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When doing calculations for a deferred gift annuity, two dates related to the timing of the first payment come into play, the date of first payment itself and the so-called “annuity starting date.” These dates are distinct, yet inextricably linked. One determines the other.

### **Date of First Payment Defined**

A deferred gift annuity’s date of first payment is just what it appears to be. It is the date on which the deferred gift annuity will make its first payment. This date is specified in the annuity agreement and is easily understood by donors.

### **Annuity Starting Date Defined**

Unlike the date of first payment, the annuity starting date is not so easily comprehended. It is critical to several deferred gift annuity calculations, however, and so is worth making an effort to understand. The annuity starting date is the first day of the payment period at the end of which the first annuity payment is made. The annuity starting date, then, depends on the date of first payment and the payment frequency of the annuity. For example, if the date of first payment is 12/31/2030 and the annuity is payable in quarterly installments, the annuity starting date is 10/1/2030, the first day of the quarter that ends on 12/31/2030. If the annuity were payable in semiannual installments instead, then the annuity starting date would be 7/1/2030.

### **Use of Annuity Starting Date in Calculations**

The annuity starting date is used two ways when *PGM Anywhere* performs deferred gift annuity calculations.

1. It is used to determine the maximum annuity rate suggested by the American Council on Gift Annuities. First, *PGM Anywhere* looks up the suggested annuity rate for the ages of the annuitants on their birthdays closest to the annuity starting date. Then, it multiplies this rate by an interest factor that is the ACGA’s assumed interest rate (currently 2.75%) raised to the number of years (including fractional years) from the date of gift to the annuity starting date.

2. It is used to determine the charitable deduction. The ages of the annuitants on their birthdays closest to the annuity starting date establish their ages when the annuity will start. The annuity starting date itself, along with the date of gift, determines exactly how long payments will be deferred. *PGM Anywhere* uses both determinations when computing the deduction.

## **Ages Displayed on Presentations**

Where room on a *PGM Anywhere* presentation allows, the label for an age tells you explicitly that the age is either as of the date of first payment or the annuity starting date (on the annuitant's nearest birthday, that is). In presentations where there isn't room, such as in column headings on the Comparison of Benefits chart, *PGM Anywhere* always shows the deferred age as of the annuity starting date. *PGM Anywhere* shows the age as of the annuity starting date in this situation because, as explained above, this is the relevant age when determining the annuity rate and the charitable deduction.

As in *PGM Anywhere*, where room on a *PGM* (desktop) presentation allows, the label for an age tells you explicitly that the age is either as of the date of first payment or the annuity starting date. Unlike in *PGM Anywhere*, however, in presentations where there isn't room for a long label *PGM* (desktop) always shows the deferred age as of the date of first payment.

## **Conclusion**

A deferred gift annuity's date of first payment is easy to understand but plays no direct role in computing values shown in *PGM Anywhere* presentations. The annuity starting date, on the other hand, is a less familiar concept that is a critical element in determining a deferred gift annuity's annuity rate and charitable deduction.

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