



The following chart illustrates three columns showing the (1) annuity payout rate, (2) the after tax deduction cost of gift rate of return; and (3) the equivalent return for various ages.

Size of Gift Tax Bracket	\$10,000 0.35	After Tax Deduction Rate of Return	Equivalent Return to A Fully Taxable Payment
<u>Age</u>	<u>Gift Annuity Rate</u>		
60	5.0%	5.53%	7.3%
65	5.3%	5.99%	8.0%
70	5.7%	6.60%	9.0%
75	6.3%	7.47%	10.3%
80	7.1%	8.64%	12.1%
85	8.1%	10.11%	14.4%
90	9.5%	12.14%	17.4%

(1) The gift annuity rate is the percentage of the initial gift that is used to determine annual annuity. Assuming a donor age 80 gave a gift of \$10,000 and rate of 7.1%, the annual annuity payment would be \$710 ($\$10,000 \times 7.1\% = \710).

(2) The after tax deduction rate of return factors in the “out of pocket” cost of the gift following tax savings generated by the charitable deduction. For example, since a portion of a gift annuity is tax deductible, if a donor received a \$5,075 tax deduction and was in the 35% tax bracket, a \$1,776 cash savings would result ($\$5,075 \times 35\% = \$1,776$). This would reduce the cost of the gift ($\$10,000 - \$1,776 = \$8,224$). Based upon an annual annuity of \$710, the after tax deduction rate of return would be 8.37% ($\$710 / \$8,224 = 8.64\%$).

(3) The Equivalent return compares the charitable gift annuity payments (which are partially tax free over the life of the annuitant) to a return that is fully taxable. For example, an annuity of \$710 (in which only 26% is taxable) is equivalent to a fully taxable payment of \$993. An equivalent return would be 12.1% ($\$993 / \$8,224 = 12.1\%$).