WISDOM IN GIVING

The Committee on Financial and Fiduciary Matters aims to promote wise public giving:

¶ Through conferences of persons familiar with methods and responsible for administering funds in trust.

¶ By making known tested and approved methods and instruments.

¶ By furnishing legal titles and other information respecting organizations related to religion and education.

¶ By publishing books and pamphlets in the Wise Public Giving Series. Subjects already dealt with relate to: Annuities, Living Trusts, Bequest by Insurance, Wills, Canons of Giving, Investments, Ethical Tests of Investments, Trends in Benevolence, Self-Trusteeship and Corporate Trusteeship, Legislation and Legacies, The Uniform Trust for Public Uses, Co-operation in Fiduciary Service, etc.

¶ By furnishing informational articles to various periodicals, notably to *Christian Education,* the organ of the Council of Church Boards of Education.

¶ By an increasing correspondence which is always welcome and receives careful and confidential attention.

The beneficiaries, trust companies and banks with fiduciary powers, life insurance underwriters and members of the legal profession have much in common as they build up and handle permanent funds. They should understand each other and co-operate. Understanding co-operation may [illegible] and all.

Gilbert Darlington June , 1927
Office Copy

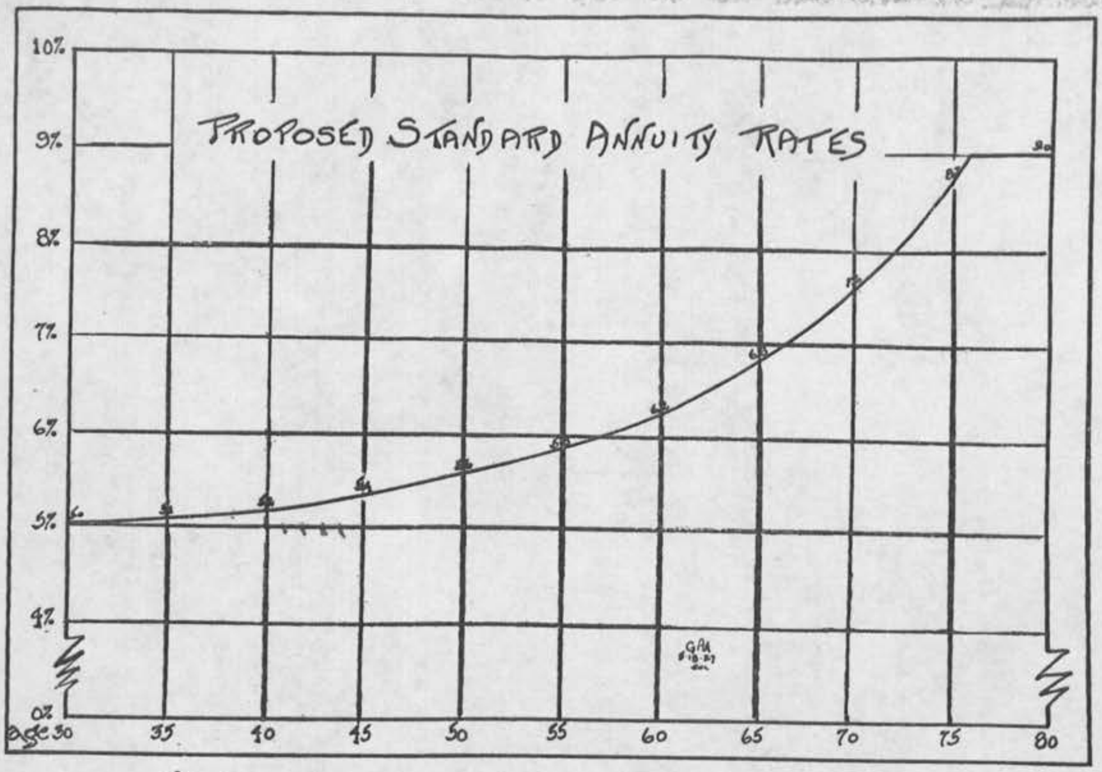
ANNUITY AGREEMENTS
of
CHARITABLE ORGANIZATIONS

FIRST CONFERENCE

April 29, 1927

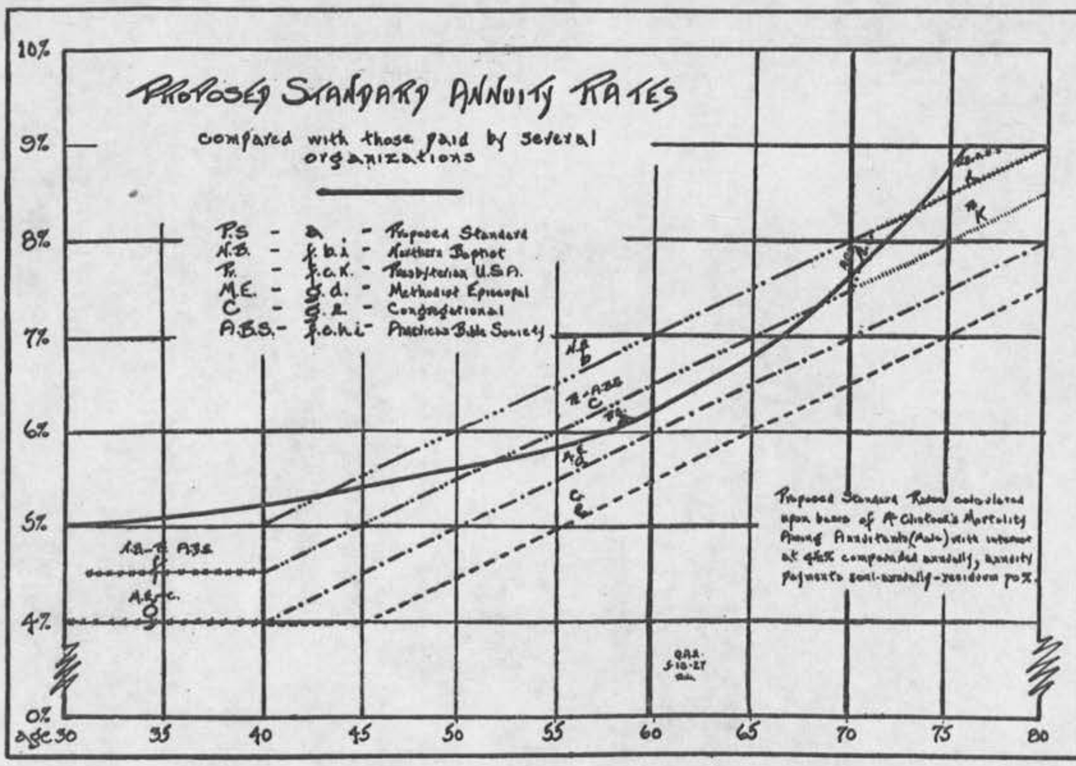
WISE PUBLIC GIVING SERIES
No. 18

Chart A



For purposes of comparison — any other set of annuity rates may be drawn in.

Chart B



PROPOSED STANDARD ANNUITY RATES

JOINT LIFE AND SURVIVORSHIP ANNUITIES ON TWO LIVES.

In order to find the rate per cent payable on the principal of any annuity agreement written to cover two lives during the existence of both lives and of the survivor, refer to the age of the older at the top of the column and the age of the younger at the side; the meeting point of lines drawn from the respective ages will indicate the annuity rate per cent. Thus, for two lives aged 65 and 63 respectively, the rate would be 5.7%. In determining age, reckon from the nearest birthday.

Chart C

AGE OF THE OLDER LIFE

	80	79	78	77	76	75	74	73	72	71	70	69	68	67	66	65	64	63	62	61	60	59	58
80	7.9																						
79	7.8	7.7																					
78	7.6	7.6	7.5																				
77	7.5	7.4	7.4	7.3																			
76	7.4	7.3	7.2	7.2	7.1																		
75	7.2	7.2	7.1	7.1	7.0	6.9																	
74	7.1	7.1	7.0	6.9	6.9	6.8	6.8																
73	7.0	6.9	6.9	6.8	6.8	6.7	6.7	6.6															
72	6.9	6.8	6.8	6.7	6.7	6.6	6.6	6.5	6.5														
71	6.8	6.7	6.7	6.6	6.6	6.6	6.5	6.5	6.4	6.4													
70	6.7	6.6	6.6	6.5	6.5	6.5	6.4	6.4	6.3	6.3	6.3												
69	6.6	6.5	6.5	6.5	6.4	6.4	6.4	6.3	6.3	6.2	6.2	6.1											
68	6.5	6.4	6.4	6.4	6.3	6.3	6.3	6.2	6.2	6.2	6.1	6.1	6.0										
67	6.4	6.3	6.3	6.3	6.3	6.2	6.2	6.2	6.1	6.1	6.1	6.0	6.0	6.0									
66	6.3	6.2	6.2	6.2	6.2	6.1	6.1	6.1	6.1	6.0	6.0	6.0	5.9	5.9	5.9								
65	6.2	6.2	6.1	6.1	6.1	6.1	6.0	6.0	6.0	6.0	6.0	5.9	5.9	5.9	5.8	5.8							
64	6.1	6.1	6.1	6.0	6.0	6.0	6.0	6.0	5.9	5.9	5.9	5.9	5.8	5.8	5.8	5.7	5.7						
63	6.0	6.0	6.0	6.0	6.0	5.9	5.9	5.9	5.9	5.9	5.8	5.8	5.8	5.8	5.7	5.7	5.7	5.6					
62	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.8	5.8	5.8	5.8	5.8	5.7	5.7	5.7	5.7	5.6	5.6	5.6				
61	5.9	5.9	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.7	5.7	5.7	5.7	5.7	5.6	5.6	5.6	5.6	5.5	5.5			
60	5.8	5.8	5.8	5.8	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5		
59	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.6	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.4	5.4	
58	5.7	5.7	5.7	5.7	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5	5.4	5.4	5.4	5.4	5.4
57	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.3
56	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.3	5.3
55	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.3	5.3	5.3	5.3
54	5.5	5.5	5.5	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
53	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2
52	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2
51	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
50	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
49	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.1	5.1
48	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.1
47	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
46	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
45	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0
44	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0	5.0
43	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
42	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
41	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
40	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
39	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9
38	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
37	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
36	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
35	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
34	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
33	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8
32	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
31	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
30	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8

	57	56	55	54	53	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30
57	5.3																											
56	5.3	5.3																										
55	5.3	5.2	5.2																									
54	5.2	5.2	5.2	5.2																								
53	5.2	5.2	5.2	5.2	5.2																							
52	5.2	5.2	5.2	5.2	5.1	5.1																						
51	5.2	5.2	5.1	5.1	5.1	5.1	5.1																					
50	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1																				
49	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.0																			
48	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0	5.0																		
47	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0																	
46	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0																
45	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.9															
44	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9														
43	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9													
42	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9												
41	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9											
40	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8										
39	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8	4.8									
38	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8								
37	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8							
36	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8						
35	4.9	4.9	4.9	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8					
34	4.9	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8				
33	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.7	4.7			
32	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.7	4.7	4.7	4.7	4.7		
31	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	
30	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7

PREFACE

As here used the word *annuity* has a technical meaning. It refers to the entire agreement and the execution of it, in accordance with which a person gives money, or other substantial equivalent, to an organization, which binds itself by contract, or agreement, to hold and administer the gift, and to pay to the donor an annual sum, varying according to the age and therefore according to the expected life of the donor, and ceasing only at the donor's death. The donor becomes an *annuitant* and the money paid him annually is, strictly speaking, the *annuity*, although the name has become expanded to cover the whole transaction.

As rates have differed, as methods of soliciting and handling the annuity business have varied, as more organizations, educational, religious and secular, have begun issuing annuity contracts, and as laws in some of the states have already been enacted to regulate and safeguard the practice, it has become highly important, almost imperative, that some common standards and uniform methods should be agreed upon, lest financial weaknesses develop, disaster follow and heavy reproach ensue, damaging to all parties concerned and to the interests which they represented.

The Conference on Financial and Fiduciary Matters, held at Atlantic City, March 22-24, 1927, authorized the appointment of a continuing sub-committee on annuities, with the following instructions:

> "To study and recommend the proper range of rates, the form of contracts, the amount and type of reserve funds and the nomenclature to be used, to ascertain and advise as to the legislation in the United States and the various states regarding annuities, their taxability, etc. This committee is requested to make an immediate study of the matter of rates and to call a conference of interested parties on this matter at the earliest possible date. This committee should be guided in its study by an early determination as to what is the primary motive in the writing of annuity contracts."

The committee on Annuities consists of the following persons:

CHARLES L. WHITE, *Chairman, Executive Secretary, American Baptist Home Mission Society, New York.*

See p 15 - Wise Public Query # 14

Ernest F. Hall, *Secretary, Department of Annuities, Board of Foreign Missions, Presbyterian Church in the U. S. A.*

George A. Huggins, *Consulting Actuary, Philadelphia.*

George F. Sutherland, *Assistant Treasurer, Board of Foreign Missions, Methodist Episcopal Church, New York.*

Arthur C. Ryan, *General Secretary, American Bible Society, New York.*

Edward W. Marshall, *Associate Actuary, Provident Mutual Life Insurance Company of Philadelphia.*

Members of the Committee had been making studies of subjects connected with annuities for years. The results of these studies were presented to a Conference, April 29, 1927, held in the Board Room of the Federal Council of the Churches of Christ in America, 105 East 22d Street, New York. Dr. Charles L. White presided; Mr. Gilbert Darlington, Treasurer of the American Bible Society, aided the Committee with a paper. Forty-eight representatives of organizations doing an annuity business in this country were present. Free and protracted discussion led to practical unanimity in the conclusions arrived at, respecting the desirability of standard rates and uniform methods, as shown in the following pages.

It is earnestly hoped by the Committee, and it was the desire voiced in the Conference, that all bodies doing an annuity business should conform in rates and methods, as soon as practicable to the standards herein approved.

For the Committee on Annuities
Alfred Williams Anthony.

105 East 22d Street
New York

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ERNEST F. HALL, *Secretary, Department of Annuities, Board of Foreign Missions, Presbyterian Church in the U. S. A.*

GEORGE A. HUGGINS, *Consulting Actuary, Philadelphia.*

GEORGE F. SUTHERLAND, *Assistant Treasurer, Board of Foreign Missions, Methodist Episcopal Church, New York.*

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For the Committee on Annuities

ALFRED WILLIAMS ANTHONY.

105 East 22d Street
New York

ACTUARIAL BASIS OF RATES

GEORGE A. HUGGINS
Consulting Actuary, Philadelphia, Pa.

As a basis for the consideration of the subject of annuities, offered to donors by the various organizations, we show schedules illustrating the fundamental principles that underlie the whole subject.

Schedule A brings out the periods required to exhaust the principal sum of $1,000 by annuity payments at various rates running from 5 to 10%, if the interest earnings on the balances are disregarded. For comparison we show the corresponding lengthening of the various periods through the addition of interest earnings on the balances at the rate of 4½%.

It will be noted, for instance that with an annuity rate of 5%, the principal sum would be exhausted in twenty years, but the principal sum and the interest earnings on the balances would not be exhausted for the period of 52 years. Similarly on an 8% basis, the principal would be exhausted in 12 years without the interest earnings, but with the interest earnings the period would be extended to 18 years and, further with a 10% annuity rate, the 10-year period would be extended to 13 years.

With interest earnings below 4½%, the periods will be correspondingly reduced and with interest earnings in excess of 4½%, the periods would be correspondingly lengthened.

This shows how necessary it is that the funds should be held back of annuity gifts, invested in securities that are not only safe, but which produce a good rate of interest. Therefore, they should not be put into non-productive assets such as buildings without rental value, and even with rental value real estate is not an advisable investment for such funds.

Schedule B shows the effect of the introduction of the life element, i.e., of agreeing to continue the annuity payments during the lifetime of the donor. For instance, if we promise to pay a 10% annuity rate, we see that the principal and interest earnings will be exhausted in 13 years. If we promise to pay the 10% annuity for life, we are obligated to continue the payments regardless of whether or not the principal and the interest earnings are exhausted.

If for instance, a man to whom we have promised a life annuity of 10%, dies during the 13-year period, there will be a balance of funds released. If the annuitant lives beyond the 13-year period, then we must have some other funds to draw upon, so that we may continue the annuity payments. This source of funds consists of the balances released by those who die during the period when there are balances.

One can readily see, therefore, that the average duration of the lives of the members of a group to whom we promise annuity payments during lifetime, is a very vital matter.

In the light of not having our own experience, we must turn to the experience of others. Here we find that the experience of others has been studied, tabulated and put in shape for our use in the form of tables showing the rates of mortality among various groups according to actual mortality experience among those groups.

We show in Schedule B, the complete expectation of life, or the average number of the years of the duration of life of groups of persons at specimen ages, on several tables of mortality. Brief histories and explanations of the tables are given in the schedule. You will note that on the average, annuitant lives live longer than insured lives and that female annuitants live longer than male annuitants live; that the later insured lives tables show longer durations than the earlier ones; that a similar condition exists among the annuitant tables, but to a greater degree.

We may, therefore, look forward to increasingly lower death rates among annuitant lives and therefore

longer average periods of life. In our calculations of annuity rates, the basic table of mortality used is a matter of considerable importance, though the actual future results will naturally depend upon the actual future experience of the particular organization.

In determining the basis, we must keep in mind the object of issuing these annuity agreements. It must be distinctly kept in mind that these organizations are not selling annuities as they are commonly sold by commercial insurance companies. They are simply offering to their constituents a means by which gifts may be made to the organizations, retaining for the donors a life interest in the funds to the extent that they shall receive income throughout life somewhat greater than could be normally obtained through purely interest earnings.

It is definitely contemplated that at least the major portion of the principal and interest earnings will ultimately be released for the purposes of the organization.

Putting it another way, while the income is expected to exceed the interest earnings, and therefore cut into the principal, it must not cut in very deeply.

The Committee recommends an average of 70% as a residuum, that is reasonable in its returns, both to the donors and the organizations, and at the same time consistent with the objects of the annuity gifts.

The Committee recommends that the rate of interest assumed in the calculations be 4½%.

The Committee recommends that the table of mortality adopted as a basis for the calculations for the annuities on single life be the McClintock Table of Mortality among Male Annuitants, which is the standard in the State of New York and many other States.

The Committee recommends that the table of mortality adopted as the basis for the calculations for the Joint Life and Survivorship annuities where there are two beneficiaries be the McClintock Table of Mortality among Annuitants—male and female.

Schedule C shows the comparative annuity rates payable when calculated on the basis of the McClintock

Table of Mortality among Male Annuitants with interest at 4½% compounded annually and with interest payments semi-annually, the first payment to be made at the end of six months from the date of the agreement, with various percentages of residuum.

The Committee recommends that annuities be not issued involving the continuance of the payments to more than two lives unless absolutely required by the donor. In such case the rate of the annuity payments should be less than the rate payable to any combination of two of the three or more lives.

Schedule D shows for comparison the rates of sixteen different organizations.

Schedule E shows a further study of the interest rates offered by the several organizations according to age and amount, and also a study of rates offered by some of the more representative life insurance companies, as compared with the rates determined according to the McClintock Table with 65, 70 and 75% residuum.

Schedule F shows comparative rates that bring out the effect of introducing two or more lives.

Schedule G shows the schedule of annuity rates recommended by the Committee on the single life basis and also the two life rates for various combinations of ages.

Perhaps where two or more lives are involved, in some cases the beneficiaries would be willing to have the principal split so as to provide an annuity to each beneficiary during his or her lifetime.

SCHEDULE A.

Study of period required to exhaust principal of $1,000 by interest annuity payments at various rates and periods for exhausting principal sum together with interest earnings on balances at 4½% compounded annually.

Annuity Rate	Years required to exhaust principal sum of $1,000	Years required to exhaust principal sum of $1,000 and interest earnings at 4½%
5.	20	52 +
5.5	18 +	38 +
6.	16 +	31 +
6.5	15 +	26 +
7.	14 +	23 +
7.5	13 +	20 +
8.	12 +	18 +
8.5	11 +	17 +
9.	11 +	15 +
9.5	10 +	14 +
10.	10	13 +

Schedule B.

COMPLETE EXPECTATION OF LIFE

Comparison of Years shown by various Tables of Mortality.

Age	McClintock's Annuitants Male	McClintock's Annuitants Female	British Offices Annuitants 1900-1920 Male	British Offices Annuitants 1900-1920 Female	American Men Ultimate	American Experience	Carlisle
30	35.11	40.65			37.70	35.33	34.34
35	31.60	36.55			33.51	31.78	31.00
40	28.07	32.47	31.49	35.19	29.32	28.18	27.61
45	24.56	28.45	27.69	31.41	25.22	24.54	24.46
50	21.11	24.53	23.83	27.57	21.29	20.91	21.11
55	17.78	20.76	20.09	23.73	17.62	17.40	17.58
60	14.64	17.21	16.63	19.94	14.29	14.10	14.34
65	11.75	13.94	13.48	16.28	11.34	11.10	11.79
70	9.18	11.00	10.64	12.86	8.81	8.48	9.18
75	6.96	8.44	8.14	9.79	6.69	6.27	7.01
80	5.13	6.30	6.17	7.18	4.99	4.39	5.51

The McClintock Table of Mortality Among Annuitants has been adopted as the standard for the valuation of Annuity Contracts in many States. It was constructed in the year 1899 by McClintock on the basis of the experience of fifteen American Companies.

The British Offices Table of Mortality Among Annuitants is based upon the mortality experience of forty-nine insurance offices (chiefly British) among life annuitants during the period 1900 to 1920 inclusive.

The American Men Ultimate Table of Mortality is based upon the mortality experience among insured lives in the United States and Canada during the period 1900 to 1915 inclusive.

The American Experience Table of Mortality is based upon the mortality experience among lives insured during the first twenty years of the operations of the Mutual Life Insurance Company of New York. It has been adopted as the standard for the Valuation of Insurance Contracts in many States.

The Carlisle Table of Mortality is a historic table based upon the mortality experience among the population of two parishes of the City of Carlisle from 1779 to 1787.

Schedule C.

COMPARATIVE ANNUITY RATES PAYABLE

Calculated on basis of McClintock's Table of Mortality Among Annuitants (Male) with interest at 4½% compounded annually.

Rates varying according to average residuum ranging from 0% to 100%.

Interest Payments- Semi-Annually

Age	Residuum 0%	60%	65%	70%	75%	80%	85%	90%	95%	100%
30	6.2	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.5
31	6.2	5.2	5.1	5.0	4.9	4.8	4.8	4.7	4.6	4.5
32	6.3	5.2	5.1	5.0	4.9	4.9	4.8	4.7	4.6	4.5
33	6.3	5.2	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.5
34	6.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5
35	6.4	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5
36	6.5	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5
37	6.6	5.3	5.2	5.1	5.0	4.9	4.8	4.7	4.6	4.5
38	6.7	5.4	5.3	5.1	5.0	4.9	4.8	4.7	4.6	4.5
39	6.7	5.4	5.3	5.2	5.1	4.9	4.8	4.7	4.6	4.5
40	6.8	5.4	5.3	5.2	5.1	5.0	4.8	4.7	4.6	4.5
41	6.9	5.5	5.3	5.2	5.1	5.0	4.9	4.7	4.6	4.5
42	7.0	5.5	5.4	5.3	5.1	5.0	4.9	4.8	4.6	4.5
43	7.1	5.5	5.4	5.3	5.2	5.0	4.9	4.8	4.6	4.5
44	7.2	5.6	5.5	5.3	5.2	5.0	4.9	4.8	4.6	4.5
45	7.3	5.6	5.5	5.4	5.2	5.1	4.9	4.8	4.6	4.5
46	7.5	5.7	5.5	5.4	5.2	5.1	4.9	4.8	4.6	4.5
47	7.6	5.7	5.6	5.4	5.3	5.1	5.0	4.8	4.7	4.5
48	7.7	5.8	5.6	5.5	5.3	5.1	5.0	4.8	4.7	4.5
49	7.9	5.8	5.7	5.5	5.3	5.2	5.0	4.8	4.7	4.5
50	8.0	5.9	5.7	5.6	5.4	5.2	5.0	4.9	4.7	4.5
51	8.2	6.0	5.8	5.6	5.4	5.2	5.1	4.9	4.7	4.5
52	8.4	6.0	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.5
53	8.5	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.7	4.5
54	8.7	6.2	6.0	5.8	5.6	5.3	5.1	4.9	4.7	4.5
55	9.0	6.3	6.1	5.8	5.6	5.4	5.2	4.9	4.7	4.5
56	9.2	6.4	6.1	5.9	5.7	5.4	5.2	5.0	4.7	4.5
57	9.4	6.5	6.2	6.0	5.7	5.5	5.2	5.0	4.7	4.5
58	9.7	6.6	6.3	6.1	5.8	5.5	5.3	5.0	4.8	4.5
59	10.0	6.7	6.4	6.1	5.9	5.6	5.3	5.0	4.8	4.5
60	10.3	6.8	6.5	6.2	5.9	5.7	5.4	5.1	4.8	4.5
61	10.6	6.9	6.6	6.3	6.0	5.7	5.4	5.1	4.8	4.5
62	10.9	7.1	6.7	6.4	6.1	5.8	5.5	5.1	4.8	4.5
63	11.3	7.2	6.9	6.5	6.2	5.9	5.5	5.2	4.8	4.5
64	11.7	7.4	7.0	6.6	6.3	5.9	5.6	5.2	4.9	4.5
65	12.1	7.5	7.2	6.8	6.4	6.0	5.6	5.3	4.9	4.5
66	12.5	7.7	7.3	6.9	6.5	6.1	5.7	5.3	4.9	4.5
67	13.0	7.9	7.5	7.1	6.6	6.2	5.8	5.4	4.9	4.5
68	13.5	8.1	7.7	7.2	6.8	6.3	5.9	5.4	5.0	4.5
69	14.1	8.3	7.9	7.4	6.9	6.4	5.9	5.5	5.0	4.5
70	14.7	8.6	8.1	7.6	7.1	6.5	6.0	5.5	5.0	4.5
71	15.4	8.8	8.3	7.8	7.2	6.7	6.1	5.6	5.0	4.5
72	16.1	9.1	8.6	8.0	7.4	6.8	6.2	5.7	5.1	4.5
73	16.8	9.4	8.8	8.2	7.6	7.0	6.4	5.7	5.1	4.5
74	17.7	9.8	9.1	8.5	7.8	7.1	6.5	5.8	5.1	4.5
75	18.6	10.1	9.4	8.7	8.0	7.3	6.6	5.9	5.2	4.5
76	19.5	10.5	9.8	9.0	8.3	7.5	6.8	6.0	5.3	4.5
77	20.6	10.9	10.1	9.3	8.5	7.7	6.9	6.1	5.3	4.5
78	21.8	11.4	10.5	9.7	8.8	8.0	7.1	6.2	5.4	4.5
79	23.0	11.9	11.0	10.1	9.1	8.2	7.3	6.4	5.4	4.5
80	24.4	12.5	11.5	10.5	9.5	8.5	7.5	6.5	5.5	4.5

Schedule D.

Comparative Rates of Interest

paid on Annuities

by various Boards and Agencies.

Designated by Code Number as shown below.

Age	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
30	4.5	4.0	4.0	4.0	4.0	4.0	3.0	4.5	4.0	4.5	4.0	3.0	5.9	4.5	3.0	6.0
40	5.0	4.0	4.5	4.0	5.0	4.0	4.0	4.5	5.0	4.5	4.0	4.0	5.9	5.0	4.0	6.0
50	6.0	6.9	5.5	4.5	6.0	5.0	5.0	5.5	6.0	5.5	5.0	6.0	5.9	6.0	5.0	6.0
60	7.0	7.5	6.5	5.5	7.0	6.0	6.0	6.5	7.0	6.5	6.0	6.0	6.5	6.0	6.0	7.0
70	8.0	8.5	7.5	6.5	8.0	7.0	7.0	7.5	7.5	7.5	7.0	6.0	7.5	7.0	7.0	8.0
80	9.0	10.0	9.0	7.5	9.0	8.0	8.0	8.0	7.5	8.5	8.0	6.0	10.0	7.0	8.0	9.0
	9.0	10.0	9.0	8.0	9.5	8.0		8.0	8.0	9.0	8.0	6.0	10.0	7.0	8.0	9.0 Limit

Code numbers of Boards and Agencies showing also whether denominational (D) or non-denominational (N).

1. D - American Baptist Foreign Mission Society
2. D - Southern Baptist Convention - Foreign Missions Board.
3. N - American Bible Society.
4. D - American Board of Commissioners for Foreign Missions.
5. N - Bible Institute of Los Angeles.
6. D - Methodist Episcopal Church, Board of Missions.
7. D - Methodist Episcopal Church, South - Board of Missions.
8. N - Mission to Lepers.
9. D - Presbyterian Church in the U.S. Executive Committee of Foreign Missions.
10. D - Presbyterian Church in the U.S.A.
11. D - Reformed Church in America.
12. D - United Christian Missionary Society.
13. D - United Lutheran Church in America, Board of Ministerial Relief.
14. D - United Presbyterian Church, Board of Foreign Missions.
15. D - Reformed Church in the U.S.
16. N - National Bible Institute.

Schedule E.

Gradation of Interest Rates Paid

Rank	Code Number	Age 30	No.	Age 40	No.	Age 50	No.	Age 60	No.	Age 70	No.	Age 80
1	7	3.0	2	4.0	4	4.5	4	5.5	12	6.0	12	6.0
2	12	3.0	4	4.0	6	5.0	6	6.0	4	6.5	14	7.0
3	15	3.0	6	4.0	7	5.0	7	6.0	6	7.0	4	7.5
4	2	4.0	7	4.0	11	5.0	11	6.0	7	7.0	9	7.5
5	3	4.0	11	4.0	15	5.0	12	6.0	11	7.0	6	8.0
6	4	4.0	12	4.0	3	5.5	14	6.0	14	7.0	7	8.0
7	5	4.0	16	4.0	8	5.5	15	6.0	15	7.0	8	8.0
8	6	4.0	3	4.5	10	5.5	3	6.5	3	7.5	11	8.0
9	9	4.0	8	4.5	13	5.9	8	6.5	8	7.5	15	8.0
10	11	4.0	10	4.5	1	6.0	10	6.5	9	7.5	10	8.5
11	1	4.5	1	5.0	5	6.0	13	6.5	10	7.5	1	9.0
12	8	4.5	5	5.0	9	6.0	1	7.0	13	7.5	3	9.0
13	10	4.5	9	5.0	12	6.0	5	7.0	1	8.0	5	9.0
14	14	4.5	14	5.0	14	6.0	9	7.0	5	8.0	16	9.0
15	13	5.9	13	5.9	16	6.0	16	7.0	16	8.0	2	10.0
16	16	6.0	16	6.0	2	6.9	2	7.5	2	8.5	13	10.0

It will be noted that at age 30 the rates vary from 3% to 6%. At age 60 from $5\frac{1}{2}$% to $7\frac{1}{2}$% and at age 80 from 6% to 10%.

Comparative study of Net rates payable according to the McClintock Table of Mortality Among Annuitants with interest at $4\frac{1}{2}$% compounded annually with average residuum as shown; and with gross rates paid by representative Insurance Companies to Male Annuitants with interest payments annually at the end of each year.

Residuum Age	30	40	50	60	70	80
75%	4.9	5.1	5.4	6.0	7.2	9.9
70%	5.0	5.2	5.6	6.3	7.7	10.9
65%	5.1	5.4	5.8	6.6	8.3	12.0
Provident Mutual Life Insurance Co.,-	5.4	6.1	7.2	9.2	12.9	19.9
Equit. Met., Mutual Life, N.Y. Life -	5.4	6.1	7.2	9.3	12.9	19.8
Aetna Life Insurance Company -	5.7	6.5	7.6	9.5	13.3	20.5
Connecticut General Life Ins.,Co.,-	5.7	6.4	7.7	9.7	13.3	20.0
Sun Life Insurance Company -	5.7	6.3	7.5	9.5	13.2	21.2
Phoenix Mutual Life Ins., Company -	5.5	6.2	7.5	9.9	14.0	19.8

Schedule F.

COMPARATIVE RATES OF INTEREST

Calculated on basis of McClintock's Table of Mortality Among Annuitants with interest at 4½% compounded annually, with 70% residuum.

Interest Payments - Semi-Annually.

Age	Single Life (Male)	Single Life (Female)	Two Lives (Male and Female) Equal Ages	Three Lives (Male and Two Females) Equal Ages	Two Lives (Male and Female) Male 10 years older.
30	5.0	4.9	4.7	4.6	4.6
40	5.2	5.0	4.8	4.7	4.7
50	5.6	5.3	5.1	4.9	4.9
60	6.2	5.9	5.5	5.3	5.2
70	7.6	7.0	6.3	5.9	5.7
80	10.5	9.2	7.9	7.8	6.6

Schedule G.

COMPARATIVE ANNUITY RATES PAYABLE

Calculated on basis of McClintock's Table of Mortality Among Annuitants with interest at 4½% compounded annually.

Residuum - 70%

Interest Payments - Semi-Annually

MALE AND FEMALE

Age of Male	Male Single Life	Equal Ages	Female 5 years younger	Female 10 years younger	Female 15 years younger
30	5.0	4.7	4.7	4.7	4.6
31	5.0	4.7	4.7	4.7	4.6
32	5.0	4.7	4.7	4.70	4.7
33	5.0	4.7	4.7	4.7	4.7
34	5.1	4.8	4.7	4.7	4.7
35	5.1	4.8	4.7	4.7	4.7
36	5.1	4.8	4.7	4.7	4.7
37	5.1	4.8	4.8	4.7	4.7
38	5.1	4.8	4.8	4.7	4.7
39	5.2	4.8	4.8	4.7	4.7
40	5.2	4.8	4.8	4.7	4.7
41	5.2	4.9	4.8	4.8	4.7
42	5.3	4.9	4.8	4.8	4.7
43	5.3	4.9	4.8	4.8	4.7
44	5.3	4.9	4.9	4.8	4.8
45	5.4	4.9	4.9	4.8	4.8
46	5.4	5.0	4.9	4.8	4.8
47	5.4	5.0	4.9	4.8	4.8
48	5.5	5.0	4.9	4.9	4.8
49	5.5	5.0	5.0	4.9	4.8
50	5.6	5.1	5.0	4.9	4.8
51	5.6	5.1	5.0	4.9	4.9
52	5.7	5.1	5.0	4.9	4.9
53	5.7	5.2	5.1	5.0	4.9
54	5.8	5.2	5.1	5.0	4.9
55	5.8	5.2	5.1	5.0	4.9
56	5.9	5.3	5.2	5.0	4.9
57	6.0	5.3	5.2	5.1	5.0
58	6.1	5.4	5.2	5.1	5.0
59	6.1	5.4	5.3	5.1	6.0
60	6.2	5.5	5.3	5.2	5.0
61	6.3	5.5	5.4	5.2	5.1
62	6.4	5.6	5.4	6.2	5.1
63	6.5	5.6	5.5	5.3	5.1
64	6.6	5.7	5.5	5.3	5.2
65	6.8	5.8	5.6	5.4	5.2
66	6.9	5.9	5.6	5.4	5.2
67	7.1	6.0	5.7	5.5	5.3
68	7.2	6.0	5.8	5.5	5.3
69	7.4	6.1	5.9	5.6	5.4
70	7.6	6.3	6.0	5.7	5.4
71	7.8	6.4	6.0	5.7	5.5
72	8.0	6.5	6.1	5.8	5.5
73	8.2	6.6	6.2	5.9	5.6
74	8.5	6.8	6.4	6.0	5.7
75	8.7	6.9	6.5	6.1	5.7
76	9.0	7.1	6.6	6.2	5.8
77	9.3	7.3	6.8	6.3	5.9
78	9.7	7.5	6.9	6.4	6.0
79	10.1	7.7	7.1	6.5	6.1
80	10.5	7.9	7.3	6.6	6.2

ADMINISTRATIVE POLICY

ARTHUR C. RYAN
General Secretary, American Bible Society, New York.

By some persons annuity gifts are regarded as a form of deferred legacies. Persons desiring to give during their lifetime a fund which they wish to make available at the time of their death often choose the annuity method. Such gifts, so long as the donor lives, transfer from the donor to the donee all risks and liabilities connected with the safe keeping and investing of the funds given and, in addition, require the donee to make stated annual or semi-annual payments to the donor. The risks in such transactions are many and varied and no society should accept them without a fairly clear understanding of what they are and what is involved. These matters are dealt with more in detail by other members of the Committee and are only mentioned here as introductory to the subjects assigned to the writer.

As a representative of the special Committee appointed at the Conference on Financial and Fiduciary Matters, held at Atlantic City, March 22-24, 1927, the writer was asked by this special Committee to prepare a paper dealing with the following subjects relating to Administrative Policy:

1. Form of contracts
2. Financing administrative expenses
3. Method of accounting
4. Periodical reserve valuations
5. Accepting securities of real estate in payment of annuities
6. Segregation of funds
7. Investments of funds
8. Memorials.

1. Form of Contracts

In studying the forms of contract used by thirty-one societies, boards and institutions issuing annuity bonds, I find that these forms often differ in detail but are similar in essentials. In the first place, the nomenclature varies considerably. The more prominent names are: "annuity bond"; "special gift agreement with life annuity return"; 'agreement"; "conditional gift agreement"; "life annuity bond"; "bond"; "conditional gift certificate"; "annuity bond agreement"; "gift to special annuity fund," and "annuity agreement bond." In some cases there is no name given on the form of contract.

The more recent tendency in connection with the form of contract has been away from the use of the term "annuity bond" toward the term "annuity bond agreement," "annuity contract" or simply to use a "contract," without giving it a name. The reasons for this tendency appear to be, first, the danger of confusion with commercial bonds, which are documents guaranteeing the return of the principal as well as payment of interest. Although the document itself may specifically state that the principal is a gift and that the annual or semi-annual payments are to be paid only during the lifetime of the donor, it is argued that it is not quite ethical to use a term which is subject to such confusion. The reply to this objection is that the word annuity bond defines the kind of bond and that the advertising and correspondence, as well as the wording of the document itself, state definitely that the principal sum is a gift with no possibility of any return of the principal and that the only obligation on the part of the organization receiving the gift is the payment at stated times of a certain sum of money during the lifetime of the donor or persons named in the bond.

The second reason for the tendency to avoid the use of the word bond is the danger that tax-making bodies will demand the payment of taxes on either the principal, or income, or both. It is reported that this has been attempted in some cases and there is no assurance that such taxation will not be levied by any or all of the various states. Against this objection there is the argument that, even if the form of contract is called a conditional gift or an annuity agreement, or even has no name, taxes may be levied on either the principal sum or the income or both, provided states make laws insisting upon the payments of such taxes. At present there seems to be no way of determining the right of states to tax annuity gifts, either the principal or income, without a test being made in the courts of the land and a decision rendered. This question also will be dealt with more in detail by another member of the Committee.

The Committee was not unanimous in its judgment regarding the nomenclature for the form of annuity contract, but the majority was inclined to recommend *annuity agreement*. The minority held to the term annuity bond agreement. From his investigations, the writer sees no reason why any of the names quoted above should not be used, providing the essential statements in the document itself are in accord with legal requirements governing such contracts.

There are several kinds of life annuity contracts in use by various insurance companies, but only two kinds are in common use by organizations writing annuities for benevolent incomes. These are the single life contract and the survivorship life contract, with annuity payments during the natural life of the person or persons named in the contract.

Single life annuity contract: This is the most common form of contract and the annuity is only payable to one person during his or her lifetime. The annuity begins at once and is payable to the annuitant either semi-annually or annually as agreed upon when the contract is issued. The amount of annuity, the time and place of payment of the annuity and who the annuity is payable to are clearly designated in the contract. The proportionate part of the annuity that may

have accrued after the last payment of the annuity up to the death of the annuitant should be made payable to the estate of the annuitant.

Survivorship life annuity contract: On this form of contract two or more persons are mentioned as annuitants and the same rate and time of payment of the annuity is payable by the organization as long as either person mentioned in the contract shall live. Where two people whose ages are nearly the same, and each one desires to protect the other with the annuity payments, this is a popular form of contract. It is usually not advantageous to have more than two people mentioned in any contract.

Extension life annuity contract: This is simply one form of a survivorship life annuity contract and is intended to cover the lives of two people whose ages are very different, as on a parent and child, a parent and grandchild, or a person having a nephew or niece. The older person will receive the annuity from the organization during his or her lifetime at such a rate of annuity as his or her age shall warrant being paid and upon the death of the annuitant a new life annuity contract will be issued by the organization to the child, if living, providing for such a rate of annuity to be paid by the organization as the age of the child is entitled to at the death of the former annuitant.

Optional life annuity contract: This may be for one or more persons, but preferably for only one person. It may be for either the immediate or partial payment plan. The annuity on this form of a life annuity contract shall commence at the option of the person agreed upon who is stated in the contract. The organization will begin paying the annuity to the person mentioned as the annuitant when notified in writing by the proper person. The amount of annuity on this form of a contract shall be at such rate as the age of the person is entitled to. The time of payment of the annuity by the organization should be agreed upon and stated in the contract when it is issued.

Deferred life annuity contract: Upon the payment of any certain sum of money to an organization a contract of this description is issued providing that some stated amount of annuity shall be payable to the annuitant, if living, at some future stated time. The interest on the money paid to the organization for the contract shall be compounded on the books of the organization until such time as the annuity becomes payable, if the annuitant is living. The rate and time of payment of the annuity to be paid to the annuitant, if living, should be agreed upon and mentioned in the contract when it is issued. This form is applicable to either the single life or survivorship form.

Partial payment life annuity contract: This contract provides that any person or persons may pay to an organization at stated, or optional times, such sums of money as may be agreed upon and stated or not in the contract, until the full amount of the sum agreed upon and stated shall have been paid for the contract, including the compound interest that may have accrued on all monies paid to the organization. The annuity payments on this form commence at a stated time after the full amount of the contract shall have been reached by the payments and the compound interest, providing that the annuitant is living.

Decreasing life annuity contract: This is one form of a survivorship life annuity contract on either the immediate or deferred plan. This contract provides that after the death of one of the persons mentioned in the contract the annuity payments shall be decreased to a certain stated amount when the contract was issued. The reduced amount of annuity shall be payable to the survivor as long as he or she lives.

Limited life annuity contract: This form of contract is for a stated number of annuity payments, should the annuitant live to receive the payments. The annuity on this form may extend to more than one person. This form is especially applicable for young people while attending college, learning a trade, or becoming of age. It is also valuable for helping young people in paying for a home or acquiring a financial

interest in some business in which they are interested or expect to engage in later.

It is not essential to have separate forms of contract to cover each one of the cases mentioned above. A single form of contract may be used, leaving blank space in which the special features of any annuity contract may be written in. It is not necessary even to have a special survivorship contract, but the single life contract may be adapted to cover all forms of annuity contracts.

In connection with the form of contract there are the following important considerations: In the first place, no institution should attempt to issue a form of contract in connection with annuities without having that form approved by its counsel. This, I presume, all societies are doing. In the second place, the form of contract should be so worded as to make it a legal document, binding the society, board or institution to pay not a certain percent of interest periodically but a certain sum of money annually, or semi-annually, or otherwise, as the case may be, this payment constituting the annuity. In the third place, the form of contract should make it perfectly clear that the amount contributed by the donor is an outright gift to the society, board or institution to be used at the discretion of said society, board or institution. The question of legislation applying to an annuity contract will be dealt with more completely by my colleague, Mr. Darlington.

2. FINANCING ADMINISTRATIVE EXPENSES

It is desirable that all administrative expenses connected with the annuity program of any organization should be charged to the annuity account. This should include salary of staff, advertising, postage and all other expenses legitimately belonging to the expense of the annuity program. The manner of accounting for such expenses is dealt with in the following item on methods of accounting.

3. METHODS OF ACCOUNTING

The committee on Annuities believes that an individual accounting should be made in connection with each annuity, so that the principal sum would be debited with the interest earnings, and debited with the pro-rata share of such administrative or field expenses as may be charged to the annuity department, and credited with the interest payments to the beneficiaries.

In this way, as the interest of each beneficiary is released, the organization will know exactly what residuum remains to it, and further the individual cases will be built up to the average residuum of the whole lot, which will equal, or be greater than or less than, the assumed basis of the annuity rates, according to the way in which their actual experience will parallel to the assumed experience, as to rate of death, expenses and interest earnings.

At the time of the release of the claim of the beneficiaries, it would be the privilege of the organization to transfer the residuum to the proper fund, according to the wishes of the donor or the discretion of the board.

For instance, the residuum may be transferred to a permanent endowment fund, the income only to be used, or it may be transferred to a fund for current purposes to be used principal and interest, or it may be increased by interest earnings until the residuum equals the original principal sum and then be applied as above outlined.

4. PERIODICAL RESERVE VALUATIONS

It is highly important that periodical reserve valuations should be made by competent authorities so as to make certain that no depreciation is taking place in these reserves. This may be done by any competent financial institution.

5. ACCEPTING SECURITIES OR REAL ESTATE IN PAYMENT OF ANNUITIES.

The question often arises whether annuity contracts should be issued in return for anything other than cash. It is the judgment of the Committee that all securities suitable for legal trusts and insurance companies might well be accepted at their market value and an annuity contract issued for the principal amount, provided the securities may be disposed of at the pleasure of the organization receiving them. Other negotiable securities may be accepted only, if they may be sold and an annuity contract issued for their net proceeds. Mortgages of such character as would be accepted for investment for annuity reserve funds may also be accepted.

Other property, including stocks and real estate, which is satisfactory to the Finance Committee of the board concerned may be accepted under a trust agreement to pay the donor or donors thereof the actual net income on such property, when and as accrued, with the understanding that the Society shall have the right to sell such property, and that when such property is sold the society will issue a single or a survivorship annuity agreement for the net proceeds received from the sale of such property at the rate of income paid to annuitants at the age of the donor or donors of such property at the time the sale of the property has been affected. In general, it is unwise to issue annuity contracts in exchange for real estate. When real estate is offered, the best policy is to insist upon the sale of the real estate and to issue a contract only for the net proceeds. The rate on a contract of this kind will be that applicable on the date on which the contract is issued.

6. SEGREGATION OF FUNDS.

It is the belief of the Committee that amounts received on the annuity basis should be segregated and the funds handled separately from all the other funds of the society. While this may in some cases involve a little extra clerical work, in most cases it will assure greater accuracy and greater safety.

7. Investments of Funds.

According to the laws for societies operating in the State of New York, an amount sufficient to pay annuities at 4%, based upon McClintock's mortality tables, must be maintained. The California law requires a reserve capable of paying 3½%, based upon McClintock's tables. So far as the Committee was able to learn, no other states have legislation governing such annuities. It is the belief of your Committee that all funds received on the annuity basis should be invested in securities suitable for insurance companies operating in the state in which the institution is incorporated, and that the full 100% of these funds should be held in such investments until the death of the annuitant.

8. Memorials.

When a person wishes to create a memorial through an annuity gift either of the following procedures is recommended: first, the net proceeds of the original gift at the time of the death of the donor may be set up as a memorial fund, the income of which alone to be used for the work of the society. Second, in cases where a specific sum is desired for a memorial to be created through an annuity gift, it may be done by specifying that the net proceeds after the death of the donor shall be held in securities legal for trusts until their earnings shall have equalled the amount desired for the memorial. Care should be taken not to agree to set up memorials through annuity agreements except on one of the above mentioned conditions.

LEGISLATION AND TAXATION

GILBERT DARLINGTON
Treasurer, American Bible Society, New York.

State legislation regulating annuities. The early insurance laws of the State of New York did not refer to charitable, religious, or educational groups. It was, therefore, a question whether annuity contracts could be lawfully issued under the charters and articles of incorporation of such corporations. When the Insurance Law of the State was amended in 1925, representatives of the American Bible Society and of certain other religious and missionary groups were present and secured the insertion of the following clause in the law: "'The business of insurance within the meaning of this section shall include the issuance of all kinds of endowment policies and annuity contracts, except life insurance and annuity contracts issued by charitable, religious, missionary, educational, or philanthropic non-stock corporations conducted without profit where such corporation maintains a reserve fund to carry out such contracts at least equal to its contract liabilities, calculated in accordance with the provisions of Sections 84 and 85 of this Chapter." This Act became a law on April 9th, 1925. The reserve called for in the law is the amount required to meet all contract liabilities figured on McClintock's Mortality Tables with interest at 4%. As long, therefore, as such a reserve is maintained in securities suitable for the investment of funds of life insurance companies of the State of New York a certificate of the Superintendent of Insurance is not necessary. Such a certificate is of course only issued under the hand and official seal of the Superintendent of Insurance when a corporation has complied with all the requirements of the law. As long, therefore, as the groups mentioned maintain their reserve funds in proper securities there is no fear of their being

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forced to submit to the full authority of the Superintendent of Insurance. On the other hand, there is no reason why a much larger fund may not be set aside and maintained, especially in view of the possibility of a decrease in interest rates and of the ascertained fact that those who purchase annuities from charitable, religious and educational corporations are a very select group whose life expectancy is much larger longer than the average.

Section 594½, 596 of the Political Code of the State of California provides that charitable, religious, benevolent, or educational societies, corporations, institution, or associations (pecuniary profit not being the object or purpose) must secure a permit or certificate of authority from the Insurance Commissioner of the State. Before such a certificate can be issued the applicant must have been in active operation for at least ten years. Upon granting such a certificate of authority the Insurance Commissioner shall require the society, corporation, institution, or association granted such authority to establish and maintain a reserve fund based on McClintock's Table of Mortality among Annuitants with interest at 3½%. If this reserve is not maintained, the certificates shall be revoked.

The law as amended in 1925 provides that each society, corporation, institution, or association shall file with the Insurance Commissioner a true and complete copy of each annuity agreement. This agreement must show the value of the property granted, the amount or amounts of annuity or annuities to be paid and the manner and intervals at which such payments are made. Furthermore, it must show the reasonably commensurate value of the benefits created. This reasonably commensurate value shall in no case exceed by more than 15% the net single premium for such benefit or benefits as determined in accordance with the standard of valuation prescribed. Any society, corporation, institution, or association which complies with the above conditions shall be otherwise exempt from the insurance laws of the State. Real and personal property may be received as the basis for an annuity.

The cost of issuing such a certificate is $10.00. The American Bible Society has submitted one of its sample annuity agreements and a list giving the name or names of the annuitants, their addresses, the date the annuity was issued, the amount of the annuity paid, the dates of payment, and the amount paid to the society by the annuitant or annuitants. As the present law went into effect on July 24th, 1924, the Insurance Commissioner requests a statement only from that date, although the previous law had also required that a copy of each bond be filed with the Department. Since then similar information is sent on each three months. Each agreement has written on it the following endorsement giving the reasonably commensurate value which is figured out in each case by actuaries:

> "The present value as of date of issue of the benefits granted in this annuity bond computed as the equivalent of the net single premium, loaded 15 per centum, on the basis of McClintock's Tables of Mortality among annuitants with compound interest at the rate of three and one-half per centum per annum is $............
>
> "This endorsement is attached to and made a part of Annuity Bond No............. issued by the American Bible Society for the sole purpose of compliance with Section 594½ P.C. of the insurance laws of the State of California."

In certain other states such as Pennsylvania it is the belief of eminent counsel that religious, charitable, and educational corporations are not permitted to issue annuities, if they are Pennsylvania corporations, and have not been granted that specific right in their charter.

Federal Income Tax Regulations.—The Federal Income Tax Laws of 1918, 1921 and 1924 provided that "the amount received by the insured as a return premium or premiums paid by him under life insurance, endowments, or annuity contracts either during the term, or at the maturity of the term mentioned in the contract or upon surrender of the contract" shall not be included under gross income. In Section 213B of the Revenue Act of 1926 this was changed to read:

"(2) Amounts received (other than amounts paid by reason of the death of the insured and interest payments on such amounts) when added to the amounts received before the taxable year under such contract, exceed the aggregate premiums or consideration paid (whether or not paid during the taxable year) then the excess shall be included in gross income. In the case of a transfer for a valuable consideration, by assignment or otherwise, of a life insurance, endowment, or annuity contract, or any interest therein, only the actual value of such consideration and the amount of the premiums, and other sums subsequently paid by the transferee shall be exempt from taxation under paragraph (1) or this paragraph."

It is therefore apparent that, whereas from 1918-1926, if an annuity was purchased by one individual for the benefit of another, the individual receiving the annuity payments was not exempted from the Federal Income Tax, it is now immaterial whether the annuity payment is received by the purchaser or by someone else. The wording of the first Act as it refers to a return premium received by the insured for moneys paid by him, of course applied to no one else. The present Act is more general, saying simply "amounts received" are taxable when they exceed the aggregate premium or consideration paid. The New York State Law follows the 1918 Federal Law, and therefore it may be held that only the person who pays the principal amount of annuity is exempt from taxation of the return premiums until he has received back the full amount paid. However, I am not aware of this case having come up, and at the present time it might be held that the New York State Law followed the new Federal Law in this matter.

Inheritance Tax as Affecting Annuity Gifts.—It often happens that in a will a sum is provided to purchase an annuity from some religious or charitable corporation for a specific beneficiary. Either the principal amount to be paid over for the annuity is mentioned, or it may happen that an annuity of a certain amount is to be bought by the estate. In both of these cases the question of an inheritance tax and by whom it is to be paid can be raised. In purchasing an ordinary annuity the inheritance tax would have to be paid either by the beneficiary or by the estate. However, when an annuity is purchased from a religious or charitable group the situation is further complicated. Inasmuch as the principal amount paid to the religious or charitable group is more than the market price of such an annuity from a life insurance company, it is possible that an effort may be made in certain states to tax the excess of principal received by the religious or charitable group over and above the market value of the annuity granted. Of course it might be held in some cases that this tax was to be paid by the estate. On the other hand, if a religious or charitable group was exempt from inheritance tax in this particular state, then the question would not be raised.

In certain states there has been a tendency to consider an annuity purchased from a religious, educational or charitable corporation as a gift in view of death. On the basis that such gifts are made to escape taxation efforts are being made to tax the principal amount of the annuity upon the death of the annuitant. This is a very important matter, and one that is concerning the counsel of the different societies and boards. If this principle is established, it will remove one of the incentives for making annuity gifts, this incentive being that they are believed not to be subject to taxation upon the death of the annuitants as they would be if part of his estate. There is great need, therefore, for co-operation in facing this problem fairly and squarely. There are those who think that the wording of annuity contracts or agreements may have an important bearing on this point. Does the phrase "Annuity Bond Agreement" make it more difficult to meet this situation, and if so, why? A complete and thorough study of all the facts in the situation is certainly advisable.

Property Taxes as Affecting Annuity Gifts.—Is an annuity personal property? If so, is it subject to taxation by the different States? The State of Ohio taxes annuities as personal property. Annuities are specificially mentioned in the Tax Law as taxable. They are taxable on the value of the annuity as of the date the tax is levied. Only a day or two ago a letter came from Ohio from a lady who had three annuity agreements asking that the three be consolidated. This of course will aid her in computing the value, as there will be one value instead of three values. She naively suggested that what she needed instead of an annuity agreement was a pension. Is there not a vital point here? A pension is non-assignable. It does not have a surrender value to another person. In very few cases would the corporation paying the pension be willing to pay a lump sum in place of a pension. If an annuity agreement is drawn in which the generous purpose of the donor in desiring to make a gift is made plain, and it is stated that this annuity has no surrender value nor can it be transferred to anyone else (though it can be made an outright gift to the organization issuing it), would it not be possible to claim that such an annuity agreement was similar to a pension?

The State of Illinois taxes annuities as property. The State of Pennsylvania in its Act of June 17, 1913, P. L. 507 Section 1, taxes annuities as personal property at the rate of four mills on each dollar of the value thereof, provided the annuity yields over $200 annually. In the case of G. R. Wellman vs. the Board of County Commissioners of the County of Jewell, State of Kansas, it was ruled by the Court that

"A contract for the payment of a life annuity is not taxable against the annuitant under a statue making all property subject to taxation in the manner provided in the act, but containing no express reference to annuities by name or specific description and indicating no standard by which its value is to be measured, other than the general one of the usual selling price or such price as it is believed could be obtained therefor."

It will be observed that the Court did not rule that a law could not be passed by the State of Kansas expressly including annuities either under property that was to be taxed in regard to the principal thereof, or the income from which could be taxed as income. In this case Mr. G. R. Wellman purchased from the Board of Foreign Missions of the M. E. Church annuity agreements to the amount of $13,328 on which he received annually $959.40. The Taxing Offices required for the years 1922-23 a payment of $528.21. This the District Court on reviewing the case held to be excessive and reduced to $214.07. The higher court held that under the present law it was not taxable at all.

An interesting part of the decision recounts the attempt made in 1899 in the State of Kansas by Act of Legislature to tax insurance policies insuring against loss by fire or otherwise. This was held unconstitutional partly because it discriminated as between certain companies. It is also inferred as the tax was not further enacted that the Legislature did not regard such policies as taxable. A fire insurance policy is property in the same sense that an annuity is property. It has a surrender value which can be computed and as actual value which is great.

The Court, therefore, does not finally rule that the principal of annuities may not be taxable, but only that there is no law at present in the State of Kansas by which they are taxed. It does not rule upon the point whether the income from annuities is taxable.

In the State of New Jersey it has been held that "an annuitant can be assessed only for the sum actually due and unpaid on the annuity at the time of the assessment." He can be taxed for the principal sum producing the annuity.

In the State of Kentucky an annuity is held to be taxable according to its present value for each year as estimated by the mortality tables.

In the State of Oklahoma annuities are taxable and are expressly mentioned under the law. Wilkin vs. County Commissioners of Oklahoma City 77 Oklahoma 88.

FINDING PROSPECTIVE DONORS

GEORGE F. SUTHERLAND

Assistant Treasurer, Board of Foreign Missions, Methodist Episcopal Church, New York.

The three papers which have been presented constitute the report of the committee which was authorized to investigate and report to this conference. The two following papers are not the result of discussions and conclusions by the committee. Mr. Hall and myself were requested to present our individual experiences in connection with promotion methods for the purpose of opening discussion, that the conference might have an exchange of experiences and view-point regarding methods. The statements, therefore, are brief and suggestive and do not represent conclusions.

I was asked to open a discussion on the matter of:

1. *Display Advertising,* and to discuss it under five different points.

A. What points may best be emphasized in Annuity advertising?

In my own experience we have emphasized both the gift features and the investment features although we have lately avoided the use of the word "investment" because it implies the return of principle and investments are subject to taxes. We, therefore, try to combine the two ideas, the gift feature, that is the large service which can be rendered by the donor, and we couple with it the idea of guranteed regular income which is available to the donor through the annuity plan.

It seems advisable to vary the advertising as much as possible and it is not always easy to develop "ads" which produce inquiries. It has seemed to me that the various boards and organizations ought to feel perfectly free to borrow ideas for advertisements from one

another. I recently asked the librarian of our Board to look up some of the "ads" of other organizations and she placed on my desk a number of copies of the "World Call," the official organ of the Disciples of Christ, published by the United Christian Missionary Society. I did this deliberately with the thought of getting suggestions that would help me develop new advertising but with the feeling that if I found the right thing there would be no objection on the part of the United Society to my using their copy. To my great relief and satisfaction, one of the first "ads" I saw was headed by a phrase that I myself had used two or three years ago, "If you want a thing done well, do it yourself," followed by the idea that the Annuity Plan made it possible for one to be his own executor. One of the next "ads" which I saw was headed "Give while you live" and an advertisement with that heading, but not following the balance of the copy, will appear in many Methodist papers in May. An even exchange of this kind is certainly no robbery.

Our board has eliminated from its phraseology all use of the word "bond" for reasons already indicated and we make no reference either in our advertising or in our pamphlet literature to the fact that Annuities are tax free because of the different laws in the different states and the constant changes taking place in these laws.

I do not feel, by any means, that we have discovered the best type of advertising and I covert the testimony of our friends at this conference regarding their successes and failures.

B. Is all of our Annuity Advertising ethical?

This question has been raised because some organizations have the habit of announcing in their advertising only the highest rate which they pay, in some cases not even using the phrase, "As high as — per cent." I am told that certain advertising men have said that such advertising does not conform to the ethical standards of the best advertising agencies. No religious organization can afford to have a standard lower than the common business agencies.

C. What are the best advertising media for Annuities?

We will probably all answer this question by saying that our own denominational papers furnish the best means of reaching our constituency. Our own practice is to place an annuity "ad" monthly in each Methodist paper, eliminating, of course, papers that are published especially for young people. I am perfectly conscious of the fact that by this process we are reaching only a fraction of the constituency of the Methodist Episcopal Church. It seems to me that more ought to be done and that the best means of reaching out is made available through the next suggestion which I am asked to consider.

D. Co-operative Advertising

There are many magazines of a religious and semi-religious character, interdenominational and non-denominational, which have a very wide circulation among Christian people. Advertising, however, in these magazines, is expensive but if a basis of co-operation could be discovered and an experiment tried in a few of the best papers it would in my judgment be worth the effort. I refer to such magaziness as the "Christian Herald," "Missionary Review of the World," "The Sunday School Times" and the "Record of Christian Work." If experiment in one or more of these papers proved successful, it might be wise to go even further and utilize the columns of the "Outlook," "Literary Digest" and other similar magazines. So far as I have been able to think through this matter, the plan of least resistance would be for boards with a similar purpose and of approximately the same size to unite in such advertising. For example, let the Board of Foreign Missions of the Presbyterian, Baptist, Congregational and Methodist Churches take a

full page "ad" in the "Christian Herald." Let the Home Boards of the same denominations follow with a similar co-operative "ad" and let that be followed by the Boards of Education of these four denominations. Similar combinations by the Boards of Ministerial Relief could be effected. Such "ads" might follow weekly or they might be inserted on a monthly basis. When the cycle had been completed the first group could insert another "ad." If combinations of all of these boards could not be effected, then one group could experiment to advantage. Similar groups of boards having smaller constituencies, space might be arranged. It seems to me that the combinations suggested above would be much more advantageous than combinations within the denomination. A full page "ad" in the "Christian Herald" representing the Annuity Plan of the Presbyterian Foreign Board the Presbyterian National Board, the Presbyterian Board of Education and the Presbyterian Pension Board would appeal only to the Presbyterian readers whereas the other combination would have four times the constituency to which an appeal could be made, thus making it that much more effective. The Board of Foreign Missions of the Methodist Episcopal Church is ready at any time to experiment along the lines proposed.

E. Should advertising be limited as to cost?

This question almost answers itself as the Boards and agencies concerned are all limited in their resources. In the experimental stage it may be necessary to take some chances. I understand that the American Bible Society has attempted advertising in some of the daily papers and have concluded that it does not pay. If it does not pay that organization which has as its constituency the entire Protestant public, it certainly would not pay a denominational organization. It would seem that while it might not be necessary to limit the cost of advertising to a certain per cent. of the Annuity business conducted during the year, it would be necessary for any board to limit its officers in the total expenditures permitted for all types of annuity promotion.

I would be interested in an expression of the limitations that should be placed. Should it be 5%, more, or less?

2. My second main topic has to do with *enlisting the co-operation of pastors and others in securing prospective donors.* We have not had any very great success along these lines. Pastors seem to hesitate to give us the names of prospective donors. Many of them seem to feel that they should protect their people rather than bring to them the knowledge of this plan. They apparently do not realize that with a larger possible income resulting from annuity gifts donors might have more money available for other Church purposes. We have made some attempts to get pastors to give us the name of prospective annuitants living in charges formerly served by them with slightly better success than when we asked for names of their present constituency, but without any marked degree of success. We made one attempt to secure possible names from chairmen of the missionary committee of the local church and a comparatively few names were suggested, but so far as we know no definite results came from the follow-up letters which were sent out. Present annuitants have also been asked to send us the names of prospective annuity givers. Some have done so and many have helped indirectly by recommending the plan to their friends.

I am confident that the group will appreciate any constructive suggestions which will enable any of us to secure the co-operation of pastors, members of local missionary committees and others in securing the names of prospective annuitants.

3. *Field Secretaries for Annuity Cultivation.* The Board of Foreign Missions and the Board of Home Missions and Church Extension of the Methodist Episcopal Church co-operate in promoting annuities. The

advertising is done jointly, the costs being shared equally. Field secretaries are employed for special annuity cultivation and are assigned to definite territory. They represent both boards. When donors have a preference between Home and Foreign Missions they respect that preference. When there is no preference, annuity gifts are divided equally. The salaries of these field secretaries and their expenses are divided between these two boards in the ratio of the business which they get for each organization. At present two men are employed, one a minister and one a layman. The minister secures most of his prospects through pulpit work, presenting the cause of Home and Foreign Missions and getting in touch with any interested prospects. By this method the co-operation of the pastor is usually secured and in many cases such co-operation is very hearty. The layman does very little, if any, public work but by personal contact with pastors and people is meeting with some success. This plan has been in operation most of the time with three field secretaries, covering the entire field east of the Mississippi River. We credit a large measure of our success to the personal activities of these secretaries.

All inquiries to our advertising from the territory of each man is sent to him for personal follow-up in addition to correspondence from the office. We try to impress upon the field men that the hardest task we have is to find the prospective giver and that he must, therefore, give constant attention to the securing of new names. We also make it very clear that certain prospects, especially the larger ones, require continuous cultivation and, if a man proves his ability to seek out and cultivate such donors and works hard at the task, we try to support him even though results are not as prompt as we might wish, knowing by experience that in the end worth while results will follow.

We are definitely committed to this policy of the use of field secretaries, realizing, however, that men of the type who make a success of this work are not numerous.

SECURING THE GIFTS

ERNEST F. HALL

Secretary, Department of Annuities, the Board of Foreign Missions of the Presbyterian Church in the U. S. A., New York.

The previous paper dealt with the subject of finding prospective donors. This paper is intended to show how to proceed after they have been found. Having secured the names of persons who may be regarded as possible donors on the annuity plan and information concerning them, it is all important to know how to secure gifts from them.

All that can be said on this subject is in application of the well-known principles of salesmanship. I fancy that some people will take exception to this statement as being too commercial, for they think that the securing of money for religious purposes is different from seuring money in secular lines of human activity. But business has merely made use of good psychology in getting results, and the basic principles are the same, whether in business or religion—presenting something of value for another person to obtain for a money consideration and appealing to self-interest in such a convincing manner as to effect the transfer. This applies to advertisements, printed matter, correspondence and personal solicitation.

Self-interest can be appealed to in two respects—what a person wants to do and what he wants to get. Many people are benevolently disposed and wish to make gifts to worthy causes in which they have become interested. This desire is altruistic, but it is also based on self-interest from the salesman's point of view, for the act of giving is the satisfying of a desire for self-expression. In this case instead of offering some manufactured article which appeals to a person's need or

vanity, an opportunity is offered to make a gift by a most satisfactory method.

The idea of service must not be lost sight of, for the donor receives service in the opportunity offered for giving. Nor must we lose sight of the fact that the annuity plan is a means of securing money, and this is not putting it on a so-called commercial basis. The annuity plan was devised for the purpose of making it possible for some people to give who might not otherwise be able or inclined to do so. It is spiritual for an organization offering the plan in so far as it spiritualizes all of its work, and for a donor in proportion as he recognizes himself as a steward or is benevolently inclined.

Self-interest can also be appealed to by satisfying the necessity or desire to receive an income from one's capital. Many people would like to give a substantial amount, but are unable to do so, because they must use their income for their living expenses, or to provide for dependent friends. Some people use the annuities year by year in benevolent giving, either to some phase of the work of the organization which issues the annuity agreement or to the work of a different organization. In all these respects self-interest is a prominent characteristic to which appeal for a gift can be made.

The two ideas therefore which appeal to donors are gift and investment. Psychologically the point of view from which a successful appeal for a gift on the annuity plan should be made is the self-interest of the donor.

Having thus briefly explained the principles underlying the securing of gifts on the annuity plan, we shall now proceed to consider the materials to be used and the methods to be employed.

Printed Matter. A piece of promotional literature should have some intriguing title that will arrest attention. It may give some characteristic of the plan presented without telling the whole story, or it may be so worded as to arouse curiosity to see what the thing is about, the significance of the title not being evident until the pamphlet has been read. Some of the titles on pamphlets which I have received from various organizations are—"A Gift that Pays," "An Income for Life," "A Spiritual Gift and a Sound Investment," "Annuity Gifts," "Safe Investments that Guarantee Income Throughout Life," "Safety Plus," "What's Your Age?" "Safe and Sound," "Yourself Your Own Executor," "Investments as Gifts."

Many pamphlets have in the title the word "Annuity." Although that word is becoming better understood, as yet a vast number of people, including many who would give on this plan, do not know the meaning of it and consequently are not attracted by it. It might appear in a subtitle. Of the pamphlets which I have examined most of them do not have intriguing titles. We shall do well to study this and get the assistance of specialists to help in the preparation of annuity literature. It will be money well spent and will yield manifold returns.

The subject matter of pamphlets should be prepared with great care. They should be so informing and presented in such clear language as to answer questions that people would usually ask about the plan, but all the information need not be in every piece of printed material. While I am writing there are before me the printed matter of several organizations concerning annuities. Some have issued a series of leaflets, each one describing one phase of the plan, to be used in consecutive communications on the follow-up plan. But each organization also has a complete pamphlet giving detailed explanations.

Pamplets now in use contain the following items:

General explanation of the annuity plan.

The gift idea and what the money will do when released and put to work.

The investment feature—safety, financial strength of the organization, annuity rates, advantages as an investment.

The work of the organization summarized.

Testimonials from satisfied annuitants.

Most organizations publish their complete rates, some give them only on request, thus establishing correspondence as an evidence of favorable reaction on the part of the prospective donor.

No less important than the title and content of a pamphlet is its appearance. This includes paper, ink, type, size, form and arrangement. In all of these particulars they should be up to date. A pamphlet should be so attractive looking as to say, pick me up and read me. People see too much good printing to be attracted by cheap paper, bad ink, narrow margins, tight printing. Many annuity pamphlets now in use are of inferior quality and bear evidence of having been prepared by persons not familiar with the principles of pamphlet production. Good printing is as necessary as a good arrangement of subject matter. Here again the specialist is necessary. If the organization does not have one on its staff, money paid for occasional help will be well spent. Do not be "penny wise and pound foolish" in this matter.

Letters. It is important to write the right kind of letters and at the right time. Form letters can sometimes be used, but they should be the right form. This paper can do no more than call attention to this matter and make a few brief suggestions. If the person in charge of handling the correspondence is not trained, it will be well to consult a specialist in this also, because certain well worked out principles are important.

Many letters cannot be answered by a form letter to produce the best results. Often there is opportunity for including in a reply to an inquiry something that makes it seem less like a purely business communication and more like that of a personal friend. The more one knows the constituency of the organization and its work, the better equipped he is to conduct the correspondence. It is not good form to have the name of some officer of the organization signed on a typewriter and followed by "Per" somebody else. People do not like to receive that kind of letters.

Methods. Two general methods are employed, direct mail and personal interviews. The former includes the use of letters and printed materials. Take a selected group of prospective donors. It is not possible to see all of them unless the organization has plenty of field representatives, which most do not. A few who might give larger amounts can be seen. The rest must be first approached by mail. If a letter is sent it should be brief, calling attention to the enclosed printed matter and perhaps pointing out the salient feature of the annuity plan in such a way as to make the reader want to know what the pamphlet says. Some persons do not send a letter at first, but only printed matter, a letter to go some time later.

Following up is important. The first letter or the first leaflet does not often bring a check. Sometimes it does, as the writer can testify. Some organizations that are successful in securing annuity gifts send four or six communications at intervals of from two to four weeks apart. The follow-up methods of direct mail advertising should be studied and if necessary experts in this line should be consulted. Expert help costs, but it pays.

People may be favorably impressed with the plan, but they usually reply when they get ready. Some want to wait until they can get a larger annuity, but they do not think it necessary to tell you so. Some wait to sell property or securities, and when they do so they send their checks. The follow-up method sometimes secures that information.

Personal interview is the most effective method. Some organizations now employ persons to give full or part time to securing annuity gifts, both by personal interviews and by correspondence. One denomination has two field men who spend their time in securing the names of prospective donors and in seeing them personally. One organization recently created a department of annuities and assigned a member of its official staff to devote full time to the work.

Often the opportunity for an interview comes in

a request for information, either by mail or through a member of the organization. Two such opportunities came by letter requests recently to the writer. Instead of replying by letter he went the same day the requests were received to see both persons, with the result that full explanation was made and questions answered in a few minutes. One of the persons made out and signed a request for an annuity agreement for $10,000, the money to be paid as soon as an estate is settled. The other gave him checks for $60,000. At the request of a fellow member of his organization he wrote to a man who had inquired about the plan. No reply came. He went to see him, the result being an agreement to give $50,000 as soon as certain securities are sold.

Some persons are willing to accept a lower annuity rate than the usual one. It is much easier to arrange this by an interview. A person who was entitled to over six per cent. offered to take five per cent. and handed me a check for $25,000.

An important group of prospective donors that should be followed up are those who have already given. They should be put on the mailing list to receive certain printed matter issued by the organization, and at least once a year a letter should be sent to them informing them about the number and the amount of new annuities during the year, and asking for co-operation in letting others know of the annuity plan. The writer recently secured a gift of $20,000 from a man who had previously made gifts amounting to over $100,000. A woman who called herself "a working woman" gave $4,500 about three years ago, last fall sent $10,000 more, and this spring an additional $2,000.

Only a comparatively small number of people know of this plan. Many find it exactly the opportunity they want and are glad to know about it. Broadcasting the information is sure to produce results.

REPORT OF COMMITTEES ON FINDINGS

The report of the Committee on Findings was the basis of discussion of the afternoon session and was finally adopted unanimously by the conference in the following votes, which thereby become an approved standard for the annuity business of co-operating organizations:—

1. VOTED that in view of the wide variations in annuity rates now granted by religious, educational and charitable organizations, this conference, representing thirty-five organizations, expresses its strong conviction that it is advisable to bring about a standard in rates and uniformity in practise.

2. VOTED that we recommend the adoption as a standard for fixing annuity rate an average of not less 70% as a residuum reasonable in its return both to the donors and the organization and at the same time consistent with the objects of the annuity gifts but that the maximum rate paid be 9%. [See Chart A, following p. 48.]

3. VOTED that it is the judgment of this meeting that no basis of rates yielding less than those above provided should be used for annuity contracts.

4. VOTED that the rate of interest on invested funds assumed in the calculations be 4½%.

5. VOTED that the table of mortality adopted as a basis for the calculations for the annuities on single life be the McClintock Table of Mortality among Male Annuitants, which is the standard in the State of New York and many other States.

6. VOTED that the table of mortality adopted as the basis for the calculations for the Joint Life and Survivorship annuities where there are two beneficiaries be the McClintock Table of Mortality—male and female (female the younger.) [See Chart C, following p. 48.]

7. VOTED that the issuance of annuities involving the continuance of the payments to more than two lives be not encouraged.

8. VOTED that the matter of drafting a suggested standard form of contract be referred to the Standing Committee on Annuities. This Committee to draw up such a form and report at a later conference.

9. VOTED that administrative expenses in connection with Annuity Agreements should be charged to the Annuity Agreement Account.

10. VOTED that a separate account should be set up with each annuitant.

11. VOTED that periodical reserve valuations to insure the maintenance of legal reserves required by the state where the organization is incorporated should be taken.

12. VOTED that Annuity Funds should be segregated; with separate bookkeeping accounts and securities earmarked.

13. VOTED that all Annuity Funds should be invested in sound, income-producing, high-grade securities.

14. VOTED to refer to the Annuity Committee the following:

   1. The manner in which the conclusions of the conference should be made known.
   2. Study of special phases.
   3. Question of further conference.

WM. P. BOULT, Chairman,
W. J. ELLIOTT,
AVA B. BLANK,
GILBERT DARLINGTON,
ERNEST F. HALL.

Following the above action regarding the report of the Findings' Committee, additional actions were taken as follows:

VOTED that the proceedings of the conference when printed be sold to all organizations desiring copies for not less than $1.00 in order to help defray the preliminary costs of procuring the materials and other incidental expenses of the conference.

VOTED that organizations represented by individuals present be asked to contribute toward underwriting the balance of the costs of the conference.

VOTED that in the judgment of those present it would be wise to have another meeting concerning annuities giving special attention to promotion methods.

VOTED that the papers prepared by Mr. Sutherland and Mr. Hall, which were not read because of lack of time, be printed in the report of the conference.

GEORGE F. SUTHERLAND,
Secretary of Conference.

ENROLLMENT OF PERSONS IN ATTENDANCE AT CONFERENCE ON ANNUITIES—APRIL 29, 1927.

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