

**Rates Effective July 1, 2006 - June 30, 2007**

**Approved by the American Council on Gift Annuities on April 5, 2006**

*Information last updated October 23, 2006*

**IMMEDIATE GIFT ANNUITY RATES WILL NOT CHANGE**

Immediate gift annuity rates remain the same, but the compounding rate for deferred gift annuities will change.

Having conducted its annual review, the ACGA Rates Committee recommended that current gift annuity rates for immediate gift annuities, which became effective on July 1, 2003, remain in effect for another year. With reference to deferred gift annuities, the Committee recommended that the compound interest rate during the deferral period be increased from 5.0 percent to 5.25 percent. At its recent meeting, the ACGA board approved these recommendations.

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

American Council on Gift Annuities

1260 Winchester Pkwy., SE, Suite 205 • Smyrna, GA 30080-6546

P: (770) 874-3355 F: (770) 433-2907 W: [www.acga-web.org](http://www.acga-web.org) E: [acga@acga-web.org](mailto:acga@acga-web.org)

39	39+	4.2	75	86-88	6.8	85	87	8.1
40	40+	4.3	75	89+	6.9	85	88	8.2
41	41+	4.3	76	76	6.4	85	89	8.3
42	42+	4.3	76	77-78	6.5	85	90	8.4
43	43+	4.4	76	79-80	6.6	85	91	8.5
44	44+	4.4	76	81-82	6.7	85	92	8.6
45	45+	4.5	76	83-84	6.8	85	93-94	8.7
46	46+	4.5	76	85-87	6.9	85	95+	8.8
47	47+	4.6	76	88+	7.0	86	86	8.1
48	48+	4.6	77	77	6.5	86	87	8.2
49	49+	4.7	77	78-79	6.6	86	88	8.4
50	50+	4.7	77	80	6.7	86	89	8.5
51	51+	4.8	77	81-82	6.8	86	90	8.6
52	52+	4.9	77	83-84	6.9	86	91	8.7
53	53+	4.9	77	85-87	7.0	86	92	8.8
54	54	5.0	77	88-90	7.1	86	93	8.9
55	55+	5.0	77	91+	7.2	86	94	9.0
55	55+	5.0	78	78-79	6.7	86	95+	9.1
56	56-57	5.1	78	80-81	6.8	87	87	8.4
56	58+	5.2	78	82	6.9	87	88	8.5
57	57-58	5.2	78	83-84	7.0	87	89	8.6
57	59+	5.3	78	85-86	7.1	87	90	8.8
58	58-63	5.3	78	87-89	7.2	87	91	8.9
58	64+	5.4	78	90-92	7.3	87	92	9.0
59	59-61	5.4	78	93+	7.4	87	93	9.1
59	62+	5.5	79	79	6.8	87	94	9.2
60	60	5.4	79	80-81	6.9	87	95+	9.3
60	61+	5.5	79	82	7.0	88	88	8.7
61	61-65	5.5	79	83-84	7.1	88	89	8.8
61	66+	5.6	79	85-86	7.2	88	90	8.9
62	62-64	5.5	79	87-88	7.3	88	91	9.1
62	65-70	5.6	79	89-90	7.4	88	92	9.2
62	71+	5.7	79	91-93	7.5	88	93	9.3
63	63	5.5	79	94+	7.6	88	94	9.4
63	64-68	5.6	80	80	6.9	88	95+	9.5

American Council on Gift Annuities

1260 Winchester Pkwy., SE, Suite 205 • Smyrna, GA 30080-6546

P: (770) 874-3355 F: (770) 433-2907 W: [www.acga-web.org](http://www.acga-web.org) E: [acga@acga-web.org](mailto:acga@acga-web.org)

63	69+	5.7	80	81	7.0	89	89	9.0
64	64-66	5.6	80	82	7.1	89	90	9.1
64	67-72	5.7	80	83-84	7.2	89	91	9.3
64	73+	5.8	80	85	7.3	89	92	9.4
65	65	5.6	80	86-87	7.4	89	93	9.5
65	66-70	5.7	80	88-89	7.5	89	94	9.7
65	71+	5.8	80	90-91	7.6	89	95+	9.8
66	66-68	5.7	80	92-94	7.7	90	90	9.3
66	69-73	5.8	80	95+	7.8	90	91	9.5
66	74+	5.9	81	81	7.1	90	92	9.6
67	67	5.7	81	82-83	7.2	90	93	9.8
67	68-71	5.8	81	84	7.3	90	94	9.9
67	72-76	5.9	81	85	7.4	90	95+	10.1
67	77+	6.0	81	86-87	7.5	91	91	9.6
68	68-70	5.8	81	88	7.6	91	92	9.8
68	71-74	5.9	81	89-90	7.7	91	93	10.0
68	75-78	6.0	81	91-92	7.8	91	94	10.1
68	79+	6.1	81	93-94	7.9	91	95+	10.3
69	69	5.8	81	95+	8.0	92	92	10.0
69	70-72	5.9	82	82-83	7.3	92	93	10.2
69	73-76	6.0	82	84	7.4	92	94	10.4
69	77-80	6.1	82	85	7.5	92	95+	10.6
69	81+	6.2	82	86	7.6	93	93	10.4
70	70-71	5.9	82	87	7.7	93	94	10.6
70	72-74	6.0	82	88-89	7.8	93	95+	10.8
70	75-77	6.1	82	90	7.9	94	94	10.8
70	78-82	6.2	82	91-92	8.0	94	95+	11.0
70	83+	6.3	82	93-94	8.1	95 & over	95+	11.1
71	71-73	6.0	82	95+	8.2			
71	74-76	6.1						
71	77-79	6.2						
71	80-83	6.3						
71	84+	6.4						

## Deferred Payment Gift Annuity Factors (All states except New York & New Jersey)

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:

$F = 1.0525^d$ , 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  $1.0525^{14.5760} = 2.1082$ .

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 2.1082, the deferred gift annuity rate would be  $2.1082 \times 6.0\% = 12.6\%$  (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.
- Charities issuing deferred gift annuities in New York and New Jersey may need to use a slightly lower compounding rate depending on the deferral period. Information regarding this subject will be posted on the ACGA website ([www.acga-web.org](http://www.acga-web.org)) and on the new gift annuity rate sheets.

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

Through August of 2007, the following compound interest factors during the deferral period noted will satisfy the requirements of New York and New Jersey:

### **For deferral periods of zero to no more than five years:**

Single-life and two-life annuities, whatever the gender of the annuitants, a compound interest factor of 5.25%. This is ACGA's suggested compound interest factor for deferred gift annuities.

### **For deferral periods of more than five years to no more than 10 years:**

Single-life and two-life annuities, whatever the gender of the annuitants, a compound interest factor of 5.25%. This is ACGA's suggested compound interest factor for deferred gift annuities.

### **For deferral periods of more than 10 years to no more than 20 years:**

Single-life annuity (male annuitant), compound interest factor of 5.15%.

Single-life annuity (female annuitant), compound interest factor of 4.75%.

Two-life annuity (both males), compound interest factor of 5.0%

Two-life annuity (both females), compound interest factor of 4.65%.

Two-life annuity (one male and one female), compound interest factor of 4.8%.

### **For deferral periods of more than 20 years:**

Single-life annuity (male annuitant), compound interest factor of 4.25%.

Single-life annuity (female annuitant), compound interest factor of 4.0%.

Two-life annuity (both males), compound interest factor of 4.2%

Two-life annuity (both females), compound interest factor of 4.0%.

Two-life annuity (one male and one female), compound interest factor of 4.05%.

<b>Current annual interest rates during the deferral period for deferred gift annuities which would meet NY/NJ requirements (regardless of age) until NY/NJ next update their maximum allowable interest rates</b>					
Years in Deferral Period	Single Life		Two Lives		
	Male	Female	M/M	M/F or F/M	F/F
5 or less	5.25%	5.25%	5.25%	5.25%	5.25%
More than 5, up to 10	5.25%	5.25%	5.25%	5.25%	5.25%
More than 10, up to 20	5.15%	4.75%	5.00%	4.80%	4.65%
More than 20	4.25%	4.00%	4.20%	4.05%	4.00%

\*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 Underlying the Suggested ACGA Gift Annuity Rates**

The assumptions underlying the rates that will become effective on July 1, 2006 are slightly different from the assumptions underlying the rates that became effective last July.

Following is a summary of the assumptions on which the July 1, 2006 rates are based.

1. The residuum realized by the charity upon termination of an annuity is 50 percent.
2. Life expectancies are based on the Annuity 2000 Mortality Tables for female lives with a two-year setback in ages. This is a departure from last year's assumption of a 1 ½-year setback. The rates also incorporate projections for increasing life expectancies.
3. Annual expenses for investment and administration are one percent of the fair market value of gift annuity reserves.
4. The total annual return on gift annuity reserves is 6.25% percent (up from 6.0%).



5. The rates for the youngest and oldest ages are somewhat lower than the rates that would follow from the first four assumptions.

### **Additional Assumption for Deferred Gift Annuities**

The annual compound interest rate credited during the deferral period for deferred payment gift annuities is 5.25%. In other words, each dollar contributed for a deferred gift annuity is presumed to grow at an annual compound interest rate of 5.25% between the date of contribution and the annuity starting date.

If payments will be made at the end of the period, which is usually the case, the annuity starting date would be at the beginning of the first period for which a payment is made. For example, if payments will be quarterly, and the first payment will be made on September 30, 2014, the annuity starting date would be July 1, 2014. If payments will be made semi-annually, the annuity starting date in this case would be April 1, 2014.

Assuming that the annuitant would be nearest age 65 on the annuity starting date and that the period between the contribution date and the annuity starting date is 10.25 years, the compound interest factor would be  $1.0525^{10.25}$  or 1.6896. To determine the deferred gift annuity rate, this factor is multiplied by the immediate gift annuity rate, now in effect, for the nearest age of the annuitant at the time payments begin. In this example, the deferred gift annuity rate would be 1.6896 x 6.0 percent, which equals 10.1 percent (rounded to the nearest tenth of a percent).

The compounding rate during the deferral period is simply the assumed net return (total assumed return of 6.25% less one percent for expenses). The compounding rate applies to the entire compounding period, whatever its length. In the past, the compounding rate for periods in excess of 20 years was less than the compounding rate for the first 20 years of the deferral period.

In two states, New York and New Jersey, it is sometimes necessary to apply a slightly lower compounding rate when the deferral period is relatively long in order not to exceed those states' maximum allowable deferred gift annuity rates. The ACGA website contains information about New York and New Jersey requirements at any given time.

### **Comments on Gift Annuity Rates**

At its meeting on April 5, 2006 in San Francisco, immediately prior to the ACGA conference, the ACGA board approved the recommendation of the Gift Annuity Rates Committee to CONTINUE the CURRENT immediate gift annuity rates (established on 7-1-03) for another year. However, for deferred payment gift annuities, the compounding rate will increase from 5.0% to 5.25%.

Unless unforeseen circumstances should necessitate an interim adjustment, these rates will remain in effect at least THROUGH June 30, 2007.

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, see link below.

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 (7-1-06):

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

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

Equities: 9.00 %  
Bonds: 4.50 %  
Cash: 4.22 %

A complete report on the 2006 ACGA suggested gift annuity rates is available to our sponsors at no charge in our online **Sponsors’ Forum** section. A hard copy of the report is available for purchase, please Contact Us.