

Update

Minimizing Income Taxes and Transfer Taxes with Charitable Gift Annuities

The American Institute for Cancer Research follows the recommended payout rates of the American Council on Gift Annuities.

One-life payout rates (plus “effective payout rates” after weighing donors’ tax savings) are contained on the reverse side of this update sheet. Our Office of Gift Planning at 1-800-843-8114 can provide you with payout rates for any age, including two-life arrangements, plus illustrations of deductions and other tax benefits.

Below are specific changes to material contained in this booklet (deductions and tax-free payments are calculated assuming a 3.0% §7520 interest rate (midterm applicable federal rate)):

- Page 3 should now state that payout rates “range from 4.4% at age 60 to 9.0% (ages 90 and over) for immediate payment arrangements...”
- Page 5 should now show a 5.1% actual payout rate and an “effective” payout rate for a person age 70 as 7.4% in a 28% tax bracket.
- Page 6 lists Wisconsin as a state requiring charities to apply for certification prior to issuing gift annuities to residents. As of April 18, 2014, registration is no longer required.
- Page 10 has an example of a donor, age 60, who establishes a \$65,000 deferred gift annuity to offset the tax on a conversion from a traditional IRA to a Roth IRA. Her payments would be \$4,550 (7%) and her deduction would be nearly \$27,000. In the example of the daughter, age 67, arranging a \$40,000 gift annuity for her mother, age 85, the annual payments would be \$1,840 (4.6%) and the charitable deduction would be \$14,243. In the example, “Relief from low-interest CDs,” the payout rate for a person age 80 is 6.8%, providing \$680 annual payments for a \$10,000 transfer, of which \$542 would be tax-free return of principal, with a charitable deduction of about \$4,908.
- Page 11 has an example of a donor, age 79, who gives cash proceeds from U.S. savings bonds worth \$23,420 for a charitable gift annuity. The new payout rate for a recipient age 79 is 6.6%, and the annual payment would become \$1,546. With the lower payout rate, the charitable deduction is now \$11,224. As noted, the donor can achieve a higher tax deduction by electing a lower payout rate from his gift annuity.

Please see the reverse side of this Update for a table showing “Effective” Gift Annuity Rates.



“Effective” Gift Annuity Rates

The formula used for figuring the effective rate is as follows:

$$\text{Effective Payout Rate} = A + \frac{B}{1.0-X} + \frac{\text{(Gift - Tax Deduction Savings)}}{\text{Savings}}$$

where A = the fully taxable portion of the annuity, B = the tax-free portion, and X = the donor-annuitant's tax bracket. The Tax Deduction Savings are the donor's income tax charitable deduction multiplied by his marginal (top) tax bracket.

Effective Payout Rates at 2.0% Applicable Federal Rate*

For \$10,000 Charitable Gift Annuity, Donors in 25%, 28%, 33%, 35% and 39.6% Tax Brackets

Age	Actual Payout Rate	Payout	Tax-Free Amount	Taxable Amount	Effective Payout rate					Charitable Contribution
					25%	28%	33%	35%	39.6%	
60	4.4%	\$440	\$308	\$132	5.8%	6.0%	6.5%	6.7%	7.2%	\$2,582
61	4.4	440	310	130	5.8	6.1	6.5	6.7	7.2	2,800
62	4.5	450	319	131	6.0	6.2	6.7	6.9	7.4	2,858
63	4.5	450	322	128	6.0	6.3	6.8	7.0	7.5	3,079
64	4.6	460	331	129	6.2	6.5	6.9	7.2	7.7	3,151
65	4.7	470	340	130	6.3	6.6	7.1	7.4	7.9	3,231
66	4.8	480	349	131	6.5	6.8	7.3	7.6	8.2	3,323
67	4.8	480	352	128	6.5	6.8	7.4	7.6	8.3	3,558
68	4.9	490	362	128	6.7	7.0	7.6	7.8	8.5	3,664
69	5.0	500	373	127	6.9	7.2	7.8	8.1	8.7	3,778
70	5.1	510	384	126	7.0	7.4	8.0	8.3	9.0	3,901
71	5.3	530	400	130	7.3	7.7	8.3	8.6	9.3	3,917
72	5.4	540	410	130	7.5	7.9	8.5	8.8	9.6	4,060
73	5.5	550	420	130	7.7	8.1	8.8	9.1	9.9	4,209
74	5.7	570	438	132	8.0	8.4	9.1	9.4	10.3	4,263
75	5.8	580	450	130	8.2	8.6	9.3	9.7	10.6	4,426
76	6.0	600	466	134	8.5	8.9	9.7	10.1	11.0	4,501
77	6.2	620	487	133	8.8	9.3	10.1	10.5	11.4	4,588
78	6.4	640	506	134	9.1	9.6	10.5	10.9	11.9	4,685
79	6.6	660	526	134	9.5	9.9	10.9	11.3	12.3	4,792
80	6.8	680	542	138	9.8	10.3	11.3	11.7	12.8	4,908
81	7.0	700	565	135	10.1	10.7	11.7	12.1	13.3	5,032
82	7.2	720	583	137	10.5	11.0	12.1	12.6	13.8	5,162
83	7.4	740	603	137	10.8	11.4	12.5	13.0	14.3	5,298
84	7.6	760	625	135	11.2	11.8	13.0	13.5	14.8	5,438
85	7.8	780	650	130	11.5	12.2	13.4	14.0	15.4	5,582
86	8.0	800	667	133	11.9	12.6	13.9	14.4	15.9	5,729
87	8.2	820	687	133	12.2	13.0	14.3	14.9	16.5	5,878
88	8.4	840	709	131	12.6	13.4	14.8	15.4	17.0	6,028
89	8.7	870	744	126	13.2	13.9	15.4	16.1	17.8	6,133
90	9.0	900	767	133	13.6	14.5	16.0	16.7	18.5	6,243

* Using different applicable federal rates has little effect on the effective payout rate. Charitable contributions and tax-free amounts are affected by using a different AFR, however. Assumes quarterly payments.