

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

Approved by the American Council on Gift Annuities on April 2, 2008
Effective July 1, 2008 through June 30, 2009

1. Determine the annuity starting date, which is:

One year before the first payment, if payments are made annually.
Six months before the first payment, if payments are made semi-annually.
Three months before the first payment, if payments are made quarterly.
One month before the first payment, if payments are made monthly.

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

3. For a deferral period of any length, use the following formula to determine the compound interest factor:

$F = 1.0475^d$, where
F is the compound interest factor and
d is the deferral period

Example: If the period between the contribution date and the annuity starting date is 14.5760 years, the compound interest factor would be $1.0475^{14.5760} = 1.9668$.

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 1.9968, the deferred gift annuity rate would be $1.9968 \times 5.7\% = 11.2\%$ (rounded to the nearest tenth of a percent).

Comments:

The annuity starting date for purposes of calculating the deferred gift annuity rate will be the same as the annuity starting date for calculating the charitable deduction, if payments are at the end of the period (which is usually the case). This was not true with the pre-July 1, 2001 methodology.

An annuitant is credited with compound interest for the entire period from the date of contribution to the annuity starting date. Under the pre-July, 2001 methodology, compound interest was credited only for the number of whole years between the two dates.

Charities issuing deferred gift annuities in New York and New Jersey may need to use a slightly lower compounding rate depending on the deferral period. Information regarding this subject will be posted on the ACGA website (www.acga-web.org) and on the new gift annuity rate sheets.