

## Assumptions Underlying Suggested Maximum Gift Annuity Rates

The following is a summary of the major assumptions on which the suggested rates are based.

1. **Target Residuum.** Since 1955 the ACGA has targeted a residuum (the amount remaining for the charity at the termination of the annuity) of 50% of the original contribution for the gift annuity.<sup>2</sup> The new rate schedules retain the 50% target residuum, and continue the requirement first applied for the July 2011 rate schedules that the present value (PV) of the residuum be at least 20% of the original contribution for the annuity.

The 20% minimum PV requirement has the effect of reducing rates for annuitants age 59 and under. It is designed to help charities realize a minimum value from gifts whose residua will not be realized for many years. The suggested rates comply with the 10% minimum charitable deduction required under IRC Sec. 514 (c)(5) (A) at Charitable Federal Midterm Rate (CFMR) rates at least equal to 3.6% NOTE: Particularly in low-interest rate environments, charities should perform their own deduction calculations and lower their annuity rates if necessary to meet the 10% minimum deduction requirement.

2. **Mortality Assumptions.** The National Association of Insurance Commissioners (NAIC) has recommended the use of the 2012 Individual Annuity Reserving Table (2012 IAR), the table is designed to reflect annuitant

mortality more accurately over time than the previously used Annuity 2000 table. The ACGA recently concluded our 2020 mortality study which looked at over 50,000 active contracts and with the help of Alberts Actuarial Consulting, we determined that the new "best fit" assumption was a 45%-55% blend of the 2012 IAR male and female mortality (see further explanation below).

3. **Expense Assumption.** Annual expenses for investment and administration are assumed to be 1.0% of the fair market value of gift annuity reserves.
4. **Investment Return Assumption.** The gross annual expected return on immediate payment and deferred payment gift annuity reserves is 5.25%. Both immediate and deferred payment annuity calculations use a net compounding rate of 4.25% (5.25% minus 1% assumed annual expenses).
5. **Payment Assumption.** Annual payments are made in quarterly installments at the end of each period.

The rates for the oldest ages are somewhat lower than the rates that would follow from the above assumptions. Single life rates are capped at 9.7% for annuitants age 90 and above. Single life rates for annuitants between ages 81 and 89 are graduated downward from the rate cap. Two life rates are capped at 9.5% for annuitants above 90 and are graduated downward in a similar way.

<sup>2</sup>The first table of suggested rates in 1927 was based on a residuum target of 70%.

## Additional Assumption for Deferred Payment Gift Annuities

The annual compound interest rate credited during the deferral period for deferred payment gift annuities is 4.25% (the same investment return assumption as for immediate payment gift annuities after subtracting the 1.0% expense assumption). In other words, each dollar contributed for a deferred gift annuity is presumed to grow at an annual compound interest rate of 4.25% between the date of contribution and the annuity starting date.

If payments will be made at the end of the period, which is usually the case, the annuity starting date would be at the beginning of the first period for which a payment is made. For example, if payments will be made quarterly, and the first payment will be made on March 31, 2033, the annuity starting date is January 1, 2033. If payments will be made semi-annually, the annuity starting date in this case is October 1, 2033.

Assuming that the annuitant will be nearest age 65 on the annuity starting date, and that the period between the contribution date and the annuity starting date is 10.25

years, the compound interest factor is  $1.0425^{10.25}$  or 1.532074. To determine the deferred gift annuity rate, this factor is multiplied by the immediate gift annuity rate, now in effect, for the nearest age of the annuitant at the time payments begin. In this example, the deferred gift annuity rate is 1.532074 times 5.4%, or 8.3% (rounded to the nearest tenth of a percent).

The 4.25% compounding rate applies to the entire compounding period, whatever its length. (At times in the past, the compounding rate for periods in excess of 20 years was less than the compounding rate for the first 20 years of the deferral period.)

Historically, it has sometimes been necessary to apply a slightly lower compounding rate when the deferral period is relatively long in order not to exceed the maximum allowable deferred gift annuity rates allowed by the states of New York and New Jersey. However, this has not been the case for many years.

## Procedure for Calculating Suggested Deferred Gift Annuity Rates

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 to four decimal places.
3. For a deferral period of any length, use the following formula to determine the compound interest factor:  
 $F = 1.0425^d$ , 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 10.25 years, the compound interest factor would be  $1.0425^{10.25} = 1.532074$
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 1.532074, the deferred gift annuity rate would be 1.532074 times 5.4%, or 8.3% (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.



american council on gift annuities

## Suggested Maximum Charitable Gift Annuity Rates

Approved by the  
American Council on Gift Annuities  
November 2022

Effective January 1, 2023

5151 E. Broadway Blvd, Suite 1600  
Tucson, AZ 85711  
Phone: (770) 874-3355  
e-mail: [acga@acga-web.org](mailto:acga@acga-web.org)  
website: [www.acga-web.org](http://www.acga-web.org)

# Single Life

Age	Rate	Age	Rate
5-18	3.5	69	5.8
19-27	3.6	70	5.9
28-33	3.7	71	6.0
34-38	3.8	72	6.2
39-42	3.9	73	6.3
43-45	4.0	74	6.4
46-47	4.1	75	6.6
48-50	4.2	76	6.8
51-52	4.3	77	7.0
53	4.4	78	7.2
54-55	4.5	79	7.4
56	4.6	80	7.6
57-58	4.7	81	7.8
59	4.8	82	8.1
60	4.9	83	8.3
61	5.0	84	8.5
62	5.1	85	8.7
63	5.2	86	8.9
64	5.3	87	9.1
65	5.4	88	9.3
66	5.5	89	9.5
67	5.6	90	9.7
68	5.7		

**NOTES:**

- The rates are for ages at the nearest birthday.
- For immediate gift annuities, these rates will result in a charitable deduction of more than 10% if the CFMR is 3.6% or higher, whatever the payment frequency. If the Charitable Federal Midterm Rates (CFMR) is less than 3.6%, the deduction might be less than 10% when annuitants are below certain ages.
- For deferred gift annuities with longer deferral periods, the rates may not pass the 10% test when the CFMR is low.
- 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%.

# Two Lives - Joint and Survivor

Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate	Younger Age	Older Age	Rate
5	5 - 95+	3.3	48	48 - 52	3.9	63	63 - 64	4.6	70	76 - 78	5.6	77	84 - 85	6.5	82	84	7.1	87	88	8.4
6	6 - 95+	3.3	48	53 - 95+	4.0	63	65 - 67	4.7	70	79 - 95+	5.7	77	86 - 87	6.6	82	85	7.2	87	89	8.6
7	7 - 95+	3.3	49	49 - 50	3.9	63	68 - 71	4.8	71	71 - 72	5.4	77	88 - 90	6.7	82	86	7.3	87	90	8.7
8	8 - 95+	3.3	49	51 - 95+	4.0	63	72 - 75	4.9	71	73 - 74	5.5	77	91 - 95+	6.8	82	87	7.4	87	91 - 95+	8.9
9	9 - 95+	3.3	50	50 - 95+	4.0	63	76 - 95+	5.0	71	75 - 76	5.6	78	78	6.2	82	88	7.5	88	88	8.6
10	10 - 95+	3.3	51	51 - 54	4.0	64	64 - 66	4.7	71	77 - 79	5.7	78	79	6.3	82	89	7.6	88	89	8.8
11	11 - 95+	3.3	51	55 - 95+	4.1	64	67 - 69	4.8	71	80 - 95+	5.8	78	80 - 81	6.4	82	90 - 91	7.7	88	90	9.0
12	12 - 95+	3.3	52	52 - 53	4.0	64	70 - 72	4.9	72	72	5.5	78	82	6.5	82	92 - 93	7.8	88	91 - 95+	9.1
13	13 - 95+	3.3	52	54 - 95+	4.1	64	73 - 76	5.0	72	73 - 74	5.6	78	83 - 84	6.6	82	94 - 95+	7.9	89	89	9.0
14	14 - 95+	3.3	53	53 - 58	4.1	64	77 - 95+	5.1	72	75 - 77	5.7	78	85 - 86	6.7	83	83	7.2	89	90	9.2
15	15 - 95+	3.3	53	59 - 95+	4.2	65	65	4.7	72	78 - 80	5.8	78	87 - 88	6.8	83	84	7.3	89	91 - 95+	9.3
16	16 - 95+	3.3	54	54 - 56	4.1	65	66 - 67	4.8	72	81 - 83	5.9	78	89 - 91	6.9	83	85	7.4	90	90	9.4
17	17 - 95+	3.3	54	57 - 62	4.2	65	68 - 70	4.9	72	84 - 95+	6.0	78	92 - 95+	7.0	83	86	7.5	90	91 - 95+	9.5
18	18 - 95+	3.3	54	63 - 95+	4.3	65	71 - 73	5.0	73	73	5.6	79	79	6.4	83	87	7.6	91	91 - 95+	9.5
19	19 - 95+	3.4	55	55	4.1	65	74 - 77	5.1	73	74 - 75	5.7	79	80 - 81	6.5	83	88	7.7	92	92 - 95+	9.5
20	20 - 95+	3.4	55	56 - 60	4.2	65	78 - 95+	5.2	73	76 - 78	5.8	79	82	6.6	83	89	7.8	93	93 - 95+	9.5
21	21 - 95+	3.4	55	61 - 95+	4.3	66	66	4.8	73	79 - 80	5.9	79	83 - 84	6.7	83	90 - 91	7.9	94	94 - 95+	9.5
22	22 - 95+	3.4	56	56 - 59	4.2	66	67 - 69	4.9	73	81 - 83	6.0	79	85	6.8	83	92	8.0	95+	95+	9.5
23	23 - 95+	3.4	56	60 - 64	4.3	66	70 - 71	5.0	73	84 - 95+	6.1	79	86 - 87	6.9	83	93 - 95+	8.1			
24	24 - 95+	3.4	56	65 - 95+	4.4	66	72 - 74	5.1	74	74	5.7	79	88 - 89	7.0	84	84	7.4			
25	25 - 95+	3.4	57	57	4.2	66	75 - 77	5.2	74	75 - 76	5.8	79	90 - 92	7.1	84	85	7.5			
26	26 - 95+	3.4	57	58 - 62	4.3	66	78 - 95+	5.3	74	77 - 78	5.9	79	93 - 95+	7.2	84	86	7.6			
27	27 - 95+	3.4	57	63 - 67	4.4	67	67	4.9	74	79 - 80	6.0	80	80	6.5	84	87	7.8			
28	28 - 95+	3.5	57	68 - 95+	4.5	67	68 - 70	5.0	74	81 - 83	6.1	80	81	6.6	84	88	7.9			
29	29 - 95+	3.5	58	58 - 60	4.3	67	71 - 72	5.1	74	84 - 95+	6.2	80	82	6.7	84	89	8.0			
30	30 - 95+	3.5	58	61 - 65	4.4	67	73 - 75	5.2	75	75	5.8	80	83	6.8	84	90	8.1			
31	31 - 95+	3.5	58	66 - 95+	4.5	67	76 - 78	5.3	75	76 - 77	5.9	80	84	6.9	84	91	8.2			
32	32 - 95+	3.5	59	59	4.3	67	79 - 95+	5.4	75	78 - 79	6.0	80	85 - 86	7.0	84	92 - 95+	8.3			
33	33 - 95+	3.5	59	60 - 63	4.4	68	68	5.0	75	80 - 81	6.1	80	87	7.1	85	85	7.7			
34	34 - 95+	3.6	59	64 - 68	4.5	68	69 - 70	5.1	75	82 - 83	6.2	80	88 - 89	7.2	85	86	7.8			
35	35 - 95+	3.6	59	69 - 95+	4.6	68	71 - 73	5.2	75	84 - 86	6.3	80	90 - 92	7.3	85	87	7.9			
36	36 - 95+	3.6	60	60 - 62	4.4	68	74 - 75	5.3	75	87 - 95+	6.4	80	93 - 95+	7.4	85	88	8.1			
37	37 - 95+	3.6	60	63 - 65	4.5	68	76 - 78	5.4	76	76	5.9	81	81	6.7	85	89	8.2			
38	38 - 95+	3.6	60	66 - 70	4.6	68	79 - 95+	5.5	76	77	6.0	81	82	6.8	85	90	8.3			
39	39 - 95+	3.7	60	71 - 95+	4.7	69	69	5.1	76	78 - 79	6.1	81	83	6.9	85	91	8.4			
40	40 - 95+	3.7	61	61 - 64	4.5	69	70 - 71	5.2	76	80 - 81	6.2	81	84	7.0	85	92 - 95+	8.5			
41	41 - 95+	3.7	61	65 - 68	4.6	69	72 - 73	5.3	76	82 - 83	6.3	81	85	7.1	86	86	8.0			
42	42 - 95+	3.7	61	69 - 72	4.7	69	74 - 75	5.4	76	84 - 85	6.4	81	86	7.2	86	87	8.1			
43	43 - 95+	3.8	61	73 - 95+	4.8	69	76 - 78	5.5	76	86 - 88	6.5	81	87 - 88	7.3	86	88	8.2			
44	44 - 95+	3.8	62	62 - 63	4.5	69	79 - 95+	5.6	76	89 - 95+	6.6	81	89	7.4	86	89	8.4			
45	45 - 95+	3.8	62	64 - 66	4.6	70	70	5.2	77	77 - 78	6.1	81	90 - 91	7.5	86	90	8.5			
46	46	3.8	62	67 - 69	4.7	70	71 - 72	5.3	77	79	6.2	81	92 - 95+	7.6	86	91	8.6			
46	47 - 95+	3.9	62	70 - 74	4.8	70	73	5.4	77	80 - 81	6.3	82	82	6.9	86	92 - 95+	8.7			
47	47 - 95+	3.9	62	75 - 95+	4.9	70	74 - 75	5.5	77	82 - 83	6.4	82	83	7.0	87	87	8.3			