

The American Council on Gift Annuities has increased its suggested maximum payout rates for charitable gift annuities.

At its semi-annual meeting in April 2018, the Board of Directors of the American Council on Gift Annuities (ACGA) unanimously approved an increase in its schedule of suggested maximum charitable gift annuity (CGA) rates. The rates will be rising by 0.30% to 0.50% for the most common ages of annuitants. The new rates will become effective on July 1st, 2018.

The suggested maximum rate schedules have changed eight times since 2003, or on average about once every other year. But the changes have not been evenly distributed. The rate schedules changed every year from 2008 through 2012 (when interest rates were falling significantly). They have not changed since 2012.

To understand why rates have changed recently, it is important to note that interest rates have moved up and down a lot since 2012. For example, the yield on 10-year Treasury bond (a common interest rate benchmark) at the beginning of 2012 was about 1.9%. This yield drifted downward to about 1.5% in the summer of the 2012, and then began a gradual climb all the way up to 3.0% at end of 2013. Rates then reversed course and the yield dropped through the 2.0% mark in the summer of 2015, finally reaching a low of about 1.4% just after the Brexit vote in the summer of 2016. Since then, the 10-year Treasury yield has climbed back up to about 3.0% today. Short term interest rates have also increased as the Federal Reserve has been moving the overnight rate higher. With the increase in interest rates, the ACGA felt comfortable increasing suggested rates as interest rates have moved up and maintained that 3% level.

Since 1927, the American Council on Gift Annuities (ACGA) has periodically published a schedule of suggested charitable gift annuity rates. Although a charity is free to offer any schedule of rates it wishes – so long as its rates don't exceed the limits imposed by federal and state laws – most charities, in fact, follow the rates suggested by the ACGA. Thus, donors generally find that the rates offered by various charities are identical. This encourages donors to make philanthropic decisions based on the cause of the charities they consider supporting, rather than the rates offered.

Charitable gift annuity rates are lower than those offered by insurance companies to purchasers of commercial annuities so that a significant portion of a contribution will be available for charitable purposes. Though lower than commercial rates, gift annuities are still very attractive to individuals who want simultaneously to support a favorite charity and provide payments to themselves or others.

What does this mean for me?

Charitable Gift Annuities provide an stable source of income for the donor, and the increase in rates means that donors can anticipate higher annuity payments than under the old rates. If you had decided against entering into a Charitable Gift Annuity in the past, it may be beneficial to contact Mark Templeton at mtempleton@messiah.edu or by phone at 717-796-5069 to take another look at this wonderful means of supporting Messiah College while establishing a guaranteed payment stream through your life and, if applicable, the life of a spouse. Mark can provide you with an illustration that reflects the benefits specific to the gift you are considering.