AMERICAN COUNCIL ON GIFT ANNUITIES
Promoting Responsible Philanthropy

Rates Effective July 1, 2003 - June 30, 2004

Approved by the American Council on Gift Annuities on May 12, 2003

Note: July 1, 2003, July 1, 2004, July 1, 2005, July 1, 2006 & July 1, 2007 - Immediate gift annuity rates are the same. Please check the Assumptions & Comments page for further information about deferred payment gift annuities.

- Single Life - ACGA Suggested Gift Annuity Rates
- Two Lives - ACGA Suggested Gift Annuity Rates
- Deferred Payment Gift Annuity Factors (All states except New York & New Jersey)
- Deferred Payment Gift Annuity Factors (For New York & New Jersey Only)
- Assumptions & Comments for Gift Annuity Rates

SINGLE LIFE

Age	Rate	Age	Rate
0-1	3.7%	55	5.5%
2-5	3.8	56	5.6
6-12	3.9	57	5.6
13-19	4.0	58	5.7
20	4.0	59	5.7
21	4.1	60	5.7
22	4.1	61	5.8
23	4.1	62	5.9
24	4.1	63	5.9
25	4.1	64	6.0
26	4.2	65	6.0
27	4.2	66	6.1
28	4.2	67	6.2
29	4.3	68	6.3
30	4.3	69	6.4
31	4.3	70	6.5
32	4.4	71	6.6
33	4.4	72	6.7
34	4.4	73	6.8
35	4.5	74	6.9
36	4.5	75	7.1

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37	4.6	76	7.2
38	4.6	77	7.4
39	4.7	78	7.6
40	4.7	79	7.8
41	4.8	80	8.0
42	4.8	81	8.3
43	4.9	82	8.5
44	5.0	83	8.8
45	5.0	84	9.2
46	5.1	85	9.5
47	5.2	86	9.9
48	5.2	87	10.2
49	5.3	88	10.6
50	5.3	89	11.0
51	5.4	90 and over	11.3
52	5.4		
53	5.5		
54	5.5		

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

NOTES:

1. The rates are for ages at the nearest birthday.

2. For immediate gift annuities, these rates will result in a charitable deduction of more than 10% if the CMFR is 4.0% or higher, whatever the payment frequency. If the CMFR is less than 4.0%, the deduction will be less than 10% when annuitants are below certain ages.

3. For deferred gift annuities with longer deferral periods, the rates may not pass the 10% test when the CMFR is low.

4. To avoid adverse tax consequences, the charity should reduce the gift annuity rate to whatever level is necessary to generate a charitable deduction in excess of 10%.

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Two Lives - Joint and Survivor

Younger Age	Older Age	Rate
0-1	All	3.5%
2-5	2+	3.6
6-12	6+	3.7
13-19	13+	3.8
20	20+	3.8
21	21+	3.8
22	22+	3.8
23	23+	3.9
24	24+	3.9
25	25+	3.9
26	26+	3.9
27	27+	3.9
28	28+	3.9
29	29+	4.0
30	30+	4.0
31	31+	4.0
32	32+	4.0
33	33+	4.1
34	34+	4.1
35	35+	4.1
36	36+	4.1
37	37+	4.2
38	38+	4.2
39	39+	4.2
40	40+	4.3
41	41+	4.3
42	42+	4.3
43	43+	4.4
44	44+	4.4
45	45+	4.5

Younger Age	Older Age	Rate
72	72	6.0%
72	73-74	6.1
72	75-77	6.2
72	78-80	6.3
72	81-84	6.4
72	85+	6.5
73	73	6.1
73	74-75	6.2
73	76-78	6.3
73	79-81	6.4
73	82-84	6.5
73	85+	6.6
74	74	6.2
74	75-76	6.3
74	77-79	6.4
74	80-81	6.5
74	82-84	6.6
74	85+	6.7
75	75	6.3
75	76-77	6.4
75	78-79	6.5
75	80-82	6.6
75	83-85	6.7
75	86-88	6.8
75	89+	6.9
76	76	6.4
76	77-78	6.5
76	79-80	6.6
76	81-82	6.7
76	83-84	6.8

Younger Age	Older Age	Rate
83	83	7.4%
83	84	7.5
83	85	7.6
83	86	7.7
83	87	7.8
83	88	7.9
83	89	8.0
83	90-91	8.1
83	92	8.2
83	93-94	8.3
83	95+	8.4
84	84	7.6
84	85	7.8
84	86	7.9
84	87	8.0
84	88-89	8.1
84	90	8.2
84	91	8.3
84	92	8.4
84	93-94	8.5
84	95+	8.6
85	85	7.9
85	86	8.0
85	87	8.1
85	88	8.2
85	89	8.3
85	90	8.4
85	91	8.5
85	92	8.6

46	46+	4.5
47	47+	4.6
48	48+	4.6
49	49+	4.7
50	50+	4.7
51	51+	4.8
52	52+	4.9
53	53+	4.9
54	54	5.0
55	55+	5.0
55	55+	5.0
56	56-57	5.1
56	58+	5.2
57	57-58	5.2
57	59+	5.3
58	58-63	5.3
58	64+	5.4
59	59-61	5.4
59	62+	5.5
60	60	5.4
60	61+	5.5
61	61-65	5.5
61	66+	5.6
62	62-64	5.5
62	65-70	5.6
62	71+	5.7
63	63	5.5
63	64-68	5.6
63	69+	5.7
64	64-66	5.6
64	67-72	5.7
64	73+	5.8
65	65	5.6
76	85-87	6.9
76	88+	7.0
77	77	6.5
77	78-79	6.6
77	80	6.7
77	81-82	6.8
77	83-84	6.9
77	85-87	7.0
77	88-90	7.1
77	91+	7.2
78	78-79	6.7
78	80-81	6.8
78	82	6.9
78	83-84	7.0
78	85-86	7.1
78	87-89	7.2
78	90-92	7.3
78	93+	7.4
79	79	6.8
79	80-81	6.9
79	82	7.0
79	83-84	7.1
79	85-86	7.2
79	87-88	7.3
79	89-90	7.4
79	91-93	7.5
79	94+	7.6
80	80	6.9
80	81	7.0
80	82	7.1
80	83-84	7.2
80	85	7.3
80	86-87	7.4
80	88-89	7.5
80	90-91	7.6
85	93-94	8.7
85	95+	8.8
86	86	8.1
86	87	8.2
86	88	8.4
86	89	8.5
86	90	8.6
86	91	8.7
86	92	8.8
86	93	8.9
86	94	9.0
86	95+	9.1
87	87	8.4
87	88	8.5
87	89	8.6
87	90	8.8
87	91	8.9
87	92	9.0
87	93	9.1
87	94	9.2
87	95+	9.3
88	88	8.7
88	89	8.8
88	90	8.9
88	91	9.1
88	92	9.2
88	93	9.3
88	94	9.4
88	95+	9.5
89	89	9.0
89	90	9.1
89	91	9.3
89	92	9.4
89	93	9.5
89	94	9.7

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

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

$F = 1.05^{d}$, 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 $1.05^{14.5760} = 2.0364$

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

Example: If the sole annuitant will be nearest age 65 on the annuity starting date and the compound interest factor is 2.0364, the deferred gift annuity rate would be 2.0364 x 6.0% = 12.2% (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.

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

Through August of 2004, the following compound interest factors during the deferral period will satisfy the requirements of New York and New Jersey:

For deferral periods of 20 years or less:

Single-life and two-life annuities, whatever the gender of the annuitants, a compound interest factor of 5%. This is ACGA's suggested compound interest factor for deferred gift annuities.

For deferral periods of more than 20 years:

Single-life annuity (male annuitant) or two-life annuity (both males), compound interest factor of 5%. .

Single-life annuity (female annuitant), compound interest factor of 4.9%.

Two-life annuity (both females), compound interest factor of 4.8%.

Two-life annuity (one male and one female), compound interest factor of 4.9%, unless the female is significantly younger than the male, in which case it might be necessary to lower the interest factor to 4.8%

When New York and New Jersey release their internal assumptions later this year, the maximum compound interest factors 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 that may require different interest factors for deferred gift annuities with longer deferral periods.

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Assumptions & Comments Underlying the Suggested ACGA Gift Annuity Rates

1. The residuum (percentage of contribution remaining for the charity at the termination of an annuity) will be 50%.

2. Life expectancies are based on the Annuity 2000 Tables, assuming all annuitants are female and are one and one-half years younger than their actual ages.

3. Projections of increased life expectancies since the publication of the Annuity 2000 Tables are factored into rate calculations.

4. Annual expenses for investment of gift annuity reserves and administration of gift annuities are assumed to be 1% of reserves.

5. The total return on gift annuity reserves is 6.0%. However, the total return for single-life annuitants under age 51 and over age 86 is lower than 6.0%, and the total return for two-life annuitants where the younger annuitant is under age 59 is likewise lower than 6.0%. The total return, net of expenses, is 5.0% except for the ages noted where it is lower.

6. The compound interest factor for deferred gift annuities for a deferral period of any length is 5.0%.

ACGA Board Approves Reduction in Gift Annuity Rates

At its regular spring meeting on May 12, 2003, the Board of the American Council on Gift Annuities approved a reduction in the recommended maximum gift annuity rates, effective July 1, 2003. The reduction varies from .2% to .3%, depending on the age of the annuitants.

The Gift Annuity Rates Committee conducts an annual review of gift annuity rates each spring and makes its recommendations to the ACGA Board. Any adjustment in the rates approved by the Board becomes effective on July 1.

The Board took the unusual action of making an interim adjustment in the rates effective January 1 of this year. Except for some reductions at some very young ages, the gift annuity rates had not changed for eighteen months prior to that date. The Board is well aware that rate changes are inconvenient for charities and vendors so its preference is always for stable rates. However, it takes very seriously its responsibility to provide a schedule of rates that will result in a significant residuum for charitable purposes and minimize risk to charities.

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Reasons for Reduction in Rates

The decision to reduce the rates resulted from the following considerations.

1. A year ago the Rates Committee, pursuant to consultation with nine major financial institutions, refined its methodology for calculating the assumed total return on gift annuity reserves. The total return assumption underlying the current rates is 6.25%. Following the same methodology, the assumed total return as of May, 2003 would be 6.0%. Reducing the return assumption by 25 basis points causes the rates to drop by .2% to .3%. (Note: Since annual expenses for investment of reserves and administration are assumed to be 1.0%, the assumed net total return for the new gift annuity rates will be 5.0%.)

2. During the past twelve months, commercial, fixed-annuity rates have decreased by approximately 10%. The new gift annuity rates will likewise be about 10% lower than the ACGA rates in effect a year ago, except that at the oldest ages the decrease in the ACGA rates will be less than 10%.

3. As the CMFR has dipped below 4.0%, the charitable deduction resulting from use of the current ACGA rates for immediate gift annuities at certain younger ages, and from the use of current ACGA rates for deferred gift annuities at certain ages and deferral periods, will not be more than 10% as required by IRC Sec. 514(c)(5). The reduction in rates will cause most gift annuities that are based on those rates to pass the 10% test.

4. In general, charities have become increasingly concerned about the risk of a gift annuity program, and some are taking steps to reduce that risk. By developing and adhering to a conservative methodology for rate determination, the ACGA provides reassurance to charities that issue gift annuities and do not exceed the recommended maximum rates.

Given interest rates in the marketplace, gift annuities, even with the rate reduction, should continue to be quite attractive to philanthropically-inclined individuals.

Observations

The assumed total return underlying the rates in effect through June 30, 2003 is based on a portfolio consisting of (1) 35% equities using the average annual return over the past 100 years (10%), (2) 60% 10-year Treasury Notes using the average yield for 2002 (4.5%), and (3) 5% cash using the average 90-day Treasury Bill rate for 2002. The weighted average return on such a portfolio is 6.25% (5.25% net of expenses, which are assumed to be 100 basis points.)

The assumed total return underlying the rates that become effective on July 1, 2003 is 6.0% (5.0% net of expenses). The reduction results from using 3.9% as the yield on 10-year Treasury Notes. This was the approximate average yield during the first four months of 2003. No change was made in the assumed return on equities, and the somewhat lower return on the 90-day Treasury has a minimal effect.

For ages 51 - 86, the rates for single-life, immediate annuities follow from the stated assumptions. For ages above 86 and below 51, they are lower than the rates that would follow from these assumptions. Rates for ages above 86 are lower because the rates are graded up to the cap, which, in the case of the rates that become effective July 1, 2003, is 11.3%. The rates for two-life annuities where the younger annuitant is under age 59 are likewise lower than the rates that would follow from these assumptions.

Rates for younger ages, in the case of both one-life and two-life immediate annuities, are lower than the rates that would follow from the stated assumptions in order to result in a charitable deduction of more than 10%, even when the CMFR is quite low.

The following table shows when the 10% test will be met.

	3.6% CMFR	**3.8% CMFR**	**4.0%+ CMFR**
Single-life annuity	Age 52+	Age 48+	All ages
Two-life annuity	Younger annuitant age 61+	Younger annuitant age 55+	All ages

It is impractical to provide such a table for deferred gift annuities, for there are too many age-deferral-period combinations. While deferred gift annuities will be more likely to pass the 10% test when based on the post-June 30 ACGA rates, there will still be some instances when they may not. In those cases, gift planners will need to offer a rate lower than the ACGA rate.

The Importance of an Actuarially-Sound Industry Standard

It is essential that charities operate their gift annuity programs so that they can fulfill commitments to annuitants and preserve a meaningful residuum for their charitable work. They are more likely to meet both objectives and minimize their risk if their gift annuity rates do not exceed the maximum rates suggested by the ACGA. It is also in the best interest of the charitable community if donors are encouraged to make decisions based on the charities they want to support rather than on which charities offer the highest rates.