Rates Effective July 1, 2001 - June 30, 2002

Approved by the American Council on Gift Annuities April 30, 2001

- 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 & Comments on Gift Annuity Rates

SINGLE LIFE

Age	Rate	Age	Rate
20 and under	4.8%	56	6.1%
21	4.9	57	6.2
22	4.9	58	6.3
23	5.0	59	6.4
24	5.0	60	6.4
25	5.1	61	6.5
26	5.1	62	6.6
27	5.1	63	6.6
28	5.1	64	6.7
29	5.2	65	6.7
30	5.2	66	6.8
31	5.2	67	6.9
32	5.2	68	7.0
33	5.3	69	7.1
34	5.3	70	7.2
35	5.3	71	7.3
36	5.3	72	7.4
37	5.4	73	7.6
38	5.4	74	7.7

Age	Rate	Age	Rate
39	5.4	75	7.9
40	5.4	76	8.0
41	5.5	77	8.2
42	5.5	78	8.4
43	5.5	79	8.6
44	5.5	80	8.9
45	5.6	81	9.1
46	5.6	82	9.4
47	5.6	83	9.7
48	5.7	84	10.1
49	5.7	85	10.4
50	5.7	86	10.8
51	5.8	87	11.1
52	5.8	88	11.4
53	5.9	89	11.7
54	5.9	90 and over	12.0
55	6.0		

WARNING: These annuity rates, for both immediate and deferred annuities and for both single life and two lives, should not be used if the gift portion, based on IRS tables and the applicable discount rate, is not more than 10% of the amount paid for the annuity.

NOTES:
1. The rates are for ages at the nearest birthday.
2. These rates will result in a charitable deduction of at least 10% if the CMFR is 5% or higher. If the CMFR falls below 5%, rates at certain young ages may have to be reduced to meet the 10% deduction requirement.

Two Lives - Joint and Survivor

Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Rate	Rate
						82	91-92	8.8
20 & under	All	4.6	72	78-80	7.0			
						82	93-94	8.9
			72	81-83	7.1			
21	21+	4.7				82	95+	9.0
			72	84+	7.2			
22	22+	4.7				83	83	8.2
			73	73	6.8			
23	23+	4.8				83	84	8.3
			73	74-75	6.9			
24	24+	4.8				83	85	8.4
			73	76-78	7.0			
25	25+	4.9				83	86	8.5
			73	79-80	7.1			
26	26+	4.9				83	87	8.6
			73	81-83	7.2			
27	27+	4.9				83	88	8.7
			73	84-87	7.3			
28	28+	4.9	73	88+	7.4	83	89	8.8
29	29+	4.9	74	74	6.9	83	90	8.9
30	30+	4.9	74	75-76	7.0	83	91-92	9.0
31	31+	5.0	74	77-78	7.1	83	93-94	9.1
32	32+	5.0	74	79-81	7.2	83	95+	9.2
33	33+	5.0	74	82-83	7.3	84	84	8.4
34	34+	5.0	74	84-87	7.4	84	85	8.6
35	35+	5.0	74	88+	7.5	84	86	8.7
36	36+	5.1	75	75	7.0	84	87	8.8
37	37+	5.1						

38	38+	5.1	75	76-77	7.1	84	88	8.9
39	39+	5.1	75	78-79	7.2	84	89	9.0
40	40+	5.2	75	80-81	7.3	84	90-91	9.1
41	41+	5.2	75	82-84	7.4	84	92	9.2
42	42+	5.2	75	85-86	7.5	84	93	9.3
43	43+	5.3	75	87-90	7.6	84	94+	9.4
44	44+	5.3	75	91+	7.7	85	85	8.7
45	45+	5.4	76	76	7.1	85	86	8.8
46	46+	5.4	76	77-78	7.2	85	87	8.9
47	47+	5.4	76	79	7.3	85	88	9.0
48	48+	5.5	76	80-81	7.4	85	89	9.1
49	49+	5.5	76	82-84	7.5	85	90	9.2
50	50+	5.5	76	85-86	7.6	85	91	9.3
51	51+	5.6	76	87-89	7.7	85	92	9.4
52	52 +	5.6	76	90+	7.8	85	93	9.5
53	53+	5.7	77	77-78	7.3	85	94	9.6
54	54+	5.7	77	79-80	7.4	85	95+	9.7
55	55-57	5.7	77	81-82	7.5	86	86	8.9
55	58+	5.8	77	83	7.6	86	87	9.1
56	56+	5.9	77	84-85	7.7	86	88	9.2
57	57-63	5.9	77	86-88	7.8	86	89	9.3

57	64+	6.0	77	89-91	7.9	86	90	9.4
58	58-61	6.0	77	92+	8.0	86	91	9.5
58	62+	6.1	78	78-79	7.4	86	92	9.7
59	59-62	6.1	78	80	7.5	86	93-94	9.8
59	63+	6.2	78	81-82	7.6	86	95+	9.9
60	60-61	6.1	78	83	7.7	87	87	9.2
60	62+	6.2	78	84-85	7.8	87	88	9.4
61	61-66	6.2	78	86-87	7.9	87	89	9.5
61	67+	6.3	78	88-89	8.0	87	90	9.6
62	62-65	6.2	78	90-92	8.1	87	91	9.8
62	66-71	6.3	78	93+	8.2	87	92	9.9
62	72+	6.4	79	79	7.5	87	93	10.0
63	63-64	6.2	79	80	7.6	87	94	10.1
63	65-69	6.3	79	81-82	7.7	87	95+	10.2
63	70+	6.4	79	83	7.8	88	88	9.5
64	64-67	6.3	79	84-85	7.9	88	89	9.7
64	68-73	6.4	79	86	8.0	88	90	9.8
64	74+	6.5	79	87-88	8.1	88	91	10.0
65	65-66	6.3	79	89-91	8.2	88	92	10.1
65	67-71	6.4	79	92-93	8.3	88	93	10.2
65	72+	6.5	79	94+	8.4	88	94	10.3

66	66-69	6.4	80	80	7.7	88	95+	10.5
66	70-73	6.5	80	81-82	7.8	89	89	9.8
			80	83	7.9	89	90	10.0
66	74+	6.6	80	84	8.0	89	91	10.2
67	67-68	6.4	80	85-86	8.1			
			80	87	8.2	89	92	10.3
67	69-72	6.5	80	88-89	8.3	89	93	10.5
67	73-76	6.6	80	90-91	8.4	89	94	10.6
67	77+	6.7	80	92-94	8.5	89	95+	10.7
68	68-70	6.5	80	95+	8.6	90	90	10.2
			81	81	7.8			
68	71-74	6.6	81	82	7.9	90	91	10.4
68	75-78	6.7	81	83	8.0	90	92	10.5
			81	84	8.1	90	93	10.7
68	79+	6.8	81	85	8.2	90	94	10.8
69	69	6.5	81	86-87	8.3	90	95+	11.0
69	70-72	6.6	81	88	8.4	91	91	10.5
			81	89-90	8.5			
69	73-76	6.7	81	91-92	8.6	91	92	10.6
69	77-80	6.8	81	93-94	8.7	91	93	10.8
			81	95+	8.8	91	94	10.9

69	81+	6.9	82	82	8.0	91	95+	11.1
70	70-71	6.6	82	83	8.1	92	92	10.7
70	72-74	6.7	82	84	8.2	92	93	10.9
70	75-77	6.8	82	85	8.3	92	94	11.0
70	78-81	6.9	82	86	8.4	92	95+	11.2
70	82+	7.0	82	87	8.5	93	93	11.0
71	71-73	6.7	82	88-89	8.6	93	94	11.1
71	74-76	6.8	82	90	8.7	93	95+	11.3
71	77-79	6.9				94	94	11.2
71	80-82	7.0				94	95+	11.4
71	83+	7.1				95 & over	95+	11.5
72	72	6.7						
72	73-74	6.8						
72	75-77	6.9						

Deferred Payment Gift Annuity Factors

1. Determine the annuity starting date, which is:
   One year before the first payment, if payments are made annually.
   Six months before the first payment, if payments are made semi-annually.
   Three months before the first payment, if payments are made quarterly.
   One month before the first payment, if payments are made monthly.

2. Determine the number of whole and fractional years from the date of the contribution to the annuity starting date (the deferral period). Express the fractional year as a decimal of four numbers.

3. If the deferral period is 20 years or less, use the following formula to determine the compound interest factor:

$F = 1.0575^d$, where

F is the compound interest factor and

d is the deferral period

Example: If the period between the contribution date and the annuity starting date is 11.5760 years, the compound interest factor would be $1.0575^{11.5760} = 1.9102$

4. Multiply the compound interest factor (F) by the immediate gift annuity rate for the nearest age or ages of a person or persons at the annuity starting date.

Example: If the sole annuitant will be nearest age 65 on the annuity starting date and the compound interest factor is 1.9102, the deferred gift annuity rate would be 1.9102 x 6.7% = 12.8% (rounded to the nearest tenth of a percent).

5. For deferral periods of more than 20 years, the procedure for calculating the compound interest factor is somewhat more complex. That is because the compound interest rate decreases for periods longer than 20 years.

The compound interest rates are:

1 - 20 years	-	5.75%
20+ - 25 years	-	5.50%
25+ - 30 years	-	5.25%
30+ years	-	5.0%

Example: If the deferral period is 28.7050 years, follow this procedure:

1.0575^{20}	=	3.0592
1.0550^5 x 3.0592	=	3.9984
$1.0525^{3.7050}$ x 3.9984	=	4.8329

Each calculation is rounded to a decimal of four numbers.

Comments:

- The annuity starting date for purposes of calculating the deferred gift annuity rate will be the same as the annuity starting date for calculating the charitable deduction, if payments are at the end of the period (which is usually the case). This was not true with the pre-July 1, 2001 methodology.
- An annuitant is credited with compound interest for the entire period from the date of contribution to the annuity starting date. Under the previous methodology, compound interest was credited only for the number of whole years between the two dates.

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

If the deferral period does not exceed 20 years, you may follow the same procedure as for all other states.

If the deferral period is more than 20 years, you must use a lower compound interest factor for the entire period. Through August of 2001, a compound interest factor not exceeding 5.25% for the entire deferral period would meet New York and New Jersey requirements in nearly all instances.

When New York and New Jersey release their interest assumptions later this year, the maximum compound interest factor for longer deferral periods may change. Information about the maximum compound interest factors for these two states will be posted on the ACGA website at that time. See www.ACGA-Web.org.

* 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.

Assumptions & Comments on Gift Annuity Rates

These comments apply to the new gift annuity rates, which were approved by the ACGA board at its April meeting, and which will become effective on July 1, 2001.

Except for a reduction in rates for the youngest ages (ages 20-60) in 1999 to ensure that all rates at all ages passed the 10% requirement, even when the CMFR is quite low, there has been no rate change in three years. During that three-year period, interest rates on Treasury bonds and other fixed-income investments have declined significantly.

How the Gift Annuity Rates Are Determined

The ACGA suggested rates are based on the following assumptions:

1. A 50% residuum (amount of contribution remaining at the death of the annuitant(s)).

2. Life expectancies based on the Annuity 2000 tables, using female life expectancies and setting ages back one year.

3. A yearly cost of 75 basis points for administering gift annuities.

4. Total return on gift annuity reserves for immediate gift annuities, and for deferred annuities with deferral periods of up to 20 years, of 6.50% (5.75% net of expenses).

The return assumption is based on an assumed portfolio consisting of 30% equities, 60% 10-year Treasury bonds, and 10% cash equivalents, using historical averages on large-cap equities and current yields on the bonds and cash. Although many charities invest reserves more aggressively, this portfolio is attainable by nearly all charities, even by those that issue gift annuities in states that restrict the types of investments.

In 1998, the year that the current schedule (with the exception of an interim adjustment for the youngest ages) was adopted, a portfolio of 20% equities, 70% Treasury bonds, and 10% cash was assumed. Such a portfolio would have produced a return of 6.75%, which was the return assumption for the 1998 rates.

As noted above, the new rates are based on a portfolio of 30% equities, 60% 10-year Treasury bonds, and 10% cash equivalents. The equity portion of the portfolio was increased because the 1999 ACGA survey revealed that even charities operating in restricted states were investing more than 20% in equities. Although the equity portion of the portfolio has been increased from 20% to 30%, the current return on such a portfolio is only 6.50%, which is the return assumption underlying the new rates. In 1998, the return assumption on a portfolio of 30% equities, 60% Treasury bonds, and 10% cash equivalents would have been 7.10%.

Following a consistent methodology for computing the rates, it is necessary to reduce the return assumption, and this, in turn, leads to a reduction in the rates. In calculating the rates, the ACGA actuary also factors in projections for increased life expectancies since the Annuity 2000 tables were determined. While the gift annuity rate reduction results mostly from the reduction in the return assumption, the projected increases in life expectancies do have a slight effect as well.

It should be noted that the gift annuity rates for the oldest and youngest ages are somewhat lower than would follow from the above assumptions. The rates for the youngest ages are based on lower assumed returns, and the rates for the oldest ages are based on more conservative mortality assumptions.

Size of Rate Reduction

For people aged 60 through their mid-80s, the rate reduction in most instances is about .3%. The reduction for the youngest ages is smaller, partly because those rates had already been adjusted downward two years ago. For the oldest single-life ages, there is no reduction. The cap on gift annuity rates remains at 12%, the same as it has been for several years.

Part of the process of reviewing rates entails comparing gift annuity rates with commercial rates, using a representative, highly-rated company. These commercial rates fluctuate daily, and they vary somewhat from company to company. Yet, we are able, when doing the comparison, to observe that the gap between commercial and gift annuity rates is much greater at the oldest ages. That was one consideration in the decision to reduce rates for the oldest ages to a lesser degree, if at all. The other consideration is that rates for the oldest ages are already more conservative.

Considerations for Charities

No one likes to see frequent rate changes -- neither charities nor vendors. Likewise, the board of the ACGA does not want to suggest changes more often than necessary. At the same time, the board feels a responsibility to adjust rates when there is a significant change in financial markets to protect charities and ensure that there will be a significant residuum for their charitable work. This has always been the board's practice and will continue to be so.

Even though gift annuity rates will be a little lower, they should continue to appeal to donors because the rates they are receiving on CD's, bonds, and commercial annuities are correspondingly lower. Charities might also note that a lower rate increases the deduction, which somewhat mitigates the effect.

Over the years the ACGA rates have achieved credibility with certain state insurance departments, and so long as a charity does not exceed them, it does not have to provide an actuarial justification for its rate schedule.

COMMENTS ON NEW METHODOLOGY FOR CALCULATING DEFERRED GIFT ANNUITY PAYMENTS

In addition to approving a new schedule of suggested gift annuity rates, the ACGA approved a new methodology for calculating payments from deferred gift annuities. The new methodology is based on two changes:

Annuity Starting Date

Currently, the annuity starting date for the purpose of determining the amount of the payments is six months before the first payment. However, the annuity starting date for the purpose of calculating the charitable deduction (assuming end-of-period payments) is one month, three months, six months, or one year before the first payment, depending on payment frequency. The new methodology will make the annuity starting date for determining the size of the payments the same as the annuity starting date for calculating the charitable deduction.

Period for which Interest is Credited

Currently, interest is credited for the number of whole years from the date of contribution to the annuity starting date.

Consider this example: On February 13, 2001, X made a contribution for a deferred gift annuity and will receive quarterly payments beginning on June 30, 2011. The annuity starting date is January 1, 2011 (six months prior to the first payment). The number of whole years from February 13, 2001 to January 1, 2011 is nine, so interest will be credited for nine years.

Following the new methodology, the annuity starting date would be April 1, 2011, and interest would be credited for the total period from the date of the contribution to the annuity starting date, which is 10.1273 years.

The new methodology is more fair to donors because it credits interest for the entire deferral period.

Note: Different software programs may use different methodologies for calculating the number of whole and fractional years, but in most cases the difference will be too slight to affect the size of the payment.