

**Rates Effective July 1, 1999 - June 30, 2001**

**Approved by the American Council on Gift Annuities April 18, 1999**

- Single Life - ACGA Suggested Gift Annuity Rates
- Two Life - 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 Underlying ACGA Gift Annuity Rates (7/1/99 Current)
- Understanding Changes in 7/1/99 Gift Annuity Rates by Frank Minton

**SINGLE LIFE**

Age	Rate	Age	Rate
20 and under	4.9%	56	6.2
21	5.0	57	6.3
22	5.0	58	6.4
23	5.1	59	6.5
24	5.1	60	6.6
25	5.2	61	6.7
26	5.2	62	6.8
27	5.2	63	6.9
28	5.2	64	6.9
29	5.3	65	7.0
30	5.3	66	7.1
31	5.3	67	7.2
32	5.3	68	7.3
33	5.4	69	7.4

34	5.4	70	7.5
35	5.4	71	7.6
36	5.4	72	7.7
37	5.5	73	7.8
38	5.5	73	7.8
39	5.5	74	8.0
40	5.5	75	8.2
41	5.6	76	8.3
42	5.6	77	8.5
43	5.6	78	8.7
44	5.6	79	9.0
45	5.7	80	9.2
46	5.7	81	9.4
47	5.7	82	9.6
48	5.8	83	9.9
49	5.8	84	10.2
50	5.8	85	10.5
51	5.9	86	10.8
52	5.9	87	11.1
53	6.0	88	11.4
54	6.0	89	11.7
55	6.1	90 and over	12.0

## Two Lives - Joint and Survivor

Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate
20 and under	All	4.7	72	72-73	7.0	82	91	9.1
			72	74-75	7.1	82	92-93	9.2
21	21+	4.8	72	76-78	7.2	82	94+	9.3
22	22+	4.8	72	79-81	7.3	83	83	8.5
23	23+	4.9	72	82-84	7.4	83	84	8.6
24	24+	4.9	72	85+	7.5	83	85	8.8
25	25+	5.0	73	73-74	7.1	83	86	8.9
26	26+	5.0	73	75-76	7.2	83	87-88	9.0
27	27+	5.0	73	77-79	7.3	83	89	9.1
28	28+	5.0	73	80-81	7.4	83	90	9.2
29	29+	5.0	73	82-84	7.5	83	91	9.3
30	30+	5.0	73	85+	7.6	83	92-93	9.4
31	31+	5.1	74	74-75	7.2	83	94	9.5
32	32+	5.1	74	76-77	7.3	83	95+	9.6
33	33+	5.1	74	78-79	7.4	84	84	8.8
34	34+	5.1	74	80-81	7.5	84	85	8.9
35	35+	5.1	74	82-84	7.6	84	86	9.0
36	36+	5.2	74	85-87	7.7	84	87	9.1
37	37+	5.2	74	88+	7.8	84	88	9.2
38	38+	5.2	75	75-76	7.3	84	89	9.3
39	39+	5.2	75	77-78	7.4	84	90	9.4
40	40+	5.3	75	79-80	7.5	84	91	9.5
41	41+	5.3	75	81-82	7.6	84	92	9.6
42	42+	5.3	75	83-84	7.7	84	93-94	9.7
43	43+	5.4	75	85-87	7.8	84	95+	9.8
44	44+	5.4	75	88-90	7.9	85	85	9.0
45	45+	5.5	76	91+	8.0	85	86	9.1
46	46+	5.5	76	76	7.4	85	87	9.3
			76	77-78	7.5	85	88	9.4
			76	79-80	7.6	85	89	9.5
47	47+	5.5	76	81-82	7.7	85	90	9.6

48	48+	5.6	76	83-84	7.8	85	91	9.7
49	49+	5.6	76	85-86	7.9	85	92	9.8
50	50+	5.6	76	87-89	8.0	85	93	9.9
51	51+	5.7	76	90+	8.1	85	94	10.0
52	52+	5.7	77	77	7.5	85	95+	10.1
53	53+	5.8	77	78	7.6	86	86	9.3
54	54+	5.8	77	79-80	7.7	86	87	9.4
55	55-57	5.8	77	81-82	7.8	86	88	9.5
55	58+	5.9	77	83-84	7.9	86	89	9.7
56	56+	6.0	77	85-86	8.0	86	90	9.8
56	56+	6.0	77	87-88	8.1	86	91	9.9
57	57-63	6.0	77	89-91	8.2	86	92	10.0
57	64+	6.1	77	92+	8.3	86	93	10.1
58	58-61	6.1	78	78-79	7.7	86	94	10.2
58	62+	6.2	78	80	7.8	86	95+	10.3
59	59-60	6.2	78	81-82	7.9	87	87	9.6
59	61+	6.3	78	83	8.0	87	88	9.7
60	60-65	6.3	78	84-85	8.1	87	89	9.9
60	66+	6.4	78	86-87	8.2	87	90	10.0
61	61-64	6.4	78	88-89	8.3	87	91	10.1
61	65+	6.5	78	90-92	8.4	87	92	10.3
62	62-63	6.4	78	93+	8.5	87	93	10.4
62	64-68	6.5	79	79	7.8	87	94	10.5
62	69+	6.6	79	80	7.9	87	95+	10.6
63	63-67	6.5	79	81-82	8.0	88	88	9.9
63	68-72	6.6	79	83	8.1	88	89	10.0
63	73+	6.7	79	84-85	8.2	88	90	10.2
64	64-65	6.5	79	86	8.3	88	91	10.3
64	66-70	6.6	79	87-88	8.4	88	92	10.5
64	71+	6.7	79	89-90	8.5	88	93	10.6
65	65-69	6.6	79	91-93	8.6	88	94	10.7
65	70-73	6.7	79	94+	8.7	88	95+	10.9
65	74+	6.8	80	80-81	8.0	89	89	10.2
			80	82	8.1	89	90	10.4
			80	83	8.2	89	91	10.6

66	66-67	6.6	80	84	8.3	89	92	10.7
66	68-71	6.7	80	85-86	8.4	89	93	10.9
66	72-76	6.8	80	87	8.5	89	94	11.0
66	77+	6.9	80	88-89	8.6	89	95+	11.1
67	67-70	6.7	80	90-91	8.7	90	90	10.6
67	71-74	6.8	80	92-93	8.8	90	91	10.8
67	75-78	6.9	80	94+	8.9	90	92	10.9
67	79+	7.0	81	81	8.1	90	93	11.1
68	68-69	6.7	81	82	8.2	90	94	11.3
68	70-72	6.8	81	83	8.3	90	95+	11.4
68	73-76	6.9	81	84	8.4	91	91	10.8
68	77-80	7.0	81	85	8.5	91	92	10.9
68	81+	7.1	81	86	8.6	91	93	11.1
68	81+	7.1	81	87-88	8.7	91	94	11.3
69	69-71	6.8	81	89	8.8	91	95+	11.4
69	72-74	6.9	81	90-91	8.9	92	92	10.9
69	75-77	7.0	81	92-93	9.0	92	93	11.1
69	78-82	7.1	81	94+	9.1	92	94	11.3
69	83+	7.2	82	82	8.3	92	95+	11.4
70	70	6.8	82	83	8.4	93	93	11.1
70	71-72	6.9	82	84	8.5	93	94	11.3
70	73-75	7.0	82	85	8.6	93	95+	11.4
70	76-79	7.1	82	86	8.7	94	94	11.3
70	80-83	7.2	82	87	8.8	94	95+	11.4
70	84+	7.3	82	88	8.9	95 and over	95+	11.4
71	71	6.9	82	89-90	9.0			
71	72-74	7.0						
71	75-77	7.1						
71	78-80	7.2						
71	81-84	7.3						
71	85+	7.4						

## Deferred Payment Gift Annuity Factors

### Uniform Interest Factors for Calculating Suggested Maximum Deferred Gift Annuity Rates

Years of Deferral*		Interest Factor at 5.75% Per Annum, Compounded Annually	Years of Deferral*		Interest Factor at 5.75% Per Annum, Compounded Annually
At Least	But Less Than		At Least	But Less Than	
0	1	1.000	20	21	3.059
1	2	1.058	21	22	3.235
2	3	1.118	22	23	3.421
3	4	1.183	23	24	3.618
4	5	1.251	24	25	3.826
5	6	1.323	25	26	4.046
6	7	1.399	26	27	4.278
7	8	1.479	27	28	4.524
8	9	1.564	28	29	4.785
9	10	1.654	29	30	5.060
10	11	1.749	30	31	5.351
11	12	1.850	31	32	5.658
12	13	1.956	32	33	5.984
13	14	2.068	33	34	6.328
14	15	2.187	34	35	6.692
15	16	2.313	35	36	7.076

16	17	2.446	36	37	7.483
17	18	2.587	37	38	7.914
18	19	2.736	38	39	8.369
19	20	2.893	39	40	8.850

\* Number of years is from the date of issue of the agreement to the annuity starting date. Annuity starting date is assumed to be the date six months before the first deferred annuity payment is scheduled to be made.

\*\* It may be necessary to reduce this factor at some ages in some states, such as New York and New Jersey, in order for the resulting deferred annuity rate to comply with applicable state law. Please see separate schedule of Uniform Interest Factors that will comply with current New York and New Jersey laws.

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.

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

## Uniform Interest Factors for Calculating Suggested Maximum Deferred Gift Annuity Rates

Years of Deferral**		Interest Factor Per Annum, Compounded Annually	Years of Deferral**		Interest Factor Per Annum, Compounded Annually
At Least	But Less Than		At Least	But Less Than	
0	1	1.000	20	21	2.340
1	2	1.058	21	22	2.515
2	3	1.118	22	23	2.640
3	4	1.183	23	24	2.777
4	5	1.251	24	25	2.920
5	6	1.323	25	26	3.062
6	7	1.399	26	27	3.218
7	8	1.479	27	28	3.375
8	9	1.564	28	29	3.531

9	10	1.654	29	30	3.703
10	11	1.749	30	31	3.888
11	12	1.850	31	32	4.074
12	13	1.956	32	33	4.277
13	14	2.068	33	34	4.481
14	15	2.187	34	35	4.703
15	16	2.313	35	36	4.925
16	17	2.446	36	37	5.178
17	18	2.587	37	38	5.418
18	19	2.736	38	39	5.690
19	20	2.265	39	40	5.963

\* 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.

\*\* For the interest factors shown in this schedule, the "Years of Deferral" is the number of years from the date of issue of the agreement to the annuity starting date, and the annuity starting date is assumed to be the date six months before the first payment is scheduled to be made.

New York and New Jersey assume a significantly lower interest rate for annuities with a deferral period of more than twenty years from the date of issue to the first payment. That is why the interest factor in the schedule suddenly drops after a certain deferral period.

Interest factors in the first column are the same as for other states.

## **Assumptions Underlying ACGA Gift Annuity Rates**

1. The residuum (amount remaining for the charity when the annuitant(s) has (have) died will be 50% of the original contribution.
2. Life expectancies are from the Annuity 2000 Tables. Conservatism is achieved by using female life expectancies, setting the ages back one year, and factoring in projections for increased life expectancies.
3. The total net annual return on reserves for immediate gift annuities is assumed to be 6.0%. The total net return on reserves for deferred gift annuities during the deferral period is assumed to be 5.75%. ("Net return" is total return minus assumed annual administrative expenses of 75 basis points.)

### **Adjustments:**

1. The rates for annuitants age 81 and older are lower than would follow from the above assumptions, and beginning at age 90 rates are capped at 12%.
2. Rates for annuitants age 60 and younger are also lower than would follow from the above assumptions.



## Understanding Changes in 7/1/99 Gift Annuity Rates

The Gift Annuity Rates Committee of the American Council on Gift Annuities recommends a new schedule of annuity rates to become effective on July 1, 1999. The Committee proposes (1) that gift annuity rates remain unchanged for ages 61 and older, (2) that rates be reduced for ages 60 and younger, and (3) that we provide an alternate schedule of deferred gift annuity Uniform Interest Factors for use in New York and New Jersey.

A schedule of the recommended new rates in publication format is enclosed.

In proposing a schedule of rates we have three objectives:

1. That the rates be based on realistic assumptions;
2. That the rates be lower than commercial rates so that they are not perceived as competing with them; and
3. That the rates result in a charitable deduction in excess of 10percent to meet the requirement of IRC Sec. 514(c)(5)(A).

We believe that the assumptions underlying the existing rates continue to be realistic, except possibly for younger ages. For quite young annuitants, we consider it prudent to reduce the earnings assumption by about 50 basis points, for the longer the annuity will be in existence, the greater the uncertainty about financial conditions.

We found that for ages above 60 gift annuity rates remain well below commercial rates. The older the age of the annuitant, the greater the gap between the gift annuity and commercial rates. For ages below 60, however, the gift annuity and commercial rates tend to come together and may even cross at certain younger ages. (See the attached graphs for a comparison of existing gift annuity rates and commercial rates. For the commercial rates we got quotations from a highly-rated, representative company.)

Although the AFR has moved up again within the last couple of months, it recently dropped to 5.4%, which is the lowest it has been since the AFR began to float. When it was 5.4% our existing gift annuity rates would have flunked the 10% deduction requirement in most cases where there was a single annuitant below age 46, and in all cases where there were two annuitants both age 56 or below.

Later this year it will become more difficult to meet the 10% test because the IRS will be releasing new 1990 MT tables replacing the 1980 tables, which have been in effect for the past ten years. Since these new tables have longer life expectancies, the deductions will be lower. Charles Schultz of Crescendo gave me a beta copy of software incorporating the new mortality tables, and I also checked the deductions using these new mortality tables and, as expected, found that the existing rates start flunking the 10% test at slightly older ages.

The proposed new rates are .5% to .6% lower for ages 50 and younger. The decrease is phased in between age 60 and age 50 so that there is not a precipitous drop at any age. You will note that the age 60 rate is only .1% lower, but by age 50 it is .5% lower, and the rates continue to be between .5% and .6% lower below age 50.

These new rates will meet all three of our objectives.

1. They are based on more conservative earnings assumptions for annuities expected to be in existence for a long time.
2. They maintain the gap between gift annuity and commercial rates, even for younger annuitants.
3. They pass the 10% deduction requirement based on the new mortality tables and a 5.4% AFR. It is conceivable, of course, that the AFR could fall below 5.4%, in which case the rates might flunk the 10% test at certain ages, but at least we can say to the charitable community that we have anticipated the new mortality tables and have produced a schedule of rates that will pass the 10% test even when the AFR is as low as it has ever been within the past 10 years.

With this explanation, we believe that people will think we acted responsibly in reducing the rates for younger ages. The great majority of people who told us that they did not want a change in the rates will also be satisfied because there will be little practical consequence, since most annuities are issued for annuitants over age 60.

Providing an alternate schedule of Uniform Interest Factors for charities issuing deferred gift annuities in New York and New Jersey will be a valuable service. Many charities know that deferred gift annuities with a deferral period or more than 10 years or so won't be acceptable in New York and New Jersey if they are based on our published Uniform Interest Factors. Yet, they don't know what factor would make the annuity acceptable in those states, so they are left hanging. Now they will have a schedule of factors which they know will comply with current New York and New Jersey laws, at least for deferral periods up to 20 years. Publishing two schedules seemed preferable to publishing a single schedule that would be acceptable in all states, for the latter would have resulted in New York and New Jersey dictating lower rates for everyone.

**Gift Annuity Rates Committee**

Frank Minton, Chair

Tal Roberts

John Jacobs

Harold Richardson

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