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CHARITABLE GIFT ANNUITIES

DEFINITION

Of all the powerful, tax, and economically effective charitable giving devices, the charitable gift annuity (CGA) is perhaps the least understood and most under-utilized. A properly structured CGA allows the donor to achieve two objectives: to make a significant gift to the charity and, in return, obtain a fixed stream of income for the specified annuity period.

"The Charitable Gift Annuity is a contract between a donor and a qualified charity with the donor transferring cash or appreciated property to the charity. In return the charity makes an unsecured promise to pay an annuity to the donor or his designated annuitant, typically for life, or for the lives of two joint and survivor annuitants."

In a typical CGA arrangement, a donor transfers cash and/or other property (i.e., mainly publicly-traded securities and to a lesser degree real estate) to a qualified charity in exchange for the organization's legal commitment to pay the donor an agreed-upon amount annually (or more frequently) for his or her lifetime. Technically, there are two contemporaneous transactions: while the donor is purchasing an annuity contract from the charity, he or she is making an immediate gift of a future interest in the annuity to the charity.

The gift is determined by excess of the value of the cash and/or property transferred to the charity over the value of the annuity the charity has promised to pay the donor. This excess is also the measure of the donor's charitable income tax deduction. The deduction arises because the charity receives cash and/or property in return for its obligation (i.e., the annuity payments) that is greater than the donor would have paid for the same annuity from a commercial carrier. In other words, the donor's "over-payment" generates the charitable deduction.

WHEN SHOULD A CGA BE CONSIDERED?

Clients should consider CGAs when they want:

- to benefit a charity, but the amount (or value) of contribution in question is relatively small and not large enough to warrant the creation of a CRAT, CRUT, or pooled income fund. (Many authorities suggest a minimum of $100,000 of funding for a CRT.)
- to make a gift to charity but also want to obtain a fixed and steady source of cash flow,
- a relatively high and guaranteed rate of return,
- to minimize or reduce investment risks,
- to minimize or reduce investment management expenses, responsibilities, and aggravation,
- to obtain a significant increase in after-tax income from an asset (such as stock with low dividends, or unproductive land, or a highly appreciated asset) which, if sold (to generate income or more income), would result in sizeable capital gain.
- an alternative for a reverse mortgage (which is often hard to find and in some instances not cost effective).

Older individuals (in their 70s) are the largest annuitant population, while those in their late 50s may find deferred CGAs more appealing. Most annuitants are single, either never married, or have lost his or her spouse prior to purchasing a CGA.

WHAT'S IN IT FOR THE CHARITY AND THE CLIENT?

From a charity's perspective, the CGA is relatively easy to explain to a donor (or prospective donor). Legally, the contract often can be reduced to two or three pages – coupled with a few pages of supporting information which provides examples of the potential benefit to the donor and a computation of the anticipated tax consequences. Usually, legal and/or accounting services required are minimal at the time of implementation. Unlike a CRT (charitable remainder trust) where the donor can change his or her mind and name another charitable beneficiary, once a CGA is established, the charity that issued the contract is assured of its remainder interest.

From the donor's perspective, the CGA is financially appealing because of the favorable tax treatment accorded the annuity payments. For example, a donor gifts appreciated stocks to a charity in return for a CGA, unlike dividends which are entirely income taxable, part of each gift annuity payment is considered a tax free return of the donor's investment, part of each payment receives favorable capital gains treatment (and any balance is ordinary income as explained below). Another reason is that a donor's after-tax cash flow often increases (possibly significantly), because, prior to the transfer, the donated asset most likely produced relatively little or no income. In addition, the increased income/cash flow is due to the fact that the charity receives the principal at the death(s) of the annuitant(s) – whenever that may occur – and the risk of the annuitant's premature death is factored into the calculation of (and therefore slightly increases) the annuity payment.

Gift annuities are subject to fewer and less complex federal income tax rules than charitable remainder trusts (e.g., there are no 5% exhaustion tests in a CGA) and are typically much less complicated and expensive to set up and administer. Nor is there the risk to the annuitant of underperformance to which CRTs are more susceptible. And the donor's charitable income tax deduction may be greater than a gift of the same size to a CRT.

The income generated by the CGA can be used to purchase a life insurance policy on the client donor's life. For example, if the client is the annuitant, he or she can gift some or all of the annuity payment received from the charity to a third party (e.g., a child, an irrevocable or wealth replacement trust), which in turn purchases and owns a policy on the donor-client's life. The death benefit (depending on the client's age and health) can replace the net value of the asset the heir(s) would have received had it not been contributed to the charity. (In some instances, the CGA may be the only source of cash flow for a client with liquidity problems to finance the premiums for a much needed death benefit.) Using this technique, the charity, the client, and his/her heir(s) all may benefit more than if nothing is done.

DOWNSIDES OF CHARITABLE GIFT ANNUITY

When a smaller or less financially sound charity is involved, the donor takes a risk that the charity may not be able to make payments as promised. This is because the charity's promise to pay the annuity cannot be secured (if the charity's obligation is unequivocally secured, the donor may lose favorable tax treatment) and, although the charity's entire assets are subject to the obligation, it remains only a general claim against the charity's assets. (It is permissible for a charity to set aside the contributed funds until the annuitant's death as long as the annuitant does not retain any particular interest in those assets.) A default by the charity places the annuitant as one of its general (and probably many) creditors. Only after the organization's preferred and secured creditors are paid will the donor share with the remaining creditors in what remains (if anything) to satisfy his/her claim. This CGA downside should be compared with the security (and flexibility) provided by a CRT where the asset(s) is (are) held in a separate trust and, therefore, beyond the reach of the creditors of either the initial charity or any other charitable remainder beneficiaries (named in the CRT).

Another potential downside is when a client wishes to benefit multiple charities using a single charitable contribution, or wants to reserve the right to designate or change the charitable beneficiary at a future date. As noted earlier, no charity other than the one issuing the CGA can be the remainder beneficiary; nor is it permissible to change the beneficiary. In such a case, a CRT would be more appropriate

If a charity uses an annuity rate that is too high, or the annuitant lives too long, or the charity realizes a rate of return on investments that is too low (or a combination thereof), it could lose money. This is the reason why most charities closely follow the rates recommended by the American Council on Gift Annuities (ACGA, or Council). The Council's suggested rates are computed by actuaries and designed to leave the charity (assuming the assumed rate of return on the charity's investments is realized) with approximately half of the amount paid for the annuity. (See discussion on Council's CGA rates below.)

Gifts of closely-held stock are often problematic because, by definition, the asset is relatively illiquid. The charity will have difficulty generating a return sufficient to pay the promised annuity, and it will be difficult (and expensive) to value the stock – which may be more vulnerable to economic trends and, hence, fluctuate widely in value.

COMPUTATION OF AMOUNT REQUIRED TO GENERATE A GIVEN ANNUITY

Charities which sponsor and market CGAs usually quote a rate of return on the amount donated by the donor rather than state a dollar amount for each dollar of annual income. The guideline rates, recommended but not mandatory, are suggested by the American Council on Gift Annuities (at 233 McCrea Street, Suite 400, Indianapolis, IN 46225, phone: 317-269-6271, or www.acga-web.org/welcome.html). A sample single life table is available at the conclusion of this commentary. Based on the table, a 55-year-old annuitant (male or female) will receive a return on investment of 5.5 percent; the yield would be 5.7 percent for a 60-year-old donor. The amount required to generate a given annuity can be computed by dividing the desired annual payment by the percentage. In this example, for a 55-year-old annuitant to receive an annuity of $1,200 a year, you would divide $1,200 by 5.5% and arrive at a donation of $21,818.18.

WHY CHARITIES USE AMERICAN COUNCIL ON GIFT ANNUITIES UNIFORM RATES?

As noted above, almost all charities follow the deliberately conservative American Council on Gift Annuities Uniform Rates – but none are bound to do so. The Council publishes and updates separate tables of rates for single life and joint life Charitable Gift Annuity contracts from time to time. Built into the tables is an actuarial assumption that 50% of the value of the donor's initial gift will be left at the end of the annuitant's life expectancy for the charity.

Charities use the uniform rates – or use them as a baseline to determine their own – to assure that the annuity will not exhaust the funds, and will leave the charity with a significant benefit at the annuitant's death. (This should generally be the result, except in the case of an exceptionally long-lived annuitant.) They also use the Council's rates to relieve themselves of the cost of hiring an actuary, and ACGA's rates have credibility with state insurance departments.

Use of the Council's rates also helps to dampen the incentive for rate competition (real or perceived) among charities (but most donors who acquire CGAs want to benefit a specific charity and are not necessarily shopping for the "best" rate of return. Planners should, however, inform clients that not all charities limit themselves to the uniform rates and some offer rates significantly more attractive (and a few offer less attractive ones) than are found in the Council's rate tables. But clients should also be told that there is a trade-off: If the client donor obtains a higher annuity rate (than the uniform rate) and receives a higher annuity for his/her donation, a lesser residual amount (or remainder interest) will pass to the charity. Consequently, this translates into a lower charitable income tax deduction.

Also note that some charities will raise or lower the rates from the suggested uniform rates to reflect more recent (or prevailing) investment yields or their own actual investment performance. Likewise, a charity may choose a lower rate than that suggested by the Council to build in a safety cushion for contingencies, such as investment losses, or lower than expected returns, or in case a given annuitant far outlives his/her actuarial life expectancy.

COMPUTATION OF INCOME TAX DEDUCTION

CGAs are particularly appealing at a time of rising interest rates because, as noted below, higher interest rates translate into considerably larger deductions. Technically, a donor's deduction (approximately 40 to 60 percent of the value of the gifted property, and subject to the usual charitable limitation plus the 5-year carry forward rules) is based on tables of factors found in IRS Publication 1457, Actuarial Values, Book Aleph.

These valuation tables provide factors based on a range of interest rates from 4 to 22 percent (and are built into commercially available software programs and on the so-called Section 7520 rate which is published by the IRS monthly. Note the Section 7520 rate for the month of the transaction, or the rate for either of the two preceding months, may be used – so there is a great deal of flexibility. Generally, the highest of the three months' rates will be used since it produces the highest charitable deduction (a higher interest rate reduces the actuarial value of the annuity and, thereby, increases the value of the charity's remainder interest). By waiting until the time of each month (between the 18th and 22nd) when the IRS releases the Section 7250 rates, it is possible to have a four-month choice.

The charity's development department generally calculates the deduction while the accounting, investing, and issuing of annuity checks is often performed by an independent third-party administrator which may also handle investment of the reserves.

GENERAL FORMAT OF CHARITABLE GIFT ANNUITY

Generally, a donor makes a cash gift, is named life annuitant, and usually receives the first payment from the charity shortly after signing the annuity agreement. But only creativity and the charity's willingness to vary from a standard format prevent numerous variations on this theme.
For instance, the annuity can be for the joint lives of the donor and his or her spouse, or even the lives of multiple annuitants. Funds paid to the charity can be from the donor alone or from husband and wife as joint donors. The donor(s) can choose as annuitant someone other than either the donor or the donor's spouse. For example, a family member or friend can be named as annuitant.

Payments can commence immediately upon the execution of the agreement or can be deferred for a specified term of years (the Internal Revenue Code sets no specific limits). The selection of a deferred annuity is usually made when a donor-annuitant does not need the income currently (and wants to defer payments until he or she is in a lower income tax bracket), or to obtain a larger monthly payment (at an older age).

The annuity can be paid on an annual, semiannual, quarterly, monthly, or more frequent basis.
Each modification from the standard format will have tax implications. For instance, the longer the annuitant must wait for payments to begin, the larger the donor's charitable income tax deduction.

The charity must acknowledge the donor's contribution in a written "quid pro quo" statement which (1) indicates the amount of cash and/or value of property contributed, (2) states that the charity has provided something in return (the annuity), (3) informs the donor that his/her charitable deduction is limited to the amount of cash and/or value of property contributed in excess of the value of the annuity, and (4) provides a good faith estimate of the value of the donor's contribution based on the maximum possible non-charitable value of the annuity.

EXAMPLE:

A CGA typically works like this:

Harry, age 77, wants to both make a meaningful contribution to the United Cerebral Palsy (UCP) Association and obtain a steady and fixed stream of income for himself. He presently owns 1,000 shares of common stock worth $50 a share, with a cost basis of $10 per share. The stock is currently yielding 1.5% annually. He transfers the stock to UCP in return for its promise to pay him a lifetime annuity of 7.5 percent – slightly higher than the current 7.4 percent suggested rate from the American Council on Gift Annuities.

Upon receipt of each month's payments, Harry's annuity will be taxed as follows: a portion will be taxable as capital gain, a portion as ordinary income, and a portion will be considered a tax-free recovery of capital investment. He paid $10,000 for the stock worth $50,000 on the date of its contribution, so the $40,000 appreciation will be taxed ratably as capital gain.

Briefly, the breakdown of Harry's monthly annuity is as follows:

Monthly Payment at 7.5%	$ 3,750
Capital Gain Portion	1,557
Ordinary Income Portion	1,804
Non- taxable Return of Capital	389
Immediate Charitable Income Tax Deduction:	$19,841

TAX IMPLICATIONS OF ANNUITY PAYMENTS

- As noted above, each annuity payment (assuming a contribution of long-term capital gain property) will be allocated into separate parts for tax reporting purposes. A portion of each payment will be taxed as ordinary income, a portion as capital gain (assuming the donor contributed appreciated property) and the remaining portion will be received income tax free as a recovery of the donor's investment in the contract, i.e., a tax free return of capital. After the investment in the contract is fully recovered, the full amount of all payments received is taxable as ordinary income. The charity or its designated administrator is required to send each annuitant an IRS Form 1099R reflecting the allocation of the payments among taxable income, capital gains if any, and nontaxable return of capital.
- *Contribution of Cash Only:* When the donor has contributed cash only, the computation of the

taxation of payments from a CGA is relatively simple (i.e., it is based on an "exclusion ratio" as in a commercial annuity).

There are five steps:

1. Find the "expected return multiple" (from income tax regulations).
2. Multiply the expected return multiple by the annual payment to find expected return
3. Divide the taxpayer's investment in the contract by the expected return to compute the ratio of each payment that is excludable
4. Multiply the annual payment by the exclusion ratio to find the amount of each payment that is excludable
5. Subtract the excludable amount from the annual payment to arrive at the taxable amount of each year's annuity payment

For example, a donor annuitant (age 63) contributes $320,990 in cash to a charity for an annual annuity of $24,000. Her life expectancy can be found in the "expected-return multiple" tables in the income tax regulations under IRC Section 72. (There are various unisex tables for one life and for other situations.) The multiple (24.2 years) is multiplied by the payment ($24,000) to determine the expected return. Technically, an adjustment would be made to the multiple if payments are other than monthly. In this case, the multiple is reduced slightly to 23.7 (to adjust for the fact that payments are annual rather than monthly), and produces an expected return of $568,800 (23.7 x $24,000).

The investment in the contract ($320,990) is then divided by the expected return ($568,800) to derive the exclusion ratio of 56.4 percent; that is, the portion of each payment that can be excluded from income. So, of each $24,000 payment, $13,536 ($24,000 x 0.564) would be tax-free as recovery of her cost (i.e., her cash contribution) and the balance, $10,464 ($24,000 - $13,536) would be taxable. After the donor recovers her entire investment in the contract, each subsequent annuity payment is 100% taxable

- *Contribution of Appreciated Property:* To do the computations where the donor has contributed appreciated property, the basic principles are the same but the math is more complicated – since such transactions are considered both gifts and "bargain sales" of the property. This requires the donor's cost (adjusted basis) to be allocated between the gift element and the sale element. Therefore, the donor would realize some long-term capital gain on the "sale" portion, but would never recognize gain on the "gift" portion. Nor would there be an alternative minimum tax imposed on the gift portion of the transaction.

- *Allocation of Long-Term Gain:* Long term gain (or loss) is allocated proportionately to the charitable (gift) and annuity (sale) interests. The gain (or loss) on the gift portion is not recognized for income tax purposes. But the gain (or loss) on the annuity portion is reportable – ratably over the expected annuity payment period as noted directly below.

- *Treatment of Gain:* If certain requirements are met, the gain determined under the bargain sale rules does not have to be reported in full in the year the annuity is purchased. It can be reported in equal increments over the life expectancy of the donor. In other words, the gain that is recognized is spread equally and reported over a period equal to the expected return multiple, i.e., over the period payments are (actuarially) expected to be received.

  WARNING: The ability to defer and spread out the gain over actuarial life expectancy applies only if the annuity cannot be assigned or cannot be assigned to anyone other than the issuing charity, AND the transferor (or the transferor and a designated survivor or survivors) is (are) the only annuitant(s). Gain is immediately reportable in all other circumstances!

- *Allocation of Gain:* The allocation of gain is based on the same expected return multiple used to determine the tax-free portion of each payment. Following the above example of a 63-year-old donor with a 24.2 year life expectancy (23.7 adjusted for annual payment), the total gain (if the contribution was in the form of appreciated property and not cash) would be divided by the same multiple to arrive at the amount of each payment that would be capital gain. Any balance of each payment would be ordinary income. When the annuitant has recovered his/her entire investment in the contract, all future payments would be entirely ordinary income.

  Death prior to that full recovery of investment would result in an income tax deduction of the un-recovered balance on the decedent annuitant's final income tax return.

  If the donor relinquishes the annuity (i.e. makes a gift of it) to the charity that issued it, no gain is recognized.

WHICH CHARITIES OFFER GIFT ANNUITIES?

The major issuers of CGAs are religious groups and private colleges and universities. But many national health, environmental, and social services organizations are also issuing CGAs. According to Charitable Planning guru Conrad Teitell, more than half of the charities currently issuing gift annuities started doing so within the last 10 years!

DONOR'S INCOME TAX DEDUCTION

As I noted above, the client donor will be allowed a current charitable income tax deduction based on the amount by which the cost of the annuity exceeds its present value. In other words, a donor is entitled to an immediate income tax deduction for the actuarial value of the remainder interest, i.e., the value of the property transferred to the charity less the net present value of the payments to the annuitant (or annuitants) based on the life expectancy of the annuitant (or the joint life expectancy of the annuitants).

The charity will typically provide the donor with a letter summarizing the amount of the charitable deduction and the income tax treatment of the payments.

DONOR'S DEATH PRIOR TO LIFE EXPECTANCY

If a donor annuitant dies before his/her actuarial life expectancy, a deduction – in the amount of the annuity payments not received which accrues to the benefit of the charity – may be taken on his or her final income tax return.

GIFT TAX ISSUES

There is no taxable gift issue when a donor makes a gift to charity in return for an annuity for which he or she is the sole annuitant. Of course, there is a gift to a qualified charity – which generates a gift tax deduction that will offset (within limits) the gift dollar for dollar. Likewise, when a husband and wife make a charitable gift of jointly owned asset(s), and in return the charity provides them with a joint annuity, typically no taxable gift will have been made.

In either case, a gift tax return must be filed but, again, the gift to charity and any gift from one spouse to the other usually will be offset by the gift tax charitable and marital deductions. Almost all gifts for charitable gift annuities should be reported (even though they are not subject to any gift tax) on IRS form 709. (Certain notification of large gifts is required by IRS.)

BEWARE: If a donor contributes property to a charity and someone other than the donor and/or the donor's spouse is named as annuitant or joint annuitant, the donor will have made a gift equal to the actuarial value of the (other non-contributing) annuitant's interest. The current annual gift tax exclusion ($11,000, and $12,000 in 2006) should apply if the donor and/or the other annuitant share immediately in the annuity payments. But if the annuitant must wait for his/her interest, no annual exclusion would be allowed. (A gift tax marital deduction is allowed if the other annuitant is the donor's spouse. If the spouse is not a U.S. Citizen, then the gift tax exclusion is limited to $117,000 in 2005, indexed for inflation (will increase to $120,000 in 2006).
NOTE: It may be possible to avoid "completing" the gift – and therefore avoid gift tax liability – if

the donor retains the right to revoke the interest of the (non spouse) annuitant.

ESTATE TAX IMPLICATIONS

At the death of a donor annuitant, the annuity ceases and only the unconsumed untaxed annuity payments already received or receivable at death will be includable in his/her gross estate. But if continuing annuity payments are payable to a non-contributing joint annuitant, then the present value of the annuity payable to the survivor annuitant will be included in the donor's gross estate.

Of course, if that non-contributing annuitant is the donor's surviving spouse – who is also a U.S. citizen, the future payments will qualify for the estate tax marital deduction. However, if the non-contributing annuitant is not the donor's surviving spouse or is not a U.S. citizen, the present value of future payments to the surviving annuitant would be treated as a taxable transfer.

In either case, amount passing to a qualified charity, i.e., the excess of what was donated over the annuities payable, should qualify for the estate tax charitable deduction.

GENERATION-SKIPPING TRANSFER TAX (GSTT) IMPLICATIONS

If the transferor names as an annuitant a skip person, who is more than one generation below the transferor in the transferor's family, or an unrelated person (e.g., a godchild) 37.5 years younger than the transferor, there may be GSTT issues.

EXEMPTION OF CHARITABLE GIFT ANNUITIES FROM FEDERAL ANTITRUST AND SECURITY LAWS

Under the Philanthropy Protection Act (H.R. 2519) and The Charitable Gift Annuity Antitrust Relief Act of 1995 (H.R. 2525), gift annuities issued by tax-exempt organizations are exempt from federal antitrust and securities laws. These two laws assure that all charitable gift annuities are exempt from most provisions of the federal antitrust and securities laws. (NOTE: The exemptions do not extend to the antifraud provisions). The protection extends to legal, accounting, actuarial, and other counsel and advisors who help institute establish or maintain charitable gift annuities.

STATE LAW ISSUES

State law must be considered. Some states encourage CGAs while others impose significant regulatory barriers, or even prohibit charitable gift annuities. **It is essential to check current state law.**

State laws are concerned with two issues, first the protection of the interests of the annuitants and second the protection of the organizations that issue CGAs. Charities offering CGAs must comply with the applicable laws and rules of each state in which the annuitants live. In the case of states with highly restrictive regulations, this may mean the charities may have to invest more of their reserves in bonds and cash equivalents rather than stocks – which in turn may lower investment returns.

TAX CONSEQUENCES TO THE CHARITY OF A CHARITABLE GIFT ANNUITY

Typically, there are no adverse tax consequences to the charity for offering or setting up a CGA.

But if a charity accepts mortgaged property, there are potential problems pertaining to unrelated debt-financed income.

The second potential problem deals with a prohibition against a charity engaging in "commercial type insurance." Technically, a charity will lose its tax-exempt status if a "substantial portion of its activities is comprised of providing "commercial-type insurance." Aside from the potential loss of tax-exempt status, a charity may be taxed as if it were a commercial insurance company.

Fortunately, this is not a problem in most cases. To fall outside the scope of this possibly serious problem, four requirements must be met, none of which is difficult or onerous to meet:

First, the value of the annuity must be less than 90 percent of the value of the property the charity receives. Using the rates suggested by the American Council on Gift Annuities assures passing this test.

Second, the annuity must be payable over the life of one or two individuals alive at the time the annuity is issued. Typically, this does not pose a problem. But note, this prevents a charity from issuing an annuity that runs for a term of years or for the lives of more than two individuals.

Third, the annuity cannot either (a) guarantee a minimum amount of payments, or (b) specify a maximum number of payments.

Fourth, the annuity cannot provide for any upward or downward adjustment in payments based on the actual income received from the contributed (or any other) property.

CHARITY'S GIFT ACCEPTANCE POLICY

Although there are few tax barriers to the types of property a charity can accept in return for a CGA, there are practical considerations. It is important that a charity has a written checklist of considerations and thresholds that must be met before it accepts a gift. These generally include (a) the minimum size of the gift; (b) the types of property that it will accept, and will not accept; (c) the size of the reserve, if any, that will be set aside to assure payment of annuities; and (d) the charity's policy on reinsurance, i.e., will the charity purchase a commercial annuity to assure its ability to meet its promises?

REINSURING THE CHARITABLE GIFT ANNUITY

As noted above, a charity can reinsure its obligation under the CGA through purchase from a commercial insurance company of a commercial annuity. Of course, this purchase and ownership does not relieve the charity of its obligation to make the promised payments – should the commercial insurer fail to make payments as due. This means the charity must continually monitor the financial soundness of the insurer.

SUGGESTED CHARITABLE GIFT ANNUITY RATES Approved by the American Council on Gift Annuities May 5, 2004 Effective July 1, 2004
SINGLE LIFE

Age	Rate	Age	Rate
0-1	3.7%	54	5.5%
2-5	3.8	55	5.5
6-12	3.9	56	5.6
13-19	4.0	57	5.6
20	4.0	58	5.7
21	4.1	59	5.7
22	4.1	60	5.7
23	4.1	61	5.8
24	4.1	62	5.9
25	4.1	63	5.9
26	4.2	64	6.0
27	4.2	65	6.0
28	4.2	66	6.1
29	4.3	67	6.2
30	4.3	68	6.3
31	4.3	69	6.4
32	4.4	70	6.5
33	4.4	71	6.6
34	4.4	72	6.7
35	4.5	73	6.8
36	4.5	74	6.9
37	4.6	75	7.1
38	4.6	76	7.2
39	4.7	77	7.4
40	4.7	78	7.6
41	4.8	79	7.8
42	4.8	80	8.0
43	4.9	81	8.3
44	5.0	82	8.5
45	5.0	83	8.8
46	5.1	84	9.2
47	5.2	85	9.5
48	5.2	86	9.9
49	5.3	87	10.2
50	5.3	88	10.6
51	5.4	89	11.0
52	5.4	90 and over	11.3
53	5.5		

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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