

AMERICAN  
COUNCIL ON  
GIFT ANNUITIES

*Promoting Responsible Philanthropy*

**Report and Comments on the  
American Council on Gift Annuities**

**2009 SURVEY OF  
CHARITABLE GIFT  
ANNUITIES**



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## **Report and Comments on the 2009 Survey of Charitable Gift Annuities**

This is the fourth in a series of national gift annuity surveys conducted by the American Council on Gift Annuities (ACGA) over the last 16 years.

The 2009 Gift Annuity Survey Report displays and analyzes the responses to 60 questions by 568 organizations, provided from September through December 2009. Many of the questions about gifts, annuitants, administration and investment were asked in the surveys conducted in 1994, 1999, and 2004. In addition to providing continuity, we asked many new questions in 2009. We wanted to know how charities managed financial risks during the Great Recession of 2008-09. We asked new questions about the ages of annuitants to understand how the demographics of an aging American population affect the policies and practices of charities issuing annuities. We increased the number of questions regarding state regulation of charitable gift annuities.

Highlights of the survey report are on pages 7-10, followed by detailed charts and comments, and an important discussion of survey methodology.

Unlike other planned gifts such as charitable remainder trusts and pooled income funds, gift annuity data is not collected by the Internal Revenue Service. There is no central repository for gift annuity data gathered by the states which regulate charitable annuities. The Gift Annuity Surveys conducted by ACGA are in many ways the best source of information about charitable gift annuity policies, practices, and trends.

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## **About Charitable Gift Annuities**

Gifts to a charity in exchange for fixed, lifetime payments first appeared in America in the 1830s. The oldest charitable gift annuity program in continuous operation is that invented by the American Bible Society, which has issued tens of thousands of gift annuities since 1843. The exact number of charities issuing gift annuities in 2009 is unknown. In the 2004 survey report, Frank Minton extrapolated from what we know about annuities and estimated that 4,000 charitable organizations are issuing gift annuities. More than \$3 billion in gift annuity funds are currently under management, according to the 2009 survey.

Giving money to a charity, trusting the charity to make fixed payments back for the lives of one or two annuitants, with money left over for the charitable mission, necessarily involves risks. When an annuity contract is signed, the length of the lives of the annuitants is unknown. Investment returns are subject to market volatility over a period that can last more than three decades. Donors and state regulators need to know that payments to annuitants are secure. Charities who take responsibility for making lifelong payments need assurance that the enterprise will be financially rewarding.

The primary method for managing financial risk is providing payment rates that are neither too high nor too low. In 1927, for the protection of annuitants as well as the charitable organizations involved, charities organized themselves for voluntary self-regulation, creation and updating of recommended annuity payment rate tables, training in “best practices,” federal and state relations, and research. Gathering and analyzing data about gift annuity contracts issued by charities, the demographics of annuitants, and the effectiveness of risk management practices is a central responsibility of the American Council on Gift Annuities.

## **Acknowledgments**

First of all, thank you to the 568 organizations who participated in the 2009 Gift Annuity Survey. This was a particularly lengthy survey. We appreciate your efforts, and hope you find the report useful.

Everyone with an interest in charitable gift annuities owes much to Frank Minton, author of the three survey reports in 1994, 1999 and 2004. Frank is the former Chair of the American Council on Gift Annuities and lead author of the standard reference on gift annuities, Charitable Gift Annuities: The Complete Resource Manual.

Thank you to members of the ACGA Research Committee for reviewing potential questions, assisting in survey design and promotion, interpreting the data, and providing feedback on a survey draft. Ron Brown led the survey development process and wrote the survey report, except for the state registration section, which was written by Dianne Armstrong with the help of David Wheeler Newman.

The ACGA Board provided policy guidance in designing the survey and thoughtful comments on the draft report.

Special thanks to Scott Lumpkin and Bruce Bigelow, both former Research Chairs of the National Committee on Planned Giving (now the Partnership for Philanthropic Planning), for reviewing the survey instrument.

Last but certainly not least, thank you to Gloria Kermeen, ACGA Director of Administration, for her excellent support, and to Barbara Yeager of PPP for her knowledge of the Vovici software program.

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## **Highlights of the Survey**

**We encourage readers to see the details of each of these highlights in the survey report that follows. There is an important discussion of survey methodology following the detailed report.**

- Organizations reported a total of 170,347 gift annuities under management. The total value of gift annuities reported was \$3.22 billion (not all charities issuing annuities participated in the survey; the actual total is much larger). In 2008, the most recent year for which IRS data is available, there was an estimated \$9.089 billion held by charitable remainder annuity trusts, \$119.198 billion in charitable remainder unitrusts, \$2.910 billion in charitable lead trusts, and \$1.651 billion in pooled income funds.
- \$307.5 million in new gift annuities were reported during the last fiscal year. The average (mean) of new gift annuities reported per organization in the last year was \$702,155, but the average was affected by larger annuity programs: three organizations reported more than \$10 million in new gift annuities. 73 organizations reported \$1 million or more in new gifts. The median dollar value of gift annuities issued per organization in the last year was \$167,500.
- 7,091 new gift annuities were reported as being issued in the last fiscal year. 18 organizations reported issuing 100 or more gift annuities, and four organizations issued more than 200 annuities. One organization reported issuing 282 gift annuities.
- 450 organizations reported issuing one or more gift annuities in their last fiscal year. The average (mean) number of gift annuities issued was 16 and the median was five.
- The average size of gift annuities reported in the last fiscal year was \$43,371. This is larger than the average gift size reported in 1999 (\$30,182) and smaller than the average gift size reported in 2004 (\$59,926). A few very large gift annuities can easily inflate the average size. See Appendix A for average gift size by type of organization.
- Nearly three-fourths of organizations reported that their gift annuity program is more than ten years old. 11.3% of survey respondents reported that their organization started issuing gift annuities since the year 2004, and 27.6% since the year 1999.
- How did the Great Recession of 2008-2009 affect the risk management policies and practices of organizations issuing charitable gift annuities? 16.1% of organizations reported that they changed the asset allocation of gift annuity investments. 9.1% limited the organization's marketing of gift annuities. 7.5% changed their gift acceptance procedures to require additional approvals before issuing a particular gift annuity contract.

Many survey respondents wrote in additional actions taken recently. Examples:

Capped annuity rate at 7.5%

Hold back 25% of matured agreements [i.e., did not remove some terminated annuities from the annuity reserve fund]

Raised minimum if donor did not have a fund already established. Used to be \$10,000, now is \$25,000

Performed a risk analysis

Senior Management approval needed for one annuitant to have over certain % of interest in total investment pool

- For annuities that terminated in the last five years, organizations reported total initial contributions in the amount of \$638,498,949 and net amount remaining for the charity (residuum) in the amount of \$521,439,912. The residuum represents 81.6% of the initial contributions, which is the lowest average percentage reported in the four surveys:

2009 survey	81.6%
2004 survey	85.5%
1999 survey	97.5%
1994 survey	94.6%

There is reason to believe that gift annuities are producing significantly greater support for the work of America's charities than assumed by the ACGA rate tables, which are intended to produce a residuum of 50%. The results for an individual organization may be much different than the residuum reported in the survey. Variables include an organization's investment performance, ages of the annuitants, expenses paid from annuity reserve funds, and other factors.

<b><u>Sex of Annuitants</u></b>	<b><u>2009 Survey</u></b>	<b><u>2004 Survey</u></b>	<b><u>1999 Survey</u></b>	<b><u>1994 Survey</u></b>
Male	3,613 44.1%	45.3%	40.4%	40.0%
Female	4,578 55.9%	54.7%	59.6%	60.0%
2009 Total:	8,191 annuitants			

It is not surprising that the total number of female annuitants is larger than the total number of male annuitants. For example, women represented 62.9% and men just 37.1% of the American population age 80-84 in the 2000 Census.

- Survey results suggest that gift annuitants are getting older. The average (mean) and median age of annuitants at the time of their gifts reported in the survey was 79 years, the oldest reported to date.

<u>Year of survey</u>	<u>Average age of annuitants</u>
2009	79
2004	78.1
1999	77
1994	77

- 177 organizations reported the average (mean) age of their annuitants of deferred annuities at the time of their gifts. The average age at the time of the gift was 64 and the median was 63. In the 2004 survey the average reported age for annuitants of deferred annuities at the time of their gifts was 60 years.
- Respondents were asked whether, in their experience, a donor who makes a gift annuity to their organization is likely to increase or decrease their annual giving. 30.6% reported that a donor who makes a gift annuity to their organization is likely to increase their annual giving, while 3.7% said it is likely to decrease their annual giving. 65.7% reported that making a gift annuity is likely to have no effect on a donor’s annual giving to their organization.
- Organizations reported issuing 714 deferred gift annuities, which represent 10.1% of all gift annuities reported in the 2009 survey. The percentage of deferred gift annuities has increased steadily over the four surveys:

**Percentage of Deferred Annuities**

2009 Survey	10.1%
2004 Survey	8.4%
1999 Survey	7.65%
1994 Survey	5.8%

- 21.3% of organizations reported issuing a flexible deferred annuity (i.e., deferred annuities where the annuitant can, at some later time, choose the payment starting date). 9.9% reported issuing a flexible deferred annuity in the 2004 survey, and 4.8% in 1999.
- 97.3% of the organizations responding to the 2009 survey reported that they always or usually follow the ACGA rates. That is slightly higher than reported in previous CGA surveys:

2009 survey	97.3%
2004 survey	97.1%
1999 survey	94.6%
1994 survey	97.2%

Another 1.3% of organizations reported that they regularly offer rates lower than those recommended by ACGA. Eight organizations (1.4% of survey respondents) report that they regularly offer rates higher than the ACGA rates.

- 78.1% of the charities participating in the survey report having a policy requiring a minimum age for annuitants receiving immediate gift annuity payments. 56.7% require a minimum age of 60 or older; 28.7% require an age of 65 or older; and 3.1% require that an annuitant be 70 years of age or older.
- How many organizations allow annuity donors to restrict the ultimate use of their gifts? A large majority (84.9%) accept donor restrictions, while 15.1% accept no restrictions. 116 organizations (21.4%) reported that 10% or fewer of their annuity gifts are restricted, while 149 organizations (27.5%) reported more than 75% of their gift annuities are restricted.

## 1. Institutions Offering Gift Annuities

Gift annuities are issued by many kinds of charitable organizations, large and small. Five hundred sixty-eight (568) organizations responded to the 2009 survey. **Figure 1** shows that private and public colleges and universities represent the greatest number of survey respondents, followed by religious organizations, hospital/health related organizations, community foundations, social service, environmental, and arts organizations. In some cases the national headquarters of a charitable organization reported on behalf of all its state and/or local chapters.

Frequent responses in the “other” category include senior/retirement centers, public broadcasting, and private secondary schools. The lower number of survey participants in 2009 does not reflect less gift annuity activity. Please see the Survey Methodology on page 43.

**Figure 1: Survey respondents that issue annuities by type of organization**

	2009 Frequency	2009 Count	2004 Count
Private college or university	23.2%	132	151
Public college or university	12.0%	68	95
Hospital/health related	16.4%	93	143
Social service	5.3%	30	46
Arts	1.4%	8	20
Environmental	1.8%	10	12
Religious organization (not described above)	16.7%	95	155
Community foundation	7.9%	45	75
For-profit organization offering services to charities	1.1%	6	7
Other	14.3%	81	119
	<b>Valid Responses</b>	<b>568</b>	<b>823</b>

79.6% of those responding to the 2009 survey issued one or more gift annuities in their most recent fiscal year. In 2004, 86.5% of those completing the survey reported issuing gift annuities in their most recent fiscal year. Organizations completing the survey which did not issue a gift annuity in the past year may have gift annuities in force that were issued in previous years.

A total of 7,091 new gift annuities were reported in the last fiscal year. Eighteen organizations reported issuing 100 or more gift annuities in their last fiscal year, and four organizations issued more than 200 annuities. One organization reported issuing 282 gift annuities.

The organizations that issued large numbers of gift annuities bring up the average. 313 organizations reported issuing ten or fewer annuities. Note that the mean (average) was 16 annuities, while the median was five annuities: half of the organizations that issued gift annuities last year issued five or fewer annuities. The greatest number of organizations participating in the survey reported issuing two annuities last year.

**Average (Mean) Dollar Value of A Gift Annuity  
by Type of Organization  
(See Appendix A for more details)**

For-profit organization	\$8,571
Arts	\$22,195
Religious	\$22,879
Social service	\$32,785
Other	\$37,903
Environmental	\$48,993
Community foundation	\$55,455
Hospital/health related	\$58,207
Private college or university	\$59,167
Public college or university	\$78,548
<b>ALL Organizations</b>	<b>\$43,371</b>

**Figure 2** shows the number of years survey respondents reported that their organization has been issuing gift annuities. 406 organizations (72.5%) reported that their gift annuity program is more than ten years old. Subsequent surveys will give organizations the opportunity of reporting much older gift annuity programs, since charities have issued gift annuities for well over a hundred years.

It is interesting that 11.3% of survey respondents (63 organizations) reported that their organization started issuing gift annuities since the year 2004, and 27.6% (154 organizations) since the year 1999.

**Figure 2: Number of years your organization has been offering gift annuities**

Response	Frequency	Count
Less than five years	11.3%	63
Five to ten years	16.3%	91
<b>Over ten years</b>	<b>72.5%</b>	<b>406</b>
	<b>Valid Responses</b>	<b>560</b>

For the first time in these modern gift annuity surveys, we asked whether the organization participating in the survey is a sponsor of the American Council on Gift Annuities. Nearly two thirds (65.5%) reported being dues-paying sponsors of ACGA, while 34.5% of those completing the survey are not yet sponsors.

**Figure 3** shows the results of a new question intended to gather information about how the Great Recession of 2008-2009 affected the risk management policies and practices of organizations issuing charitable gift annuities. Of course, the actions reported may be a response to current economic conditions, or to other causes.

Respondents were allowed to choose multiple responses, and to write in other actions taken. The most frequent response to the choices given was that their organization changed the asset allocation of its gift annuity investments (16.1%, or 94 organizations). 9.1% (53 organizations) limited the organization's marketing of gift annuities. 7.5% (44 organizations) changed their gift acceptance procedures to require additional approvals before issuing a particular gift annuity contract.

85 organizations (14.6% of survey respondents) wrote in additional actions taken recently. These were among the most interesting results of the **2009 Gift Annuity Survey**. Here are some examples:

Capped annuity rate at 7.5%

Hold back 25% of matured agreements [i.e., did not remove some terminated annuities from the annuity reserve fund]

Raised minimum if donor did not have a fund already established. Used to be \$10,000, now is \$25,000

Performed a risk analysis

Senior Management approval needed for one annuitant to have over certain % of interest in total investment pool

**Figure 3: Has the board or staff leadership at your organization taken any of the following actions relative to your gift annuity program?**

<b>Response</b>	<b>Frequency</b>	<b>Count</b>
Limited your ability to market gift annuities	9.1%	53
Limited the dollar amount of annuity payments that may be paid on an individual annuitant's life	3.4%	20
<b>Changed the asset allocation of your gift annuity investments</b>	<b>16.1%</b>	<b>94</b>
Changed your gift acceptance procedures to require the approval of a senior staff member or board committee before issuing a particular contract	7.5%	44
Other	14.6%	85
	<b>Valid Responses</b>	<b>583</b>

## 2. Profile of Gift Annuity Donors

The survey asked a series of questions about the demographics of charitable gift annuitants. This data is helpful in designing marketing strategies and in managing annuity programs effectively. As in previous surveys, we asked about the number of male and female annuitants as well as the average ages of annuitants. For the first time, we asked about the ages of the oldest and youngest annuitants of immediate and deferred annuities.

<u>Sex of Annuitants</u>	<u>2009 Survey</u>	<u>2004 Survey</u>	<u>1999 Survey</u>	<u>1994 Survey</u>
Male	3,613 44.1%	45.3%	40.4%	40.0%
Female	4,578 55.9%	54.7%	59.6%	60.0%
2009 Total:	8,191 annuitants			

It is not surprising that the total number of female annuitants is larger than the total number of male annuitants. The ratio of women to men becomes larger as the American population ages. Below is a table with data from the Census conducted in the year 2000 showing age distribution by sex. For example, the 2000 Census counted 3,110,470 females between the ages of 80-84 and 1,834,897 males. Adding these together shows a total population of 4,945,367 between the ages of 80-84. Women represented 62.9% and men just 37.1% of the American population age 80-84 in the year 2000.

### Age Distribution by Sex, 2000

	Male		Female	
	Number	Percent	Number	Percent
<b>Total Population</b>	138,053,563	49.06%	143,368,343	50.94%
<b>0-4</b>	9,810,733	3.49%	9,365,065	3.33%
<b>5-9</b>	10,523,277	3.74%	10,026,228	3.56%
<b>10-14</b>	10,520,197	3.74%	10,007,875	3.56%
<b>15-19</b>	10,391,004	3.69%	9,828,886	3.49%
<b>20-24</b>	9,687,814	3.44%	9,276,187	3.30%
<b>25-29</b>	9,798,760	3.48%	9,582,576	3.41%
<b>30-34</b>	10,321,769	3.67%	10,188,619	3.62%
<b>35-39</b>	11,318,696	4.02%	11,387,968	4.05%
<b>40-44</b>	11,129,102	3.95%	11,312,761	4.02%
<b>45-49</b>	9,889,506	3.51%	10,202,898	3.63%
<b>50-54</b>	8,607,724	3.06%	8,977,824	3.19%
<b>55-59</b>	6,508,729	2.31%	6,960,508	2.47%
<b>60-64</b>	5,136,627	1.83%	5,668,820	2.01%
<b>65-69</b>	4,400,362	1.56%	5,133,183	1.82%
<b>70-74</b>	3,902,912	1.39%	4,954,529	1.76%
<b>75-79</b>	3,044,456	1.08%	4,371,357	1.55%
<b>80-84</b>	1,834,897	0.65%	3,110,470	1.11%
<b>85+</b>	1,226,998	0.44%	3,012,589	1.07%

Source: [Census 2000](#) analyzed by the [Social Science Data Analysis Network \(SSDAN\)](#).  
 See: [http://www.censusscope.org/us/print\\_chart\\_age.html](http://www.censusscope.org/us/print_chart_age.html)

### **Are Gift Annuitants Getting Older?**

Survey results suggest that gift annuitants are getting older. The average (mean) and median age of annuitants reported in the survey was 79 years, the oldest reported to date.

<u>Year of survey</u>	<u>Average age of annuitants</u>
2009	79
2004	78.1
1999	77
1994	77

Another way of showing the average ages of annuitants reported in the 2009 survey is in the chart below, which lists the cumulative percentage of annuitants by age.

<u>Average Age of Immediate Annuitants at Time of Gift</u>	<u>Cumulative %</u>
60 and younger	0.7%
65 and younger	2.5%
70 and younger	9.0%
75 and younger	28.4%
80 and younger	63.5%
85 and younger	89.1%
90 and younger	97.5%

Yet another way of showing these responses is to count the number of organizations that reported an average age at time of a gift, grouped by age ranges. As shown in the chart below, nine organizations reported that the average age of their annuitants at the time of their gifts was between 61-65 years. 155 organizations reported that the average age of their annuitants at time of gift was between 76-80 years, and so forth.

50 & Under	51-55	56-60	61-65	66-70	71-75	76-80	81-85	86-90	91-95	96-100	101-105
1	0	1	9	28	87	155	106	36	9	1	1

### **Ages of Deferred Annuitants**

177 organizations reported the average (mean) age of their annuitants of deferred annuities at the time of their gifts. The average age at the time of the gift was 64 and the median was 63. In the 2004 survey the average reported age for annuitants of deferred annuities at the time of their gifts was 60 years.

Quite a broad range of ages was reported in 2009. One charity reported an average age of 34 years at the time of a deferred annuity gift, while four reported an average age of 82 and older at the time of the gift.

<u>Average Age of Deferred Annuitants at Time of Gift</u>	<u>Cumulative %</u>
50 and younger	5.6%
55 and younger	12.4%
60 and younger	34.5%
65 and younger	62.7%
70 and younger	82.5%
75 and younger	91.0%
80 and younger	96.6%

### **Ages of Youngest Annuitants of Immediate Annuities**

We asked a new question about the youngest annuitant of an immediate annuity at the time of the gift. While the average (mean) age reported for the youngest annuitant of an immediate annuity was 69, charities reported annuitants as young as 6.8 and 7 years. 17 charities reported issuing immediate annuities to annuitants age 49 or younger. On the other end of the age scale, one charity reported that its youngest (presumably only) gift annuitant is age 101.

<u>Average Age of Youngest Annuitants at Time of Gift</u>	<u>Cumulative %</u>
50 and younger	4.7%
55 and younger	9.3%
60 and younger	19.6%
65 and younger	37.1%
70 and younger	55.6%
75 and younger	70.8%
80 and younger	87.4%
85 and younger	93.9%
90 and younger	97.9%

### **Ages of Oldest Annuitants of an Immediate Annuity**

We also asked for the first time that organizations report their oldest annuitant of an immediate gift annuity. It is interesting to see how old some annuitants are: 16 annuitants were reported to be age 100 or older at the time of their gift, including two who were age 105 at time of their initial life income gifts!

The average age of the organization's oldest gift annuitant at the time of the gift was reported to be 88, and the median was 89.

<u>Average Age of Oldest Annuitants at Time of Gift</u>	<u>Cumulative %</u>
65 and younger	1.2%
70 and younger	3.1%
75 and younger	6.6%
80 and younger	18.1%
85 and younger	36.4%
90 and younger	60.1%
95 and younger	88.3%
100 and younger	97.2%

### **Does Making a Gift Annuity Affect a Donor’s Annual Giving?**

Another new question on the 2009 survey dealt with the relationship between gift annuities and annual giving. Respondents were asked whether, in their experience, a donor who makes a gift annuity to their organization is likely to increase or decrease their annual giving.

510 organizations responded to this question. 156 organizations (30.6%) reported that a donor who makes a gift annuity to their organization is likely to increase their annual giving, while 19 organizations (3.7%) said it is likely to decrease their annual giving.

The majority of those completing the survey (335 organizations, or 65.7%) reported that making a gift annuity is likely to have no effect on a donor’s annual giving to their organization.

**Figure 4: Based on your experience, is it likely that a donor who makes a gift annuity to your organization will:**

<b>Response</b>	<b>Frequency</b>	<b>Count</b>
Increase their annual giving	30.6%	156
Decrease their annual giving	3.7%	19
<b>No effect on their annual giving</b>	<b>65.7%</b>	<b>335</b>
	<b>Valid Responses</b>	<b>510</b>

### **3. Description of Completed Gift Annuities**

450 organizations reported issuing one or more gift annuities in their last fiscal year. The average (mean) number of gift annuities issued was 16 and the median was five. The total number of new gift annuities reported was 7,108.

	<b><u>2009 Survey</u></b>	<b><u>2004 Survey</u></b>	<b><u>1999 Survey</u></b>	<b><u>1994 Survey</u></b>
One life	5,143 72.4%	67.6%	65.3%	68.4%
Two lives	1,965 27.6%	32.4%	34.7%	31.6%

2009 Total: 7,108 annuities

\$307.5 million in new gift annuities to 442 organizations were reported during the last fiscal year. The average size of gift annuities reported in the last fiscal year was \$43,371. This is larger than the average gift size reported in 1999 (\$30,182) and smaller than the average gift size reported in 2004 (\$59,926). A few very large gift annuities can easily inflate the average size.

The average (mean) of new gift annuities reported per organization in the last year was \$702,155, but the average was affected by larger annuity programs. Three organizations reported more than \$10 million in new CGAs. 73 organizations reported \$1 million or more in new gifts.

The median dollar value of gift annuities issued in the last year by an organization was \$167,500.

<b><u>Dollar Value of New Gift Annuities Reported in Last Year</u></b>	<b><u>Cumulative %</u></b>
\$20,000 or less	11.2%
\$50,000 or less	23.5%
\$100,000 or less	36.3%
\$200,000 or less	55.9%
\$500,000 or less	72.6%
\$1 million or less	82.6%
\$2 million or less	90.2%
\$3 million or less	94.7%

#### **Deferred Annuities**

Organizations reported issuing 714 deferred gift annuities, which represent 10.1% of all gift annuities reported in the 2009 survey. The percentage of deferred gift annuities has increased steadily over the four surveys:

### Percentage of Deferred Annuities

2009 Survey	10.1%
2004 Survey	8.4%
1999 Survey	7.65%
1994 Survey	5.8%

Eight charities reported issuing 20 or more deferred gift annuities. Many charities (273 of 448 or 60.9%) reported issuing no deferred annuities.

### Assets Used for Gift Annuities

Survey respondents reported the percentages of assets used to fund new gift annuities: cash, securities (stocks and bonds), real estate, and other. 80% of organizations reported that gifts of cash represented between 75% and 100% of the assets used to fund gift annuities. In 2004, cash represented 67.4% and securities 29.0% of new gift annuities.

**Figure 5: Percentage of total gift annuity contributions consisting of cash**

Response	Frequency	Count
0 - 24%	6.5%	29
25 - 49%	4.3%	19
50 - 74%	9.2%	41
<b>75 - 100%</b>	<b>80.0%</b>	<b>357</b>
	<b>Valid Responses</b>	<b>446</b>

**Figure 6: Percentage of total gift annuity contributions consisting of securities**

Response	Frequency	Count
<b>0 - 24%</b>	<b>84.7%</b>	<b>376</b>
25 - 49%	6.5%	29
50 - 74%	5.0%	22
75 - 100%	3.8%	17
	<b>Valid Responses</b>	<b>444</b>

**Figure 7: Percentage of total gift annuity contributions consisting of real estate**

Response	Frequency	Count
<b>0 - 24%</b>	<b>97.5%</b>	<b>437</b>
25 - 49%	0.7%	3
50 - 74%	0.7%	3
75 - 100%	1.1%	5
	<b>Valid Responses</b>	<b>448</b>

**Summary of Responses: Assets Used to Fund Gift Annuities**  
**(showing number of organizations responding in each asset category)**

	<u>0-24%</u>	<u>25-49%</u>	<u>50-74%</u>	<u>75-100%</u>
Cash	29	19	41	357
Securities	376	29	22	17
Real Estate	437	3	3	5
Other Assets	1	0	0	0

**Number of Annuities Under Management**

For the 528 organizations that reported issuing gift annuities, there is a wide range in the number of annuities currently under management.

29 organizations reported having 1,000 or more gift annuities under management. 11 organizations reported managing 2,000 or more gift annuities. One organization reported having 6,853 current gift annuities.

These large programs raise the average considerably. **Figure 5** shows that charities reported an average (mean) of 243 contracts, but the median (same number above as below) was 53 annuity contracts. 77 organizations (14.6%) reported 10 or fewer gift annuities, and 35% reported 25 or fewer gift annuities. 65.5% reported 100 or fewer gift annuities. 90.9% reported 500 or fewer gift annuities.

The reported total of gift annuities under management is interesting: 170,347 gift annuities. Interpreting the significance of this number is difficult, since community foundations and for-profit organizations manage gift annuities on behalf of some charities. It is not possible to determine whether some of the same gift annuities were reported twice: once by the charity issuing the annuity, and again by the organization managing the annuity. For that reason we

calculated the mean and median after excluding one organization reporting 42,000 gift annuities under management.

**Figure 8: Total number of annuity contracts currently in force**

Statistic	Value
Total Responses	528
Maximum	6,853
Mean	243
Median	53
Sum	170,347

463 organizations reported the current market value of their gift annuity reserves. The total reported was \$3,220,320,917. As with the total number of gift annuities under management, it is not possible to determine whether some of the same gift annuities were reported twice: once by the charity issuing the annuity, and again by the organization managing the annuity. For that reason we excluded from the mean and median calculations results one organization reporting \$255.8 million in gift annuity reserves.

To put the gift annuity numbers in context: in 2008, the most recent year for which IRS data is available, there was an estimated \$9.089 billion held by charitable remainder annuity trusts, \$119.198 billion in charitable remainder unitrusts, \$2.910 billion in charitable lead trusts, and \$1.651 billion in pooled income funds.

There is a wide range in the value of annuity reserve funds currently under management.

24 organizations reported having \$3 million or more in gift annuity reserves under management. 15 organizations reported managing \$4 million or more. One organization reported having \$120 million in gift annuity reserve funds.

These large programs raise the average considerably. **Figure 6** shows that charities reported an average (mean) of \$6,402,853 in gift annuity reserves, but the median (same number above as below) was \$1,823,286. 25.7% of organizations reported \$500,000 or less in annuity reserve funds, and 37.6% reported \$1 million or less. 67.0% reported \$4 million or less in gift annuity reserve funds.

**Figure 9: Current market value of total annuity reserves (total amount in all annuity accounts, not just the reserves required by state law)**

Statistic	Value
Total Responses	463
Maximum	120,000,000
Minimum	10,000
Mean	6,402,853
Median	1,823,286
Sum	3,220,320,917

### **Flexible Deferred Gift Annuities**

559 organizations responded to a question asking whether they have completed any flexible deferred annuities (i.e., deferred annuities where the annuitant can, at some later time, choose the payment starting date). 119 of these organizations (21.3%) reported completing one or more flexible deferred annuities. 9.9% reported issuing a flexible deferred annuity in the 2004 survey, and 4.8% in 1999.

Of the organizations that have issued one or more flexible deferred gift annuities, 72 organizations have three or fewer such annuities in force. 17 organizations reported having ten or more, while 5 organizations reported having 50 or more flexible deferred gift annuities. Again, the larger programs raised the average (mean) to seven such annuities, while the median was two.

A total of 864 flexible deferred annuities were reported, with a total market value of \$21,518,766.

## 4. Gift Annuity Rates Offered by Charities

The most important responsibility of the American Council on Gift Annuities is to recommend maximum gift annuity payment rates for annuitants of all ages. Rate recommendations are based on the best available actuarial information for life expectancies, using reasonable investment assumptions, and determining a goal for how much should be left for the charity. Much careful work goes into the rate tables to ensure that annuity rates offered by charities are reasonably certain to be a fiscally responsible activity.

97.3% of the organizations responding to the 2009 survey reported that they always or usually follow the ACGA rates. That is slightly higher than reported in any previous CGA survey:

2009 survey	97.3%
2004 survey	97.1%
1999 survey	94.6%
1994 survey	97.2%

Another 1.3% of organizations reported that they regularly offer rates lower than those recommended by ACGA. Just eight organizations (1.4% of survey respondents) report that they regularly offer rates higher than the ACGA rates.

**Figure 10: Which of the following best describes your organization's practice regarding the maximum gift annuity rates recommended by the American Council on Gift Annuities? (Check one that best applies)**

Response	Frequency	Count
<b>Always follow the Council rates</b>	<b>75.0%</b>	<b>419</b>
Usually follow the Council rates, but in some instances offer lower rates	12.0%	67
Usually follow the Council rates, but cap rates below the highest Council rates	1.8%	10
Usually follow the Council rates, but in some instances offer higher rates	8.6%	48
Regularly offer rates lower than the Council rates	1.3%	7
Regularly offer rates higher than the Council rates	1.4%	8
<b>Valid Responses</b>		<b>559</b>

## **5. Policies on Minimum and Maximum Contributions and Ages**

55.1% of organizations reported they require a minimum contribution between \$10,000-24,999 for an immediate payment gift annuity. 29.6% require a contribution not less than \$5,000-9,999, while 5.7% reported a minimum gift of \$25,000 or higher.

Policies for subsequent gift annuities by a repeat donor allow somewhat smaller gifts: 39.3% of organizations require a minimum contribution between \$10,000-24,999 for a second gift annuity. 38.5% require a contribution not less than \$5,000-9,999, while 3.9% reported a minimum gift of \$25,000 or higher.

**Figure 11: Minimum amount required for an initial contribution for an immediate annuity**

Response	Frequency	Count
\$1 to \$999	1.1%	6
\$1,000 to \$2,499	4.7%	26
\$2,500 to \$4,999	3.8%	21
\$5,000 to \$9,999	29.6%	165
<b>\$10,000 to \$24,999</b>	<b>55.1%</b>	<b>307</b>
\$25,000 or higher	5.7%	32
	<b>Valid Responses</b>	<b>557</b>

**Figure 12: Minimum amount required for subsequent contributions from the same donor for an immediate annuity**

Response	Frequency	Count
\$1 to \$999	2.8%	15
\$1,000 to \$2,499	10.5%	57
\$2,500 to \$4,999	5.1%	28
\$5,000 to \$9,999	38.5%	210
<b>\$10,000 to \$24,999</b>	<b>39.3%</b>	<b>214</b>
\$25,000 or higher	3.9%	21
	<b>Valid Responses</b>	<b>545</b>

### Gift Minimums for Deferred Annuities

54.1% of organizations reported they require a minimum contribution between \$10,000-24,999 for a deferred payment gift annuity. 28.9% require a contribution not less than \$5,000-9,999, while 8.0% reported a minimum gift of \$25,000 or higher.

Policies for subsequent deferred payment gift annuities by a repeat donor allow somewhat smaller gifts: 40.5% of organizations require a minimum contribution between \$10,000-24,999 for a second gift annuity. 37.7% require a contribution not less than \$5,000-9,999, while 5.6% reported a minimum gift of \$25,000 or higher.

**Figure 13: Minimum amount required for an initial contribution from a particular donor for a deferred annuity**

Response	Frequency	Count
\$1 to \$999	1.5%	8
\$1,000 to \$2,499	4.6%	25
\$2,500 to \$4,999	2.9%	16
\$5,000 to \$9,999	28.9%	158
<b>\$10,000 to \$24,999</b>	<b>54.1%</b>	<b>296</b>
\$25,000 or higher	8.0%	44
	<b>Valid Responses</b>	<b>547</b>

**Figure 14: Minimum amount required for subsequent contributions from the same donor for a deferred annuity**

Response	Frequency	Count
\$1 to \$999	3.0%	16
\$1,000 to \$2,499	9.5%	51
\$2,500 to \$4,999	3.7%	20
\$5,000 to \$9,999	37.7%	202
<b>\$10,000 to \$24,999</b>	<b>40.5%</b>	<b>217</b>
\$25,000 or higher	5.6%	30
	<b>Valid Responses</b>	<b>536</b>

## Policies on Maximum Gift Annuity Acceptance

A new question asked whether organizations limit the size of a gift annuities for a particular annuitant, a risk management technique.

87.6% of organizations have no policy for an upper limit on the size of gift annuities. 5.9% have an upper limit of \$250,000 or more, while 5.4% have a limit between \$100,000-\$249,000.

**Figure 15: Maximum acceptable gift annuity size**

Response	Frequency	Count
<b>No maximum</b>	<b>87.6%</b>	<b>488</b>
\$50,000 to \$99,999	1.1%	6
\$100,000 to \$249,999	5.4%	30
\$250,000 or more	5.9%	33
	<b>Valid Responses</b>	<b>557</b>

## Policies for Minimum Ages for Immediate and Deferred Annuitants

The risk of adverse investment performance for a charity issuing gift annuities increases with younger annuitants. A loss of capital early in the life of a young annuitant who will receive fixed payments over a long period is difficult for the issuing charity to recover.

78.1% of the charities participating in the survey report having a policy requiring a minimum age for annuitants receiving immediate gift annuity payments. 56.7% require a minimum age of 60 or older; 28.7% require an age of 65 or older; and 3.1% require that an annuitant be 70 years of age or older.

Many of the organizations submitting other written comments about minimum ages reported that they have no policies about the minimum age of an annuitant receiving immediate payments. Others even report that they “accept any age,” though some of these require a minimum charitable deduction beyond the 10% required by Federal law.

**Figure 16: Minimum age for an annuitant of an immediate gift annuity**

Response	Frequency	Count
55	21.4%	117
<b>60</b>	<b>28.0%</b>	<b>153</b>
65	25.6%	140
70	3.1%	17
Other	21.8%	119
	<b>Valid Responses</b>	<b>546</b>

**Figure 17: Minimum payment starting age for an annuitant of a deferred gift Annuity**

Response	Frequency	Count
55	16.0%	85
60	25.7%	136
<b>65</b>	<b>28.1%</b>	<b>149</b>
70	3.0%	16
Other	27.2%	144
	<b>Valid Responses</b>	<b>530</b>

By far the most frequent “other” response was that the organization has no written policies for the minimum acceptable age of an annuitant at the time of contribution of a deferred annuity.

**Figure 18: Minimum annuitant age at the time of the contribution for a deferred gift annuity**

Response	Frequency	Count
40	9.7%	49
45	8.9%	45
50	18.4%	93
55	23.7%	120
<b>Other</b>	<b>39.3%</b>	<b>199</b>
	<b>Valid Responses</b>	<b>506</b>

## **6. Administration of Gift Annuities**

A majority (57.8%) of organizations administer their gift annuity programs internally, with functions shared between the business and development offices. 42.2% reported they outsource their administration to another organization. The 2009 survey did not ask whether charities invested their gift annuity assets “internally” or “externally.”

**Figure 19: Who is primarily responsible for gift annuity administration (accounting, tax forms, checks to annuitants, state reports, etc.)?**

Response	Frequency	Count
Business office	27.9%	157
Development office	12.5%	70
Appropriate functions shared by the business and development offices	17.4%	98
<b>Financial institution or other administrator retained for that purpose</b>	<b>42.2%</b>	<b>237</b>
	<b>Valid Responses</b>	<b>562</b>

A new question asked whether organizations allow annuity donors to restrict the ultimate use of their gifts. A large majority (84.9%) accept donor restrictions, while 15.1% accept no restrictions. 116 organizations (21.4%) reported that 10% or fewer of their annuity gifts are restricted, while 149 organizations (27.5%) reported more than 75% of their gift annuities are restricted.

**Figure 20: Do you accept donor restrictions on the ultimate use of a gift annuity by your charity? If so, what percentage of annuity contracts are restricted by the donor?**

Response	Frequency	Count
Do not accept donor restrictions on ultimate use of a gift annuity	15.1%	82
Less than 10% of annuities are donor-restricted	21.4%	116
10% to 25% of annuities are donor restricted	10.7%	58
25% to 50% of annuities are donor restricted	11.6%	63
50% to 75% of annuities are donor restricted	13.7%	74
<b>More than 75% of annuities are donor restricted</b>	<b>27.5%</b>	<b>149</b>
	<b>Valid Responses</b>	<b>542</b>

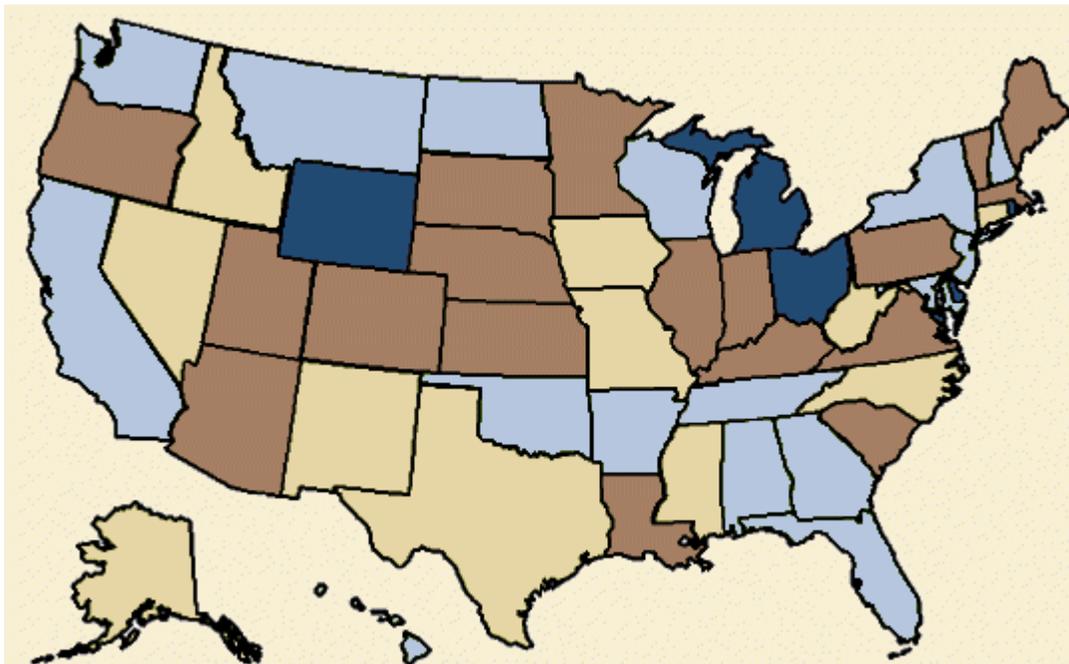
Nearly nine of ten organizations (88.8%) reported they have never used a third party (such as a community foundation) to accept a gift annuity.

For those who have used a third party, 69.9% reported that their arrangement provides for the release of funds to their organization at the death of the annuitant. 23.3% reported that the third party holds the gift in perpetuity as an endowed fund, and provides endowment income to the organization. 6.8% reported that the third party releases funds to their organization at the time of the annuity gift.

## 7. State Regulation of Gift Annuities

Many states regulate the charitable gift annuity activities of nonprofit organizations. All nonprofit organizations are required to comply with the law of their home states and any other states in which they market or issue charitable gift annuities.

Here is a summary of the registration requirements based on legislation through March 2010. The ACGA website, found at [www.acga-web.org](http://www.acga-web.org), provides up-to-date information and additional details.



### Registration Requirements

Five states are silent on whether nonprofits must register to issue charitable gift annuities. Nonprofit organizations are permitted to market and issue charitable gift annuities in these states without a notification, application for a permit, or meeting minimum requirements. These states are: Delaware, Michigan, Ohio, Rhode Island and Wyoming. The District of Columbia is also silent on charitable gift annuities.

Eighteen states have requirements for nonprofit organizations issuing charitable gift annuities but do not require notification, reporting, or a permit. Requirements often include a minimum level

of reserve funds and years of operation. These states are: Arizona, Colorado, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, Nebraska, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, Vermont, and Virginia.

Eleven states require an initial notification and/or registration. These include: Alaska, Connecticut, Mississippi, Idaho, Iowa, Missouri, Nevada, New Mexico, North Carolina, Texas, and West Virginia.

Sixteen states require that a nonprofit organization obtain a special permit and/or submit an annual filing. The annual filing often includes one or more of the following: statement on reserves, actuarial report, Form 990 or audited financial statement, and schedule of annuities issued. These states are: Alabama, Arkansas, California, Florida, Georgia, Hawaii, Maryland, Montana, New Hampshire, New Jersey, New York, North Dakota, Oklahoma, Tennessee, Washington, and Wisconsin.

The survey asked organizations to name their state of domicile. The six most represented states in the survey are shown below. The two most represented—California and New York—are also two of the most heavily regulated states for charitable gift annuities when considering registration requirements, reserve structure, and/or required reserve levels.

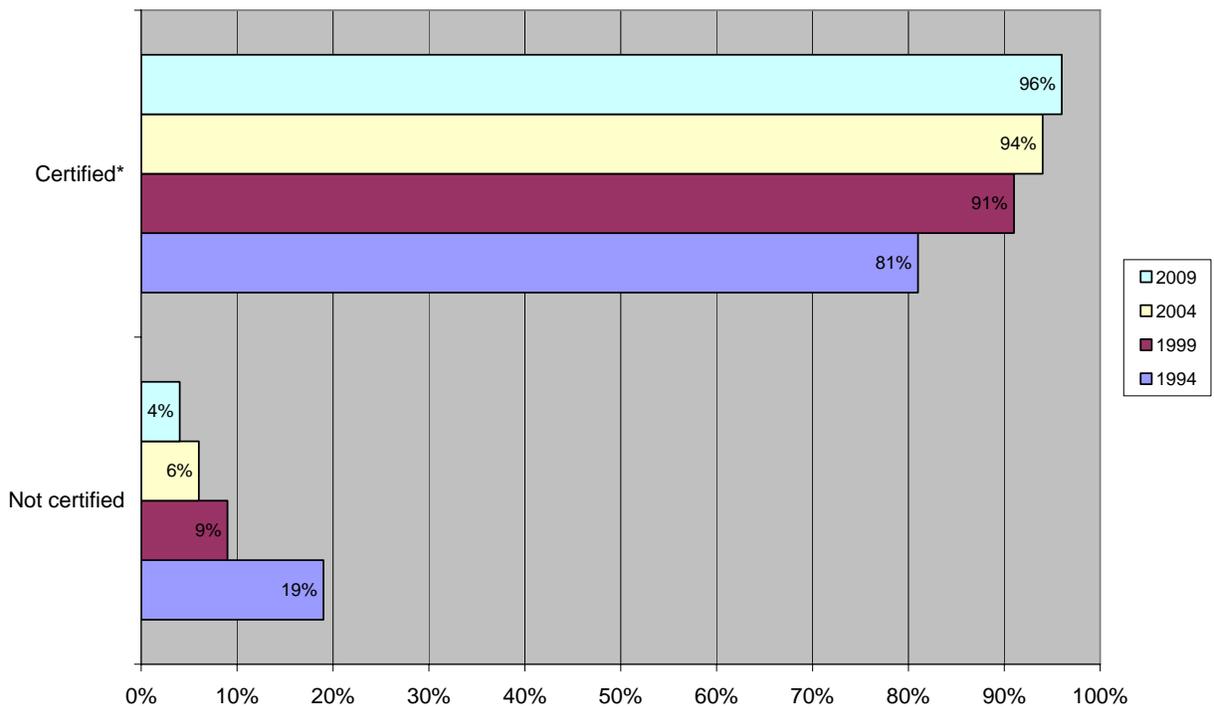
State	Count	Percentage
California	46	8.2
New York	46	8.2
Pennsylvania	33	5.9
Illinois	28	5.0
Ohio	26	4.7
Michigan	25	4.5

The survey asked organizations to indicate whether registration was required in their states. Most respondents were able to answer the question, but 6.5% did not know the policy of their home state. Looking at responses by state, the tabulation below indicates that some organizations might mistakenly believe that their state law is silent. Also, organizations that were unaware of their own state policies increased from .1% in the 2004 survey to 6.5% in this survey.

State requires registration/certification	278	50.0%
Nonprofits are exempt	155	27.9%
State law is silent	87	15.6%
Not aware of state policies	36	6.5%
		100%

The survey asked organizations whether they were certified to issue annuities in their home state. Most organizations appear to be registered in their state when it is required. This is consistent with the three prior surveys that indicated fewer respondents through time not being certified.

Percentage of all charities in regulated state declaring that they are certified in state of domicile



\*Includes charities that are certified and those whose state of domicile does not require certification.

Yes	328	59.2%
Certification not required	202	36.5%
No	24	4.3%
		100%

The survey asked whether organizations were issuing annuities in more than one state. Two-thirds of respondents reported issuing charitable gift annuities in more than one state. This is an increase compared to 53.2 percent reporting affirmatively in the 2004 survey.

Yes	365	66.0%
No	184	33.3%
Unsure	4	.7%
		100%

Next, the survey asked whether those organizations issuing annuities in more than one state were registered in the additional states. Of the 365 organizations, 239 reported that they were registered in additional states, and 162 reported that they were complying with exemption rules in other states. 36 organizations reported that they were not complying with regulations outside

of their own state. Those organizations may be active in states that do not require registration or certification.

Registered/certified in one or more additional states	239	41.4%
Complying with rules in additional states	162	28.1%
Not complying in additional states	36	6.2%

### Investment Requirements

Additional state rules apply to how charitable gift annuity funds should be held by the organization and how the funds should be invested. Again, nonprofit organizations issuing charitable gift annuities are expected to follow the rules of their home states and the rules any other states in which they market or issue charitable gift annuities.

One state—California—requires gift annuity reserves to be held in a state-specific trust. Fifteen states require that charitable gift annuity reserves be segregated from the organization’s other accounts (Alabama, Arkansas, Florida, Hawaii, Maryland, Montana, New Hampshire, New Jersey, New York, North Dakota, Oregon, Pennsylvania, Tennessee, Washington, and Wisconsin). The remaining states are silent on the question of how charitable gift annuity reserves should be held.

Rules relating to investment of gift annuity reserves may also influence an organization’s investment committee or investment manager to create one or more state-specific reserve funds.

Three states (California, Florida, and Wisconsin) place limitations on one or more of the following: the type of investments, the maximum exposure to equities, real estate, or international investments, and the maximum concentration of funds invested in any one stock or mutual fund. Seven states require charities to follow a prudent investor rule for investment of gift annuity reserves (Hawaii, Maryland, New Hampshire, New Jersey, New York, Tennessee, and Washington), while Arkansas provides organizations with a choice. The remaining states are silent on how gift annuity reserves are to be invested.

The survey asked how many state-specific reserve funds organizations maintain. Most frequently, respondents answered that they have one state-specific reserve (38%), followed by no state-specific reserves (36.5%).

No state-specific reserve	183	36.5%
One state-specific reserve	191	38.0%
Two state-specific reserves	74	14.7%
Three state-specific reserves	20	4.0%
Four state-specific reserves	13	2.6%

Finally, the survey asked whether organizations issue gift annuities in states that place restrictions on investments. The majority of organizations reported that they do not, and 33 organizations did not know.

No	292	53.6%
Yes	220	40.4%
Unsure	33	6.1%

## **8. Investment of Gift Annuity Assets**

Survey respondents reported the investment allocation for their gift annuity assets. They were asked to report on the investment of their required annuity reserve funds, and other gift annuity funds used to invest the charitable or “surplus” amounts related to annuity gifts.

Responses to each of six asset classes are displayed in the charts below. Here is a summary:

### **Summary of Responses: Asset Allocation for Gift Annuity Investments** (showing number of organizations responding in each asset category)

	<b><u>0-19%</u></b>	<b><u>20-39%</u></b>	<b><u>40-59%</u></b>	<b><u>60-79%</u></b>	<b><u>80-100%</u></b>
Cash	373	70	17	11	16
Government Bonds	290	110	52	17	6
Corporate Bonds	258	149	45	15	4
Stocks/Mutual Funds	82	104	167	99	17
Real Estate/REITs	465	8	6	2	1
Other Assets	444	18	8	1	4

**Figure 21: Percentage of gift annuity assets invested in cash and cash equivalents**

<b>Response</b>	<b>Frequency</b>	<b>Count</b>
<b>0 - 19%</b>	<b>76.6%</b>	<b>373</b>
20 - 39%	14.4%	70
40 - 59%	3.5%	17
60 - 79%	2.3%	11
80 - 100%	3.3%	16
	<b>Valid Responses</b>	<b>487</b>

**Figure 22: Percentage of gift annuity assets invested in U.S. Government bonds (including government bond mutual funds)**

Response	Frequency	Count
<b>0 - 19%</b>	<b>61.1%</b>	<b>290</b>
20 - 39%	23.2%	110
40 - 59%	10.9%	52
60 - 79%	3.6%	17
80 - 100%	1.3%	6
	<b>Valid Responses</b>	<b>475</b>

**Figure 23: Percentage of gift annuity assets invested in corporate and other bonds (including corporate bond mutual funds)**

Response	Frequency	Count
<b>0 - 19%</b>	<b>54.8%</b>	<b>258</b>
20 - 39%	31.6%	149
40 - 59%	9.6%	45
60 - 79%	3.2%	15
80 - 100%	0.8%	4
	<b>Valid Responses</b>	<b>471</b>

**Figure 24: Percentage of gift annuity assets invested in stocks (including stock mutual funds)**

Response	Frequency	Count
0 - 19%	17.5%	82
20 - 39%	22.2%	104
<b>40 - 59%</b>	<b>35.6%</b>	<b>167</b>
60 - 79%	21.1%	99
80 - 100%	3.6%	17
	<b>Valid Responses</b>	<b>469</b>

**Figure 25: Percentage of gift annuity assets invested in real estate (including REITS)**

Response	Frequency	Count
<b>0 - 19%</b>	<b>96.5%</b>	<b>465</b>
20 - 39%	1.7%	8
40 - 59%	1.2%	6
60 - 79%	0.4%	2
80 - 100%	0.2%	1
	<b>Valid Responses</b>	<b>482</b>

**Figure 26: Percentage of gift annuity assets invested in other vehicles**

Response	Frequency	Count
<b>0 - 19%</b>	<b>93.5%</b>	<b>444</b>
20 - 39%	3.8%	18
40 - 59%	1.7%	8
60 - 79%	0.2%	1
80 - 100%	0.8%	4
	<b>Valid Responses</b>	<b>475</b>

### **Investment Performance for Gift Annuity Assets**

Organizations were asked to report on the investment performance of their gift annuity assets (required reserves plus gift annuity surplus funds) over their most recent fiscal year, the past five years, and the past ten years. The question asked for net investment performance after subtracting any investment fees.

Quite a wide range of investment experiences were reported by 356 organizations. For example, in the most recent fiscal year the highest reported return was 27.8% and the lowest reported return was (-34.65%).

Here are the ranges of investment performance for the **most recent fiscal year:**

5 organizations reported returns of (-30.2%) to (-34.65%)  
54 organizations reported returns of (-29.6%) to (-20%)  
80 organizations reported returns of (-19.7%) to (-10.1%)  
26 organizations reported returns of (-9.9%) to (-0.55%)  
160 organizations reported returns of 0 to 9.67%  
20 organizations reported returns of 10% to 18.5%  
7 organizations reported returns of 20% to 27.8%

**For the most recent fiscal year the reported mean was (-5.26%) and median was 0%**

Here are the ranges of investment performance for the **past five years:**

17 organizations reported returns of (-0.1%) to (-7%)  
202 organizations reported returns of 0 to 4.96%  
85 organizations reported returns of 5% to 9.5%  
15 organizations reported returns of 10% to 25%

**For the past five years the reported mean was 3.84% and the median was 3.11%**

Here are the ranges of investment performance for the **past ten years:**

3 organizations reported returns of (-0.9%) to (-1.7%)  
150 organizations reported returns of 0% to 4.9%  
98 organizations reported returns of 5% to 9.5%  
12 organizations reported returns of 10% to 18%  
2 organizations reported returns on 30% to 48.7%

**For the past ten years the reported mean was 4.57% and the median was 4.38%**

### **Purchase of Commercial Insurance to “Reinsure” Charitable Gift Annuities**

Organizations were asked whether they purchase commercial annuities to “reinsure” the gift annuities they issue. 93.2% (519 organizations) reported they do not purchase commercial annuities at all. 5.7% (32 organizations) purchase some commercial annuities, and 1.1% (6 organizations) reported that all gift annuities they issue involve the purchase of commercial annuities.

Here are comparable responses from previous surveys:

	<b><u>Do not purchase commercial insurance</u></b>	<b><u>Purchase commercial insurance for some or all gift annuities</u></b>
2009	93.2%	6.8%
2004	92.0%	8.0%
1999	94.1%	5.9%

## **9. Residuum for the Charity**

One of the questions asked in each of the four gift annuity surveys concerns the net amount left for the charity to use for its work (known as the “residuum”) after the termination of annuities issued by the charity. Each survey asked respondents to report on their experience with all of the annuities issued by the organization that terminated in the previous five years because of the death of an annuitant.

When interpreting the responses it is important to keep in mind that the question covers a five year period. The period between 2004-2009 saw extreme market volatility. An annuity terminating in 2007 might have a very different residuum compared with an annuity terminating at the bottom of the market in 2009.

For annuities that terminated in the last five years, organizations reported total initial contributions in the amount of \$638,498,949 and net amount remaining for the charity (residuum) in the amount of \$521,439,912. The residuum represents 81.6% of the initial contributions, which is the lowest percentage reported in the four surveys:

2009 survey	81.6%
2004 survey	85.5%
1999 survey	97.5%
1994 survey	94.6%

There is reason to believe that gift annuities are producing significantly greater support for the work of America’s charities than assumed by the ACGA rate tables, which are intended to produce a residuum of 50%. The results for an individual organization may be much different than the residuum reported in the survey. Variables include an organization’s investment performance, ages of the annuitants, expenses paid from annuity reserve funds, and other factors.

The median residuum reported in the 2004 Survey was 65.6%: half of the organizations reporting in 2004 had a larger residuum, and half a smaller residuum. The median residuum could not be calculated from the 2009 Survey because of a faulty design in the questions asked. It would be reasonable to assume that the median residuum in 2009 was in the range of 59%-61%.

## **Survey Methodology**

Questions in the 2009 Gift Annuity Survey were developed by the ACGA Research Committee and Board, with helpful suggestions from Scott Lumpkin and Bruce Bigelow, both former Research Chairs with the National Committee on Planned Giving (now the Partnership for Philanthropic Planning).

The 2009 survey is unique in many respects. First, it is longer than previous surveys: we asked 60 questions vs. 32 in 2004 (only 25 questions were asked in 1994). Second, the survey was available only online in electronic format, using Vovici software. From 1994-2004, gift annuity surveys were mailed, and hard copy responses were hand-entered by a commercial research firm. In 2009, organizations had to print the entire survey instrument, gather all the data, then go back online to enter their responses.

The length of the 2009 survey and the online format depressed the number of organizations participating: 568 organizations completed the 2009 survey, compared to 823 organizations in 2004, about 800 in 1999, and 841 in 1994. Approximately 40% more data was received in 2009 than in 2004, but from significantly fewer organizations.

The survey was distributed by way of messages to organizations in the American Council on Gift Annuities database (3,000 charities) and through many other channels: newsletter announcements by PG Calc, Crescendo, Planned Giving Design Center, Taxwise Giving, and Robert F. Sharpe; Gift PL; local gift planning councils; and other networks.

Readers should exercise caution when interpreting or extrapolating the results. In the 2004 survey report Frank Minton estimated that 4,000 charities issue gift annuities. Survey responses represent about 14% of the charities involved with promoting, issuing, and administering gift annuities.

Keep in mind also that there is a wide range in the sophistication and size of annuity programs. Half of the organizations completing the 2009 survey issued five or fewer gift annuities last year, while a handful of organizations issued hundreds of annuities. As you read many of the survey responses, pay particular attention to the mean (average) and median. The median is the midpoint: the same number of responses fall above and below the median.

# Appendix A: Responses Sorted By Type of Organization

## 1. Private and public colleges and universities

Number of annuities issued by private and public colleges and universities during last fiscal year

	Private college or university	Public college or university	ALL Organizations
Valid Responses	95	56	450
Maximum	132	42	282
Mean	13	8	16
Median	5	4	5
Sum	1,281	461	7091

Number of deferred annuities issued by private and public colleges and universities during last fiscal year

	Private college or university	Public college or university	ALL Organizations
Valid Responses	95	56	448
Maximum	36	20	45
Mean	2	1	2
Median	1	0	0
Sum	204	65	714

Dollar value of gift annuities issued by private and public colleges and universities during last fiscal year

	Private college or university	Public college or university	ALL Organizations
Valid Responses	94	53	442
Maximum	14,320,000	4,751,756	14,320,000
Mean	806,319	683,228	695,801
Median	176,942	310,000	165,000
Sum	75,794,002	36,211,063	307,543,902

Number of annuity contracts currently in force at private and public colleges and universities

	Private college or university	Public college or university	ALL Organizations
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Valid Responses	110	66	547
Maximum	6,300	646	6,853
Mean	246	107	235
Median	91	61	48
Sum	27,086	7,072	128,347

**Market value of total annuity reserves (all annuity accounts, not just the reserves required by state law) at private and public colleges and universities**

	Private college or university	Public college or university	ALL Organizations
Valid Responses	111	61	491
Maximum	63,800,000	32,464,384	120,000,000
Mean	8,028,842	5,715,741	6,037,721
Median	3,000,000	2,231,141	1,650,000
Sum	891,201,436	348,660,231	2,964,521,174

**Mean (average) size of gift annuities issued last year by private and public colleges and universities**

	Private college or university	Public college or university	ALL Organizations
	\$59,167	\$78,548	\$43,371

## 2. Hospital/health related, social service, and religious organizations

**Number of annuities issued during last fiscal year by hospital/health related, social service, and religious organizations**

	Hospital/Health Related	Social Service	Religious	ALL Organizations
Valid Responses	71	17	81	450
Maximum	241	147	282	282
Mean	13	25	31	16
Median	4	13	8	5
Sum	919	425	2,500	7091

**Number of deferred annuities issued during last fiscal year by hospital/health related, social service, and religious organizations**

	Hospital/ Health Related	Social Service	Religious	ALL Organizations
Valid Responses	70	17	80	448
Maximum	22	12	45	45
Mean	1	2	2	2
Median	0	0	0	0
Sum	88	28	190	714

**Dollar value of gift annuities issued during last fiscal year by hospital/health related, social service, and religious organizations**

	Hospital/ Health Related	Social Service	Religious	ALL Organizations
Valid Responses	69	17	80	442
Maximum	12,856,617	7,338,554	7,113,920	14,320,000
Mean	775,259	819,642	714,971	695,801
Median	120,000	234,000	155,000	165,000
Sum	53,492,874	13,933,908	57,197,694	307,543,902

**Number of annuity contracts currently in force at hospital/health related, social service, and religious organizations**

	Hospital/ Health Related	Social Service	Religious	ALL Organizations
Valid Responses	88	28	91	547
Maximum	2,000	1,817	6,853	6,853
Mean	132	185	588	235
Median	28	45	125	48
Sum	11,594	5,183	53,545	128,347

**Market value of total annuity reserves (all annuity accounts, not just the reserves required by state law) at by hospital/health related, social service, and religious organizations**

	Hospital/ Health Related	Social Service	Religious	ALL Organizations
Valid Responses	77	26	80	491
Maximum	71,400,000	60,537,997	109,000,000	120,000,000
Mean	4,665,917	4,943,826	7,417,633	6,037,721
Median	930,527	1,071,108	1,889,432	1,650,000
Sum	359,275,632	128,539,487	593,410,614	2,964,521,174

**Mean (average) size of gift annuities issued last year by hospital/health related, social service, and religious organizations**

	Hospital/ Health Related	Social Service	Religious	ALL Organizations
	\$58,207	\$32,785	\$22,879	\$43,371

### 3. Arts and environmental organizations

Number of annuities issued during last fiscal year by arts and environmental organizations

	Arts	Environmental	ALL Organizations
Valid Responses	4	9	450
Maximum	18	142	282
Mean	10	25	16
Median	11	9	5
Sum	41	229	7091

Number of deferred annuities issued during last fiscal year by arts and environmental organizations

	Arts	Environmental	ALL Organizations
Valid Responses	4	9	448
Maximum	3	26	45
Mean	1	4	2
Median	1	1	0
Sum	4	37	714

Dollar value of gift annuities issued during last fiscal year by arts and environmental organizations

	Arts	Environmental	ALL Organizations
Valid Responses	3	9	442
Maximum	710,000	8,100,000	14,320,000
Mean	303,333	1,246,618	695,801
Median	165,000	200,000	165,000
Sum	910,000	11,219,559	307,543,902

Number of annuity contracts currently in force at arts and environmental organizations

	Arts	Environmental	ALL Organizations
Valid Responses	8	10	547
Maximum	340	3,850	6,853
Mean	124	582	235
Median	76	238	48
Sum	992	5,824	128,347

**Market value of total annuity reserves (all annuity accounts, not just the reserves required by state law) at arts and environmental organizations**

	Arts	Environmental	ALL Organizations
Valid Responses	7	10	491
Maximum	12,963,000	98,210,000	120,000,000
Mean	2,784,316	16,651,635	6,037,721
Median	535,000	4,325,000	1,650,000
Sum	19,490,213	166,516,349	2,964,521,174

**Mean (average) size of gift annuities issued last year by arts and environmental organizations**

	Arts	Environmental	ALL Organizations
	\$22,195	\$48,993	\$43,371

#### 4. Community foundations and for-profit organizations

**Number of annuities issued during last fiscal year by community foundations and for-profit organizations**

	Community Foundation	For-profit Organization	Other	ALL Organizations
Valid Responses	33	2	62	450
Maximum	66	4	135	282
Mean	8	4	12	16
Median	2	4	4	5
Sum	261	7	718	7091

**Number of deferred annuities issued during last fiscal year by community foundations and for-profit organizations**

	Community Foundation	For-profit Organization	Other	ALL Organizations
Valid Responses	33	2	62	448

Maximum	6	1	13	45
Mean	1	1	1	2
Median	0	1	0	0
Sum	19	1	56	714

**Dollar value of gift annuities issued during last fiscal year by community foundations and for-profit organizations**

	Community Foundation	For-profit Organization	Other	ALL Organizations
Valid Responses	33	2	62	442
Maximum	4,992,417	45,000	2,800,000	14,320,000
Mean	438,601	30,000	438,953	695,801
Median	110,000	30,000	152,714	165,000
Sum	14,473,821	60,000	27,215,067	307,543,902

**Number of annuity contracts currently in force at community foundations and for-profit organizations**

	Community Foundation	For-profit Organization	Other	ALL Organizations
Valid Responses	45	3	77	547
Maximum	1,600	98	2,500	6,853
Minimum	0	0	0	0
Mean	73	62	131	235
Median	18	88	30	48
Sum	3,293	186	10,093	128,347

**Market value of total annuity reserves (all annuity accounts, not just the reserves required by state law) at community foundations and for-profit organizations**

	Community Foundation	For-profit Organization	Other	ALL Organizations
Valid Responses	42	3	69	491
Maximum	120,000,000	3,362,669	25,026,449	120,000,000
Mean	5,053,616	1,676,728	3,171,766	6,037,721
Median	1,003,443	1,667,514	1,000,000	1,650,000
Sum	212,251,869	5,030,183	218,851,831	2,964,521,174

**Mean (average) size of gift annuities issued last year by community foundations and for-profit organizations**

	Community Foundation	For-profit Organization	Other	ALL Organizations
	\$55,455	\$8,571	\$37,903	\$43,371

## **Appendix B: 2009 Survey Instrument**

### **American Council on Gift Annuities Survey 2009**

#### **1) Type of Organization**

- Private college or university
- Public college or university
- Hospital/health related
- Social service
- Arts
- Environmental
- Religious organization (not described above)
- Community foundation
- For-profit organization offering services to charities
- Other (please specify)

If you selected other, please specify

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#### **2) During your most recent fiscal year, did your organization issue any charitable gift annuities?**

- Yes
- No

#### **3) What was the total number of annuities issued during that fiscal year?**

---

#### **4) How many of these were deferred annuities?**

---

#### **5) How many of the total number were for one life?**

---

#### **6) How many of the total number were for two lives?**

---

#### **7) How many of the annuitants (one and two lives combined) were male?**

---

#### **8) How many of the annuitants (one and two lives combined) were female?**

---

**9) What was the average age of annuitants of immediate annuities at the time of the contribution?**

\_\_\_\_\_Years

**10) What was the average age of annuitants of deferred annuities at the time of the contribution?**

\_\_\_\_\_Years

**11) How old was your youngest annuitant of an immediate annuity at the time of the contribution?**

\_\_\_\_\_Years

**12) How old was your oldest annuitant of an immediate annuity at the time of the contribution?**

\_\_\_\_\_Years

**13) What was the total dollar volume received during the fiscal year for gift annuities?**

\$ \_\_\_\_\_

**14) In your last fiscal year, what percentage of total gift annuity contributions consisted of cash?**

- 0 - 24%
- 25 - 49%
- 50 - 74%
- 75 - 100%

**15) In your last fiscal year, what percentage of total gift annuity contributions consisted of securities (including mutual funds)?**

- 0 - 24%
- 25 - 49%
- 50 - 74%
- 75 - 100%

**16) In your last fiscal year, what percentage of total gift annuity contributions consisted of real estate?**

- 0 - 24%
- 25 - 49%
- 50 - 74%
- 75 - 100%

**17) In your last fiscal year, what percentage of total gift annuity contributions consisted of other assets?**

- 0 - 24%

- 25 - 49%
- 50 - 74%
- 75 - 100%

**18) Has the board or staff leadership at your organization taken any of the following actions relative to your gift annuity program? (check all that apply)**

- Limited your ability to market gift annuities
- Limited the dollar amount of annuity payments that may be paid on an individual annuitant's life
- Changed the asset allocation of your gift annuity investments
- Changed your gift acceptance procedures to require the approval of a senior staff member or board committee before issuing a particular contract
- Other (please specify)

If you selected other, please specify

**19) What is the total number of annuity contracts currently in force at your organization?**

\_\_\_\_\_ Contracts

**20) What is the current market value of your organization's total annuity reserves? Include the total amount in all of your annuity accounts, not just the reserves required by state law.**

\$ \_\_\_\_\_

**21) How many state-specific annuity reserve funds does your organization maintain?**

\_\_\_\_\_

**22) For how many years has your organization been offering gift annuities?**

- Less than five years
- Five to ten years
- Over ten years

**23) Which of the following best describes your organization's practice regarding the maximum gift annuity rates recommended by the American Council on Gift Annuities? (Check one that best applies)**

- Always follow the Council rates
- Usually follow the Council rates, but in some instances offer lower rates
- Usually follow the Council rates, but cap rates below the highest Council rates
- Usually follow the Council rates, but in some instances offer higher rates
- Regularly offer rates lower than the Council rates
- Regularly offer rates higher than the Council rates

**24) What is the minimum amount your organization requires for an initial contribution from a particular donor for an immediate annuity?**

- \$1 to \$999

- \$1,000 to \$2,499
- \$2,500 to \$4,999
- \$5,000 to \$9,999
- \$10,000 to \$24,999
- \$25,000 or higher

**25) What is the minimum amount your organization requires for subsequent contributions from the same donor for an immediate annuity?**

- \$1 to \$999
- \$1,000 to \$2,499
- \$2,500 to \$4,999
- \$5,000 to \$9,999
- \$10,000 to \$24,999
- \$25,000 or higher

**26) What is the minimum amount your organization requires for an initial contribution from a particular donor for a deferred annuity?**

- \$1 to \$999
- \$1,000 to \$2,499
- \$2,500 to \$4,999
- \$5,000 to \$9,999
- \$10,000 to \$24,999
- \$25,000 or higher

**27) What is the minimum amount your organization requires for subsequent contributions from the same donor for a deferred annuity?**

- \$1 to \$999
- \$1,000 to \$2,499
- \$2,500 to \$4,999
- \$5,000 to \$9,999
- \$10,000 to \$24,999
- \$25,000 or higher

**28) Does your organization have a maximum gift annuity size you will accept? If so, please indicate the range containing your maximum acceptable gift annuity amount, or the total amount acceptable for multiple gifts by the same donor.**

- No maximum
- \$50,000 to \$99,999
- \$100,000 to \$249,999
- \$250,000 or more

**29) What is your minimum age for an annuitant of an immediate gift annuity?**

- 55
- 60
- 65
- 70
- Other (please specify)

If you selected other, please specify

---

**30) What is your minimum payment starting age for an annuitant of a deferred gift annuity?**

- 55
- 60
- 65
- 70
- Other (please specify)

If you selected other, please specify

---

**31) What is your minimum annuitant age at the time of the contribution for a deferred gift annuity?**

- 40
- 45
- 50
- 55
- Other (please specify)

If you selected other, please specify

---

**32) Have you completed any flexible deferred annuities (i.e., deferred annuities where the annuitant can, at some later time, choose the payment starting date)?**

- Yes
- No (skip to question 35)

**33) If you do offer flexible deferred annuities, how many are currently in force?**

---

**34) If you do offer flexible deferred annuities, what is the total market value?**

\$ \_\_\_\_\_

**35) In which state does your organization have its principal location?**

**36) Which of the following best describes the state in which your organization has its principal location?**

- Requires a charity to be registered or certified to offer gift annuities
- Provides a blanket or conditional exemption for gift annuities
- State law does not address gift annuities

- Don't know state policies on annuity registration

**37) Is your organization registered or certified to issue gift annuities in the state where it has its principal location?**

- Yes
- No
- Registration/certification not required

**38) Does your organization issue gift annuities in more than one state?**

- Yes
- No
- Don't know

**39) If you answered "yes" to question 38, check below if applicable to your organization**

- Organization is registered or certified in one or more states other than the state where the organization has its principal location
- Organization is complying with conditions for exemptions in those states that have an exemption statute
- Organization does not comply with registration or exemption requirements outside the state where it has its principal location

**40) Does your organization issue gift annuities in any states that place restrictions (other than the Prudent Investor Rule) on the types of investments allowed for gift annuity reserves? (California and Wisconsin are two examples.)**

- Yes
- No
- Don't know

**41) Does your organization purchase commercial annuities to "reinsure" the charitable gift annuities you issue?**

- No commercial annuities are purchased for gift annuities
- All gift annuities issued by our organization involve the purchase of commercial annuities
- Some gift annuities issued by our organization involve the purchase of commercial annuities

**42) What is the practice of your organization regarding retention of contributions in reserve?**

- Retain all of the contribution in restricted annuity funds until the surviving annuitant has died
- Required reserve is set aside, and all or a portion of the excess is used by the organization
- No reserve is set aside

**43) In your last fiscal year, was it necessary for your institution to transfer any funds to its gift annuity reserve fund(s) to meet state minimum requirements?**

- Yes
- No

**44) What percentage of gift annuity assets are invested in cash and cash equivalents by your organization?**

- 0 - 19%
- 20 - 39%
- 40 - 59%
- 60 - 79%
- 80 - 100%

**45) What percentage of gift annuity assets are invested in U.S. Government bonds (including government bond mutual funds) by your organization?**

- 0 - 19%
- 20 - 39%
- 40 - 59%
- 60 - 79%
- 80 - 100%

**46) What percentage of gift annuity assets are invested in corporate and other bonds (including corporate bond mutual funds) by your organization?**

- 0 - 19%
- 20 - 39%
- 40 - 59%
- 60 - 79%
- 80 - 100%

**47) What percentage of gift annuity assets are invested in stocks (including stock mutual funds) by your organization?**

- 0 - 19%
- 20 - 39%
- 40 - 59%
- 60 - 79%
- 80 - 100%

**48) What percentage of gift annuity assets are invested in real estate (including REITS) by your organization?**

- 0 - 19%
- 20 - 39%
- 40 - 59%
- 60 - 79%
- 80 - 100%

**49) What percentage of gift annuity assets are invested in other vehicles by your organization?**

- 0 - 19%
- 20 - 39%
- 40 - 59%
- 60 - 79%
- 80 - 100%

**50) The ACGA recommended rate table assumes an investment return of 5.25% (that is: 4.25% net of assumed administrative charges of 1% and any investment fees). In the next three questions, please indicate the total annualized rate of return (net of investment fees) on the investment of your organization's annuity assets:**

**For the most recent fiscal year?**

\_\_\_\_\_ %

**51) For the past five years?**

\_\_\_\_\_ %

**52) For the past 10 years?**

\_\_\_\_\_ %

**53) Who is primarily responsible for gift annuity administration (accounting, tax forms, checks to annuitants, state reports, etc.)?**

- Business office
- Development office
- Appropriate functions shared by the business and development offices
- Financial institution or other administrator retained for that purpose

**54) Do you accept donor restrictions on the ultimate use of a gift annuity by your charity? If so, what percentage of annuity contracts are restricted by the donor?**

- Do not accept donor restrictions on ultimate use of a gift annuity
- Less than 10% of annuities are donor-restricted
- 10% to 25% of annuities are donor restricted
- 25% to 50% of annuities are donor restricted
- 50% to 75% of annuities are donor restricted
- More than 75% of annuities are donor restricted

**55) Has your organization ever used a third party (such as a community foundation) to accept a gift annuity?**

- Yes
- No (skip to question 57)

**56) Does your arrangement with the community foundation or other third party provide for the release of funds to your organization:**

- At the time of the gift
- At the death of the annuitant
- Never - funds are held by the third party as an endowment to benefit our organization

**57) Based on your experience, is it likely that a donor who makes a gift annuity to your organization will:**

- Increase their annual giving

- Decrease their annual giving
- No effect on their annual giving

58)

**For charities that have been issuing gift annuities for a number of years: Please answer the next two questions to the extent you have available data. This information would be very helpful in evaluating the cost-effectiveness of gift annuities and recommending annuity rates.**

**For all gift annuity contracts that have terminated in the last five years through the death of the sole or surviving annuitant:**

**What was the total contribution?**

\$ \_\_\_\_\_

**59) What was the total amount remaining for your charity (the residuum) when the annuity terminated?**

\$ \_\_\_\_\_

**60) Is your organization a sponsor of the American Council on Gift Annuities?**

- Yes
- No

**61) We would like to know more about our participants. If you prefer to remain anonymous, you may omit the information below. In either case, the data you provide is confidential.**

Name	_____
Organization	_____
City, State	_____
Telephone Number	_____
E-mail address	_____