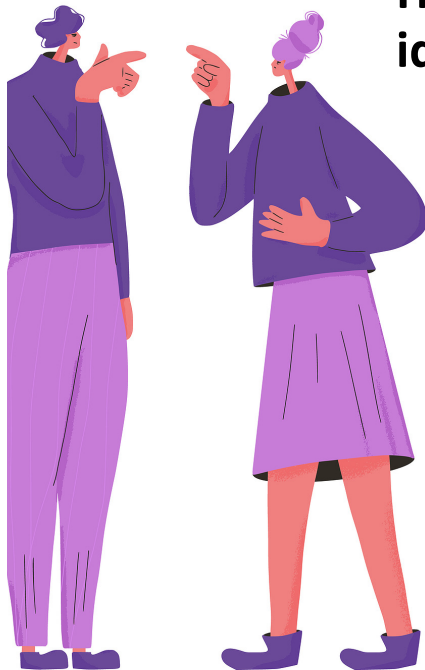


Why?

The association was completely explained (mediated) by the answer to one question...

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How much do you identify with Sara?



- She is not at all like me
- She is not really like me
- She is a little bit like me
- She is somewhat like me
- She is a lot like me

People like me do things like this

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Research: Statistics and Psychology in Charitable Gift Annuity Marketing

13:00 14:00 15:00 16:00 17:00 18:00 19:00 20:00 21:00 22:00 23:00 24:00

Professor Russell James

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Thank you!
Submit your session survey online!

AGCA

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