23 January 2015

Calculating Gifts:
George A. Huggins and the
Conferences on Annuities, 1927-1959

By Ronald A. Brown

Part 3: A Gift Annuity Campaign Catches Fire

Early in the 1900s, many religious charities, colleges, and other nonprofit organizations promoted gift annuities as financial investments in ways that are unacceptable today, as in this advertisement from 1921:

Are You Looking for a "Safe" Investment?
ASSURED INCOME BONDS
ISSUED BY THE
AMERICAN SUNDAY-SCHOOL UNION

By far the most successful gift annuity advertising campaign was that of the American Bible Society, which produced 4,615 annuity contracts from 1919-1925 and established the Society as a national leader.

Criticism of its "annuity bond" terminology led the Bible Society to hire George Huggins to audit its program in 1925. His audit enabled Huggins to develop the actuarially-sound system of gift annuities we have today. Philanthropic planning attained new levels of financial sophistication as a result.

This account of the Bible Society's annuity campaign in its historical context is based on primary sources as well as modern scholarship. I am grateful to Kristin Hellman, Manager of Library Services for the American Bible Society, for making available the minutes of the Ways and Means Committee and other documents.

1. Lieutenant Frank Mann Takes Charge of Bible Society Marketing

In February of 1919 the American Bible Society hired Frank H. Mann[1] as Secretary of its new Ways and Means Committee, reporting to ABS members that he "will give a very large part of his attention to strengthening the resources of the Society" through direct solicitation of donors, aiming to reduce its reliance on gifts from religious denominations and church congregations.[2]

Lieutenant Mann hit the ground running. At his first meeting with the Committee on February 25 he reported sending fund raising letters to 9,000 Presbyterian ministers and 4,749 ABS donors, then outlined an ambitious plan for "a financial campaign dealing with individuals, churches, and advertising, with appropriate follow-up system." Members of the committee enthusiastically "authorized the employment of such additional clerical assistance and the purchasing of such supplies as might be necessary" for these efforts.[3]

As the Bible Society evolved towards a national direct response fund raising organization, Frank Mann depended on top professional advertising consultants

---

[1] According to the **Bible Society Record** of February, 1919 (Vol. 64, no. 2, pages 22-23; source of the photo), Frank Mann was one of ten children, and was orphaned at age two. He was raised by his uncle William Hodges Mann, "a lawyer, judge, and senator, and governor of Virginia." He attended Hoge Military Academy and Hampden Sydney College. Mann served in a U.S. Army field artillery unit during WWI from 1914-1918 and was promoted to First Lieutenant. He was not ordained as a minister, but was an Elder and active volunteer with the Fifth Avenue Presbyterian Church in New York City when selected for the staff of the Bible Society.

[2] "The most important aspect of financial promotion and cultivation during this period, 1901-1930, concerned the Society's direct approach to individuals and denominational organizations." John H. Zimmerman, ABS History, Essay #17, Part V: "Public Relations, Financial Promotion and Support, 1901-1930" (April 1967), page 1. Creation of the Ways and Means Committee was approved by the ABS Board on March 2, 1916. The committee became much more effective with the hiring of Mann as Financial Secretary after a long national search.

[3] In March of 1919, Mann proposed to develop a list of 75,000 or more prospective donors to be solicited "by means of letters, circulars, and such other means of approach as could be devised."

such as Ivy Lee, "the father of public relations,"[4] whom he hired to manage the ABS membership campaign in New York City.[5]

On April 24, 1919, his third month on the job, Mann reported that four advertising firms responded to his request for proposals. Two submitted rates for advertising in religious papers; another submitted plans for the creation of a Publicity Department within ABS; and The Morse International Agency proposed plans for developing and advertising Bible Society Annuity Bonds.[6]

Mann encountered resistance among his colleagues. Members of the Ways and Means Committee were not certain about hiring a professional firm to design and place ABS ads in national religious publications: they approved a trial contract with the Philip Ritter Company "on a month-to-month basis, subject to change or cancellation on thirty days' notice." They rejected the idea of creating a Publicity Department; perhaps this struck them as too much like Hollywood for the Bible Society.[7]

The Committee also hesitated regarding the advertising strategies that the Morse Agency and Secretary Mann recommended for a national gift annuity campaign.

---

[4] Ivy Lee was a Georgia native and son of a Methodist minister who received a bachelor's degree in economics from Princeton in 1898. He served major corporate clients such as the Pennsylvania Railroad and Standard Oil, as well as guiding the public relations of the American Red Cross during the First World War. Lee served as a Board member of the Bible Society and was a member of the Ways and Means Committee when it selected Mann. For his bio see: http://en.wikipedia.org/wiki/Ivy_Lee. There is an excellent account of Lee's "saturation publicity campaign" for the Red Cross in Scott M. Cutlip's **Fund Raising in the United States: Its Role in America's Philanthropy** (New Brunswick, NJ and London, UK: Transaction Publishers, 1990; orig. pub. 1965), pages 127-133.

[5] "Mr. Mann presented a program for a membership campaign in New York City . . . Mr. Mann suggested that the campaign might best be conducted under the direction of a good Advertising Agency and that Mr. Ivy Lee's organization was willing to handle the campaign for the sum of $500." The ABS Ways and Means Committee approved the hiring of Lee at its meeting on January 5, 1920.

[6] Originally founded in 1849 as the S.M. Pettengill Company, the Morse International Agency specialized in newspaper advertising. In the 1920s the company was located at 449 Fourth Avenue in New York City.

[7] Founded in 1816, the American Bible Society mission is: "Through a worldwide network of Bible Societies and partners, our mission is to make the Bible available to every person in a language and format each can understand and afford, so all people may experience its life-changing message." In 1919 its headquarters building/warehouse known as Bible House occupied the entire block of 9th Street between 3rd and 4th Avenue in Manhattan.

Gift annuities were not a major source of funding for the Bible Society prior to 1919.[8] ABS had issued gift annuities since 1843, and Judge Luther Bradish had strongly encouraged the Society to promote life-income gifts in a ground-breaking report in 1848[9], but the ABS Annual Report in 1881 lists only six annuity agreements under management with a face value of $21,383; these were received between 1871-1876. The 1899 Annual Report lists nine annuities with a value of $60,363.[10] Early in 1919 the Bible Society had perhaps 50 gift annuities under management, and in November 1920 the ABS estimate for spendable income from terminated annuity contracts was just $15,000 in a total budget of $1,188,600.[11]

The gift annuity advertising motion adopted by the Ways and Means Committee on April 19, 1919 shows something less than fully informed consent:

> That the suggestions made by the Morse International Agency on . . . Bible Society Annuity Bonds, be made a subject of further inquiry, and that $1,000 be set aside for this feature of the advertising plan, if the Committee later approve of the details as worked out.

Bringing a 103-year-old international religious organization to cautious agreement on an advertising campaign for life-income gifts was an accomplishment for the young man appointed just three months prior. Even so, was Frank Mann moving ahead too fast?

In fairness, no one could anticipate how phenomenally successful the Annuity Bond campaign would become, and the challenges success would bring. By the year 1950 the Bible Society was managing 13,258 annuity contracts involving 6,758 annuitants.[12] In 1959, the year George Huggins died, the Bible Society

[8] "The Society issued annuity agreements as early as 1843; however, the first systematic cultivation of this means of income was first undertaken in 1919 under the leadership and direction of Secretary Mann." Zimmerman, ABS History, Essay #17, page 88.
[9] "On the Matter of Accepting Trusts" (1848) will be discussed in a subsequent essay.
[10] Cited by Eric M. North, ABS History, Essay #20, Part III: "Financial Administration 1861-1900" (1966), page 19.
[11] Gifts from churches were estimated at $290,000 for 1921, and gifts from individuals at $70,000. The largest income item was the sale of Bibles and related materials: $450,000. Ways and Means Committee minutes dated November 11, 1920.
[12] ABS annuity reserve accounts in 1950 totaled $11,743,211.90. In 1949, 265 annuitants had died, providing a charitable residuum of $621,805.05 towards the mission of the Society.

issued 1,420 gift annuities, the largest number of annuities ABS had issued in any year to that time, with a face value of $1,419,603.[13]

Where could Mann and his colleagues turn for professional guidance? Before the Conferences on Annuities began in 1927 there were no reference books on charitable annuities, no commonly-accepted set of best practices, and no consulting firms or peer network to guide the managers of a rapidly-growing deferred gift program.[14] And there were few settled Federal and state laws and regulations for a charitable gift bundled with a life annuity. From 1919 until he left the ABS staff in 1924, Mann and his colleagues would learn by doing.

2. Policy Implications of the ABS Annuity Bond Campaign

Missing from the minutes in these crucial months of February-April 1919 is a discussion of the implications of an international[15] gift annuity program that would commit ABS to lifelong financial and stewardship relationships with thousands of annuitants extending over many decades. There is no record of thoughtful consideration of legal and investment risks in a program designed to cut into the principal of a gift, while safeguarding lifetime payments to annuitants, and using the residuum to support the ABS mission. Nor was there recognition at the start of Mann's campaign that the annual costs of professional staff and administrative services – payable from current budgets – for a massive program with long-term,

---

"Pioneers in Annuities": The ABS Annuity Story (NY: American Bible Society, 1991), page 18.

[13] "Annuity agreements have exceeded one million dollars annually in 14 of the last 15 years." Ways and Means Committee minutes, February 18, 1960.

[14] Mann attended a conference in March of 1922 "called by the Home Missions Council of various boards and organizations making use of the annuity plan," but he reported that "No Findings have been presented and there was nothing of unusual significance discussed that needs to be presented to the Committee." The primary outcome of this conference was a working relationship between Mann and Dr. Alfred Williams Anthony, discussed below.

[15] The minutes of the Ways and Means Committee for July 21, 1922 record that ABS had issued annuities to people in 38 states, the District of Columbia, China, Cuba, and the Netherlands. On February 19, 1925 the Committee discussed a complaint from the Canadian Bible Society regarding ABS issuing gift annuities to Canadian citizens. The committee decided the American Society would no longer respond to gift inquiries from Canadians, but would refer them to their own national society.

deferred financial benefits could divert resources from fund raising for current operations of the Society.

The most fundamental question was unasked when the ABS campaign began in 1919. The question was front and center when the Conference on Annuities convened in 1927[16], and often divides philanthropic planners today: are donors of life-income gifts motivated primarily by personal financial benefits, or by a spirit of philanthropy? The answer to that question determines whether an advertising campaign appeals to financial self-interest, to sympathetic caring for others, or to some balance between the two.

There is not usually a bright line between a donor's need for lifetime payments and tax benefits, and the desire to help people served by a favorite charity. Lively public policy debates over the proper balance between philanthropy and self-interest heated up in the 1920s, as legislators, judges, and regulators sought to understand the nature and policy implications of a charitable gift bundled with a life annuity contract.

The charitable gift annuity movement nearly died in its infancy in 1925, when the New York State legislature proposed to regulate gift annuities as if they were commercial annuities sold by licensed life insurance companies. Led by George Huggins, a coalition of charities that included Gilbert Darlington of the Bible Society succeeded in exempting gift annuities.[17]

Charities came together at the 1927 Conference on Annuities to protect their newfound success in raising money through gift annuities. Harmful competition over high payment rates was threatening the financial security of annuitants and of the charities issuing annuity contracts. Advertising gift annuities as investments increased the probability of devastating public regulation. Volunteer leaders

---

[16] The charge to the Sub-committee on Annuities in March 1927 included: "This committee should be guided in its study by an early determination as to what is the primary motive in the writing of annuity contracts." "Report of the Committee on Findings," **Cooperation in Fiduciary Service: Papers Presented at a Conference on Financial and Fiduciary Matters, Hotel Chalfonte, Atlantic City, N.J., March 22-24, 1927,** edited by Alfred Williams Anthony (NY: Abbott Press & Mortimer-Walling, Inc.), Wise Public Giving Series no. 14, page 152.
[17] See Darlington's presentation "Legislation and Taxation" from the first Conference on Annuities in **Annuity Agreements of Charitable Organizations** (NY: Abbott Press & Mortimer-Walling, 1927), Wise Public Giving Series no. 18, pages 27-28.

responded by adopting fundamental reforms, including an actuarially-sound table of maximum rates and new ethical standards for annuity advertising.

The public policy debate boiled over in the 1990s in an expensive and protracted class-action lawsuit centered on the annuity payment rate table created by George Huggins for the Conference on Annuities in 1927. Attorneys for the defendants alleged (among many other allegations) that all charities using the rates recommended by the Committee on Gift Annuities were price-fixing in order to lower payments to gift annuitants and retain more money for their organizations.

Charities lost one legal battle after another from 1994 to 1998, until the case was resolved by a Supreme Court ruling involving the American Bible Society[18] and two Federal laws, including the Philanthropy Protection Act of 1995 and the Charitable Donation Antitrust Immunity Act of 1997.[19]

The focus of gift annuity advertising in the 1920s was on the value of high payment rates.[20] Charities promoted these gifts as financial investments to an extent that is unacceptable today (section 4 of this essay provides examples). In many cases their advertising would be illegal under the Philanthropy Protection Act, which exempts gift annuities from regulation as securities so long as they are promoted as gifts rather than as investments.

Understanding the prevailing concept of charitable Annuity Bonds in the 1920s requires a brief look at some postwar American economic and social contexts.

---

[18] **American Bible Society v. Richie**, 522 U.S. 1011, 118 S.Ct. 596, 139 L.Ed.2d 486 (1997)

[19] **Report of the Committee on the Judiciary, United States House of Representatives, 105th Congress, Report 105-146**, Washington, DC (June 23, 1997). The best summary of this series of legal and legislative actions is by Joseph O. Bull, "Forgotten, But Not Gone: The Philanthropy Protection Act of 1995," presented at the National Conference on Philanthropic Planning in October 2014.

[20] Relatively little attention was given to tax savings in 1919: in the absence of positive legislation, gift annuity payments were widely assumed to be tax-free for the lives of the annuitants. In 1928 the U.S. Treasury Department determined that under the Revenue Act of 1926, tax-exempt payments from a charitable gift annuity contract ended when the original purchase price of the annuity (i.e., the donor's investment in the annuity contract, as contrasted with the value of the charitable gift), as determined by the valuation rules governing commercial annuities, had been paid out; subsequent payments were taxable to the annuitant as ordinary income. The Ways and Means Committee minutes of April 19, 1928 note that the ruling "will necessitate a re-writing of all annuity literature covering Federal Income Taxes," an early example of a charity forced to revise its promotional materials in light of a change in tax laws.

3. Economic and Social Change in the Roaring Twenties

Historians attribute the dramatic growth in American demand for financial products in the 1920s to a number of causes. One set of causes was economic. Victory in the First World War in 1918 raised the animal spirits of American entrepreneurs. Factories in the United States had not been bombed, as were many in Europe; manufacturing capacity started high and grew much higher. International consumer demand was strong, leading to new American jobs in industries such as automobile and steel production.[21] Federal control of railroads and telecommunications was returned to the private sector; travel and trade restrictions were removed.

Reflecting the robust economy, the U.S. stock market soared. From 1920-1928, the Dow Jones stock price index rose from $72.20 to $278.65 per share, an increase of 285%.[22] The number of people capable of giving large gifts to a favorite charity increased, as the country's total wealth more than doubled between 1920 and 1929.[23]

As the pace of the postwar American economy accelerated, so did the rate of social change. Most new jobs were located in larger cities, attracting families to leave their farms and small-town retail shops.[24] The urban migration is typified by Nick Carraway, narrator of **The Great Gatsby** (1925), who moves from the Midwest to join "the bond business" in New York City.[25]

---

[21] Average U.S. wages were higher relative to prewar levels, but inflation in the cost of food and other goods and periodic spikes in unemployment resulted in a series of major labor strikes in the 1920s.

[22] **Historical Statistics of the United States Millennial Edition Online**, Contributor Richard Such, Table Cb52-54 – Stock Market Indicators: 1919-1939 (Cambridge University Press, 2009). Accessed October 5, 2009. In **The Forgotten Depression** (NY: Simon & Schuster, 2014), James Grant points out that a depression in 1920-21 involved severe downturns in the economy and the stock market, before each recovered strongly enroute to record levels.

[23] "The Roaring Twenties," History.com (http://www.history.com/topics/roaring-twenties/print), accessed October 18, 2014.

[24] "For the first time, more Americans lived in cities than on farms." "The Roaring Twenties," Ibid. Akron, Ohio (my hometown) was one of the fastest-growing cities in the U.S., as families were drawn to the Rubber City by tire-makers such as Firestone, Goodyear, and B.F. Goodrich.

[25] Written by F. Scott Fitzgerald, **The Great Gatsby** (NY: Charles Scribner's Sons, 1925) dramatizes the changing values of urban America during the Jazz Age.

Millions of people like Carraway left behind longstanding support systems of community relationships. The need for organized urban charitable services to replace or supplement informal family and village networks grew significantly. Charitable fund raising campaigns through the YMCA, Red Cross, and Community Chests (later known as the United Way), and civic philanthropy through community foundations, were organized to raise money efficiently to meet increased demands for services.[26]

The creation of new wealth, and dependence on high urban wages, stimulated American families to demand financial protection against the death of the primary wage-earner. Public benefit programs such as Social Security and unemployment insurance, enacted during the New Deal, were unforeseeable in the 1920s.

Life insurance as the solution to family financial independence and "the anxiety created by the unpredictability of death"[27] was promoted by ads and sponsored articles in magazines and newspapers; by direct mail and the new technology of radio; and by specially-trained professional insurance salesmen.[28]

Since the mid-19th century, the U.S. life insurance industry had led the world in developing actuarial science to calculate ever more precise insurance premiums, annuity payment rates, and reserve fund requirements. The fruits of actuarial science were continual improvements in business practices, financial controls, and targeted marketing – a risk management system contributing to increased profits. Progressive reforms, active regulation by states such as New York and California,

---

[26] After all these years, the best history of American fund raising was written by Scott M. Cutlip, originally published in 1965: **Fund Raising in the United States: Its Role in America's Philanthropy** (cited earlier). Robert H. Bremner's shorter **American Philanthropy** (Chicago: University of Chicago Press, 1960; revised ed. 1988) remains invaluable. Neither book mentions gift annuities or charitable remainder trusts.

[27] Sharon Ann Murphy, **Investing in Life: Insurance in Antebellum America** (Baltimore: Johns Hopkins Press, 2010), page 137.

[28] "At the heart of the whole [life insurance] movement are two concepts from which many others flow: (1) life insurance is a vital and unique opportunity for every person who has financial plans, and (2) selling life insurance is an art which can be taught." J. Owen Stalson, **Marketing Life Insurance: Its History in America** (Cambridge, MA: Harvard University Press, 1942), page 576. Stalson highlights the year 1916 as the breakthrough for modern marketing: "The year 1916 has claim to special notice in life marketing annals; it was, so to speak, the culmination year of a long period of awakening to life insurance selling and sales management on a higher plane."

and voluntary self-regulation through the American Life Convention helped to boost sales by assuring customers of the security of the life insurance industry. No comparable security system for charitable gift annuities existed before Huggins' report in 1927.

From 1919-1930, as the Bible Society campaign exploded, the sale of commercial annuities and of life insurance reached record heights. Year after year, sales of life insurance set new records:

> Life insurance sales, which had shown but slight gain in 1918 over the preceding year, spurted amazingly in 1919 – a gain from slightly more than five billion dollars in 1918 to more than eight billion in 1919. The question was, would the boom continue? . . .
>
> [In 1924] Life insurance sales by United States companies for the year were estimated at $13,500,000,000 . . .
>
> 1929 had been the greatest year to date for the purchase of life insurance . . . [American Life] Convention companies closed the year with $26,511,733,651 of life insurance on their books . . . more than $100,000,000,000 of life insurance [was] in force, an amount more than double that of all other countries combined.[29]

The sale of commercial annuities, while smaller in volume than life insurance, grew at a much higher rate: annuity premiums increased from $7.9 million in 1915 to $108 million in 1928, and to $510 million in 1935.[30]

At a Conference on Financial and Fiduciary Matters in March 1927, Charles White of the American Baptist Home Mission Society described a related Gold Rush by charities seeking gift annuities:[31]

---

[29] R. Carlyle Buley, **The American Life Convention, 1906-1952: A Study in the History of Life Insurance** (NY: Appleton-Century-Crofts, Inc., 1953), Vol. I, pages 563, 625, and 680.
[30] Stalson, **Marketing Life Insurance**, Appendix 45, page 879. Similar growth in annuity sales is reported in **Historical Statistics of the United States Millennial Edition Online**, Table Cj727-732, Life Insurance—company income, by type: 1854-1998.
[31] Charles L. White, "Annuities," **Cooperation in Fiduciary Service** (NY: The Abbott Press & Mortimer-Walling, Inc., 1927), Wise Public Giving Guide no. 14, page 86. White was selected to chair the first Conference on Annuities in April 1927.

> Missionary societies, educational institutions and various organizations for philanthropy in this country are increasingly active in securing funds on which annuities are given to the donors. Ten years ago very little publicity was given to this subject and as a result very small amounts were received, until a persistent publicity campaign on annuities was started by the missionary societies of one denomination. The marked increase of receipts of these national societies in four years was registered by the following sums: The basic year, $125,000 was received; the next year, on an expenditure of $600 for publicity, the amount received was $325,000; the third year, with $2,000 spent in advertising, the receipts were $750,000, and the fourth year about $1,100,000.

Charities issuing annuities in the 1920s borrowed ideas and methods selectively from businesses selling annuities, life insurance, and pension plans. Far too many nonprofit organizations embraced the current opportunity of fund raising through life annuities, without accepting the long-term obligations of an effective financial security system for rate-setting, accounting, and consumer protection.

Widespread use of the "decimal system" for setting gift annuity rates, and the willingness of many charities[32] to negotiate with donors demanding higher payments, are examples of charities' blurred vision of their long-term financial responsibilities.[33]

The need for a sounder business model is demonstrated most emphatically in the ways charities advertised gifts as investment contracts.

4. Marketing Charitable Gifts as Annuity Bonds

Given the consumer demand for family financial security, it is not surprising that charitable fund raisers would piggyback on the success of commercial finance.

---

[32] Arthur Ryan of the Bible Society scrupulously adhered to its published rate table. On November 19, 1928 the Ways and Means Committee minutes reflect that due to a clerical error, an annuity was issued at a rate "one-tenth of one percent above the published rates." Since an annuity contract had been signed, the committee approved the special rate.

[33] See Part 2, "Gift Annuities on the Brink": http://giftplanninghistory.org/wp-content/uploads/2013/07/Calculating_Gifts_part2_10_Nov_2014.pdf

Use of investment terminology apparently began in 1831 with Yale College's Annuity Bond with John Trumbull, the first reported gift annuity contract, which was created by the attorney Peter Augustus Jay and published in 1841, two years before the Bible Society's first annuity in 1843.[34]

Peter Jay's Annuity Bond terminology persisted: the Bible Society and most other charitable organizations in the opening decades of the 20th century energetically promoted the financial benefits of annuity bonds, focusing on the similarities rather than the differences between a gift annuity and an investment.

For example, in 1905 the monthly magazine of the Baptist Home Mission Society included this blurb:

> **A BETTER WAY.** The Society will receive your money now, giving a bond for the payment to you during life if you so desire it. Send for our Annuity Plan.[35]

The **Methodist Year Book for 1918**[36] had a typical advertisement:

> LIFE ANNUITY BONDS, prepared under expert legal advice and protected by the investments of the Board, are sold at liberal rates to those who desire to help the Board, but who require an absolutely sure income during life.

An advertisement by the American Sunday-School Union in 1921[37] was more aggressive, even stating (incorrectly, one hopes) that gift annuities "yield a higher income than ordinary bonds":

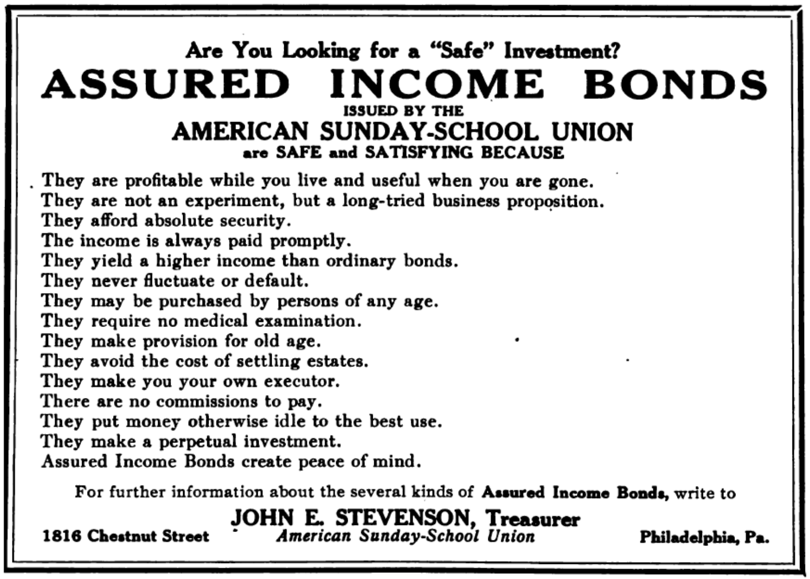
---

[34] **Autobiography, Reminiscences and Letters of John Trumbull, from 1756 to 1841** (NY: Wiley and Putnam, 1841). See Part 3 of my essay on Trumbull's gift to Yale and the Annuity Bond and Indenture created by Peter Augustus Jay: http://giftplanninghistory.org/wp-content/uploads/2014/04/Part-3-of-3-Yale-gift-annuity-21-Apr-2014.pdf

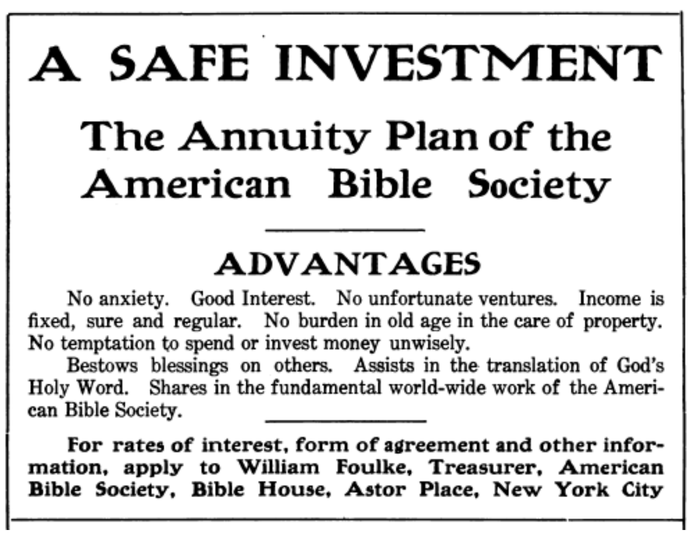
[35] **The Baptist Home Mission Monthly**, Volume XXVII, No. 10 (October, 1905), page 400.

[36] **Methodist Year Book for 1918**, page 156.

[37] **Record of Christian Work Advertising**, Volume 40, No. 12 (December 1921), page 1090.



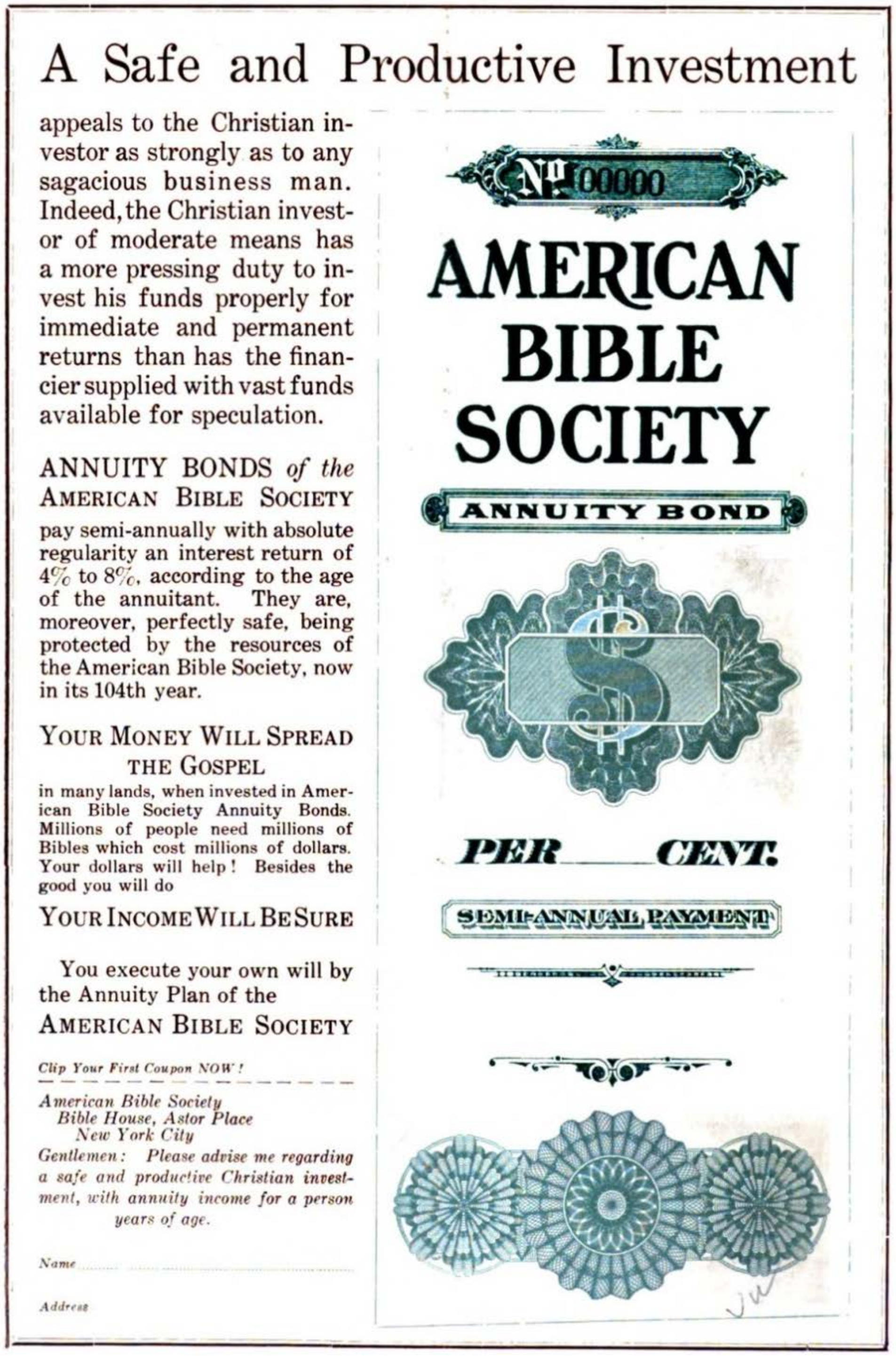
The American Bible Society embraced without question the aggressive marketing of Annuity Bonds as investments. The Society's fundamental advertising strategy was set before Frank Mann's arrival. Here is an ad from the **Bible Society Record** in January 1919:[38]



Minutes of the Ways and Means Committee between 1919 and 1924 record no debate over the propriety of employing commercial advertising firms to sell Bible Society Annuity Bonds as if they were investment contracts.

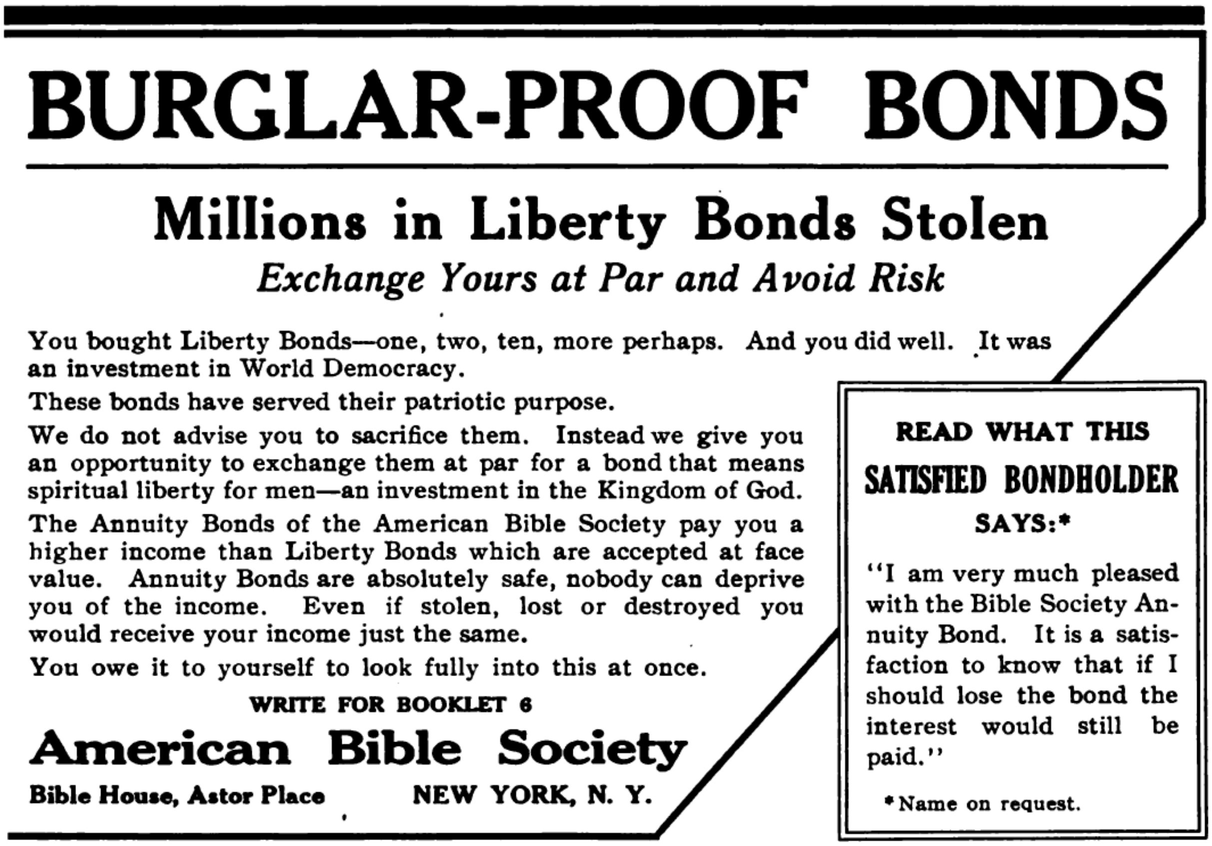
[38] **Bible Society Record,** January 1919 (Vol. 64, no. 1), page 31.

This Annuity Bond ad appeared in the **Bible Society Record** in December 1919:[39]



[39] **Bible Society Record,** October-November-December 1919 (Volume 64, number 10), page 186.

Like many charities, the Bible Society promoted gift annuities as an alternative to War Bonds, as in this ad from 1921[40]:



The most energetic and well-known advocate of annuity bonds as investments was deeply involved with the American Bible Society: Henry Albert Collins, "The Annuity Man."

5. The Annuity Man: Henry Albert Collins

On June 15, 1920 Frank Mann reported to the ABS Ways and Means Committee that he had met with Mr. and Mrs. Henry Albert Collins, "who are devoting their

[40] **Record of Christian Work Advertising**, Volume 40, No. 12 (December 1921), page 1080.

lives to life annuities for religious institutions."[41] A popular author nicknamed "The Annuity Man," Collins incorporated overt sales pitches for gift annuities in his novels, short stories, interviews, lectures, and pamphlets. Collins was so influential, and his marketing strategy so typical of charities in the early 1900s, it is worth providing a few selections. Readers unfamiliar with how charities used to promote gift annuities might be surprised to see the way we were.

For example, in 1914 a regional Presbyterian school system in Mississippi published a 32-page pamphlet by Collins entitled **After Many Days: A Story**[42] designed as an extended conversation among four men on a train. A passenger named David Gladden tells how he used part of an inheritance from his father to purchase an "Optional Life Annuity Bond," which "contained the provision that in case my wife or I should ever need the income from this twenty-five thousand dollars, on demand the organization would pay us six per cent. annuity annually."

Gladden suffers a series of financial shocks: his cotton mill fails; boll weevils destroy his crops; his wife requires expensive medical care. After many years he talks with the organization that had issued his annuity bond, and learns he is entitled to receive back payments:

> He asked me if we wanted all the earned and unpaid annuity to be paid to us, or whether we wished the accrued amounts to be added to the original twenty-five thousand dollars, and on this sum to draw the annuity as long as Mrs. Gladden or I should live.[43]

Mr. Gladden takes his deferred annuity payments as a lump sum, with which he buys a local bank! He tells his travel companions that after nine years he has earned two hundred thousand dollars "because I took my wife's advice and bought a life annuity bond that paid us large annuities after many days."

---

[41] The author and his wife put their money where their heart was: "the Secretary [Mann] reported that Mr. and Mrs. Collins are proposing to purchase an [ABS] annuity bond of between $500 and $1500."

[42] Published by the Correlated Presbyterian Schools of Mississippi (Jackson, Mississippi: 1914), copyright by Henry Albert Collins.

[43] This creative annuity payment arrangement is based on a once-popular deferred-dividend insurance plan known as a tontine. See Roger L. Ransom and Richard Sutch, "Tontine Insurance and the Armstrong Investigation: A Case of Stifled Innovation, 1868-1905," **Journal of Economic History**, Vol. 47, no. 2 (June 1987), pages 379-390.

One of the passengers listening to the story happens to be Dr. M.E. Melvin, Superintendent of the Correlated Presbyterian Schools of Mississippi (an actual person whose photo and contact information are printed in the pamphlet), who thanks Gladden for his testimonial and says "it will be a help to me in securing money on the life annuity plan for our schools and colleges":

> Thus far we have issued a few Life Annuity Bonds, all Immediate Bonds. We are also ready and willing to issue Optional, Deferred, or Survivorship Life [two-life] Annuity Bonds.

Naturally enough, someone asks Dr. Melvin about his schools, and he gladly provides a full description of their mission and heartwarming anecdotes of poor but deserving students. Mr. Gladden is moved to invest in one of Melvin's annuity bonds.

After Many Days includes applications of gift annuities that are quite sophisticated. There was considerable flexibility for philanthropic planning in the years before state and Federal authorities recognized, taxed, and regulated charitable annuities. A passenger wants to help the schools, but says all of his money is invested in real estate that is mortgaged, "so your plan will not fit my case." "On the contrary," Dr. Melvin exclaims: we can accept and sell your property, pay off your mortgage, then provide you with an annuity based on the sale:

> We have taken in trust some real estate at certain valuations, and with the assistance of the owner we have been able to find a purchaser for the property at the price named. Then after paying the indebtedness on the property we issue an annuity bond for the balance of the proceeds.[44]

---

[44] The Bible Society took gifts of real estate in exchange for annuities a step further than Collins. At the first Conference on Annuities in 1927 Arthur C. Ryan, General Secretary of ABS, incorporated the Society's real estate gift acceptance policy in his presentation: "Other property, including stocks and real estate, which is satisfactory to the Finance Committee of the board concerned may be accepted under a trust agreement to pay the donor or donors thereof the actual net income on such property, when and as accrued, with the understanding that the Society shall have the right to sell such property, and that when such property is sold the society will issue a single or a survivorship annuity agreement for the net proceeds received from the sale of such property at the rate of income paid to annuitants at the age of the donor or donors of such property at the time the sale of the property has been affected [sic]." "Administrative Policy,"

A fourth passenger asks Dr. Melvin for a private conversation, leading to an extended summary of the benefits of gift annuities, an application form, and "a sample of a Life Annuity Bond." He too is won over, and agrees to give an annuity. Who could resist such a deal? "Cast your bread upon the waters," Dr. Melvin says, "and after many days it will come back to you buttered."

Collins concocts a similar story in his novel **Ice-Cream Alley**.[45] A wealthy widow tells the president of Endeavor College she does not trust her two sons to spend an inheritance wisely: "Riches have been a curse to them." After hearing the many benefits of annuity bonds, she agrees to transfer all of her securities and her real estate in trust to The Central Bank in order to purchase survivorship gift annuities for herself and her children.

In **His Master's Word**[46], a pamphlet published by Otterbein College, Collins writes of a concerned husband and father who regrets learning about annuity bond investments so late in his life:

> I wish I had understood this life annuity system when I was in the bank because many of our friends asked my advice about making investments and I could have suggested a better use of money than making investments in lands, mortgages, bricks and mortar.[47]

There is no pretense of novelistic license in the misleading claims made by Collins in his booklet for the Methodist Episcopal Church entitled **Life Annuity Bonds**[48], which begins with the headline "Add Years to Your Life":

Annuity Agreements of Charitable Organizations (NY: Abbott Press & Mortimer-Walling, Inc.), Wise Public Giving Guide no. 18, page 25.

[45] **Ice-Cream Alley, A Novel** (Peoria: J.W. Franks & Sons, 1918).

[46] **His Master's Word** (Westerville, Ohio: Otterbein College, 1920).

[47] Several satisfied annuitants are quoted by Collins in an article for the Christian Philanthropist, "official paper of the National Benevolent Association of the Christian Church." One testifies that "Wife and I began giving on the annuity plan in 1899. We consider it the safest and best investment a person can make." Reprinted under the caption "Pleased Annuitants" in the **Northwestern Christian Advocate** (Chicago: Volume LXIV, No. 29, July 12, 1916), page 688.

[48] New York: The Board of Foreign Missions of the Methodist Episcopal Church, 1916; copyright by Henry Albert Collins.

> As people advance in years they are often burdened with the fear that their riches may take wings and fly away.
>
> Competent authorities estimate that in this country alone over a hundred million dollars annually are engulfed in the whirlwind of predatory finance. Much money can be saved by the adoption of the life annuity system. This is a much better way of disposing of money or property than by making a will . . . Freedom from the business cares of life and an annual assured income adds years to the span of life. It enables the annuitant to spend the sunset of life in comfort and peace.

The booklet lists seven "Objections to a Will" such as legal costs and uncertainty: "It puts responsibility upon others [i.e., trusting an executor to follow directions] which ought to be borne by oneself."

On the other hand, Collins enumerates 27 benefits of a Life Annuity Bond, such as:

> (3) The fear is removed that the will may be broken, as is frequently the case where there is enough money involved.
>
> (7) As Life Annuity Bonds are nontaxable, they are a preferred investment.
>
> (24) Life Annuity Bonds oftentimes benefit the relatives more than by simply leaving them money which they may lose.

One page of the booklet is a sample Annuity Bond contract. The piece ends with a strong assurance that gift annuities are more secure than money in a bank:

> **Board of Foreign Mission Bonds are an Absolutely Safe Investment**
>
> During the past 50 years, 2,193 State and private banks have failed in the United States, involving a loss to investors of $110,625,555.69. The Board of Foreign Missions has been in existence for nearly a century and has never failed to pay every dollar of obligation.

Frank Mann found in Henry Albert Collins a kindred spirit of enthusiasm for gift annuities. Their conversation was enormously helpful to Mann as confirmation of the course he had set for the American Bible Society. He had his notes from the meeting with Collins typed and reproduced for the Ways and Means Committee in

June 1920, and presented committee members with sample marketing materials written by Collins for other charities:

> He [Mann] submitted for the Committee's information a bound volume of the typewritten notes of the interview and also various annuity material which had been received from agencies suggested by Mr. Collins. The interview was very profitable and furnished a fund of information to the Officers of the Society about annuities.

A contentious challenge to the aggressive emphasis on Annuity Bonds as investments would divide the Bible Society's leadership five years later, when the financial stakes had become enormous. The phenomenal success of its marketing cast a national spotlight on the fairness and accuracy of the American Bible Society advertising campaign. To its great credit, leaders of the Society would rise to the challenge.

6. The ABS Annuity Bond Campaign of 1919-1925

In June of 1919, his fourth month as Financial Secretary, Frank Mann was "all in" for the aggressive promotion of ABS Annuity Bonds. The Ways and Means Committee minutes on June 19 record the initial elements of the world's most successful and most influential gift annuity campaign, including some details of the Morse advertising proposal (which unfortunately has not been saved) that were amended by the committee or referred to the ABS Board for final approval.

> **Promotion of Annuities:**
>
> Secretary Mann submitted a plan for increasing the sale of Annuity Bonds, prepared in accordance with the Committee's request, by the Morse Advertising Agency. This plan, in brief, provides for advertisements in various religious and secular papers calling attention to the Society's Annuity Bonds and urging that persons write for booklets which will be specially prepared for the purpose.
>
> A number of questions were raised in the plan, calling for the Committee's consideration. The following actions were taken:

(1) It was decided that the Annuity Bonds should not be designated as Bible Bonds, but as Annuity Bonds of the American Bible Society.
(2) It was decided that the Annuity Bonds be printed on paper and in typographical style that is conventional for securities of this nature, and that they be printed in denominations of $50, $100, $500, and $1,000, and in blank form to be filled in.
(3) It was decided to recommend to the [ABS] Board, That the rate of interest now employed by the Methodist Church be adopted on the Annuity Bonds of the American Bible Society.[49] It was decided that it was unnecessary to secure the endorsements of banks and leading citizens.
(4) It was decided that the wording of the Annuity Bond Certificate be prepared by the General Secretaries.
(5) It was decided that the form of application blank, copy for advertisements, copy for circulars, papers to be used, and other similar matters be left with power to the General Secretaries.
(6) It was decided that the designation of the annuities as Annuity Bonds of the American Bible Society, the wording of the Bond, and the rate of interest be referred to the Board for action after advice from counsel.

Gift annuity advertising and direct mail activities were launched in late summer of 1919. In January of 1920, Secretary Mann reported that "since October 1, 1919, $29,600 had been received for annuity bonds."

Mann understood the need to secure financial resources adequate for an extended national campaign, as well as an administrative system to manage annuity revenues and expenses. Anticipating many more gifts to come, Mann proposed a conservative gift annuity accounting and investment system, and a growth-oriented business plan:

[49] ABS actually offered significantly higher payment rates than the Methodist Episcopal Church, including a maximum rate of 9% for annuitants age 80+ compared with 8% by the Methodists. ABS lowered its annuity rates in 1931 as recommended by the Committee on Gift Annuities (discussed below).

1. The annuity funds shall be kept in a separate and distinct account and known as the “Annuity Account”.
2. All Annuity principals of living annuitants shall be kept intact and invested and known as “Trust Funds With Life Interest”.
3. There shall be established out of funds available by the death of an annuitant, an “Annuity Covering Fund”, which shall be kept always at least one and one-half times the amount of Trust Funds With Life Interest.[50] The interest from the Trust Funds With Life Interest and from the Annuity Covering Fund shall be used to pay
    a. All annuity expenses.
    b. Five per cent on each annuity to be used for advertising and promoting the sale of annuities.
4. Any balance, of interest after paying the above two accounts, shall be put into the general fund of the Society.[51] Any funds made available by the death of annuitants over and above the amount required for maintaining the Annuity Covering Fund, shall be used as directed by the Board or its appropriate Committees.

Members of the Ways and Means Committee were not convinced of the wisdom or practical expediency of approving advertising expenses based on a front-end load equal to 5% of the face value of annuity gifts received each year. Instead, the committee approved use of a regular Advertising Account, with the understanding that the ABS Board would make “adjustments” for promotional expenses based on the value of annuity gifts received.

Nothing succeeds like success. On April 20, 1920 Mann reported that from January through March, ABS issued 23 gift annuities with a face value of $47,434. He projected astronomical fund raising results for the coming years; but even these proved too conservative:

> If the present rate is maintained, the sales for the year will approximate $200,000, of which between 75 and 85 per cent will be returnable to the

[50] The Covering Fund was based on the face value of existing annuity contracts, not the present value as determined by an actuary.
[51] Note that this system precludes any donor restrictions on the ultimate use of a gift.

> Society as net profit . . . with a moderate effort in promoting the sale of these bonds, it will be easily possible for the Society to raise from $200,000 to $300,000 each year in this way.

In 1921 the ABS would receive 207 gift annuities with a face value of $268,856.56. The face value of annuities grew to $321,021.38 in 1923 and reached $566,111 in 1925. Under Mann's proposed formula for spending 5% of the face value of new contracts, this would have provided an annuity advertising budget of $28,306 in 1926; the actual ABS annuity advertising budget was about half that amount.

Immense success five years out was not readily apparent to Mann's colleagues in the spring of 1920, when the country was experiencing a serious economic recession. Mann pleaded for more money in April to advertise gift annuities and to hire additional staff. Senior ABS leaders were beginning to recognize the scope of the opportunity. Members of the committee agreed on a recommendation to the ABS Board:

> That an amount equivalent to five per cent of each annuity sold be set aside for promotion purposes and that the said amount be taken from annuity funds made available by the death of annuitants; and, in case that is not sufficient, from the General Funds of the Society for an amount not to exceed $10,000 for the year 1920. This money to be used in the discretion of the Executive Officers of the Society for the employment of suitable persons to promote the Campaign[52] and for the appropriate advertising of the bonds.

By September 27, 1920 the ABS had 127 annuity contracts under management with a face value of $507,394. 72 of these annuities had been funded since January, 1920.

On October 19, 1920 Secretary Mann presented his strategic plan for ABS fund raising, including its fledgling gift annuity program. He proposed that extra attention be paid to investment strategies for the annuity reserve funds, and that all cash gifts be invested promptly. He proposed to acquire new annuitants through

[52] The hiring of paid solicitors was a failed experiment that was terminated within a year. The ABS annuity campaign was conducted by direct mail and advertisements.

advertising and sponsored articles in religious and secular papers, and in ABS's own Bible Society Record; by direct mail; by producing specialized booklets on gift annuities; and by ensuring "Careful follow up of all inquiries."[53]

Mann also presented an analysis of "the first 1100 inquiries received in response to the annuity advertising":

> This report had to do with sources from which the inquiries had come – the number received from each state and from foreign countries; the number received from men and from women, etc. The bulk of the inquiries have been received as a result of advertising in the various papers.

The Ways and Means Committee duly authorized:

> to continue the advertising program based on the returns of last year for the sum of $5000 which is within the provision made in the Budget for 1921. Authorization was also given for experimenting with advertisements in popular weekly and monthly papers.

Examples of papers where ABS placed annuity ads include the Christian Herald, Moody Bible Institute Monthly, Presbyterian Magazine, World Outlook, and the Sunday School Times.[54]

On December 23, 1920 Mann gave the committee a draft letter to be used in a direct-mail gift annuity promotion targeted towards some of the Bible Society's best donors and most loyal members:

> Secretary Mann presented to the [Ways and Means] Committee a circular letter on the double letter-head advertising the Society's annuities and entitled "Two Birds – One Stone". It is proposed in the early months of 1921 to send this letter out to Life Members and during the year to send it out to annuity prospects whose names were gathered from the Society's records and other sources.
>
> The Committee expressed its approval.[55]

[53] Noticeably absent from the annuity campaign plan are gift officers making personal visits.
[54] ABS later expanded its reach beyond religious publications. For example, **Forbes** magazine was listed as a source of annuity gifts in the minutes of February 18, 1960.

In January 1923, Secretary Mann again pleaded "that it was important to carry the largest possible amount of advertising" in religious publications. Members of the committee approved additional annuity ads to be paid through the annuity reserve fund ($4,000), the ABS general advertising fund ($2,500), and the ABS Church Promotion Fund ($2,500). The committee considered but did not approve ads targeting bankers and attorneys.[56]

Frank Mann resigned as Financial Secretary in October, 1924 to become President of New York Guaranty Mortgage Company. He continued to serve as a volunteer member of the Ways and Means Committee until at least 1930.

After Mann's departure it became clear that the annuity advertising campaign was not closely supervised. Several of Mann's orders for annuity advertising were inadvertently continued after he left the ABS staff. The Ways and Means Committee fretted that the $7,500 appropriated for annuity expenses in 1924 had been overspent: $21,044 in annuity expenses were reported.

Mann's successor Arthur Ryan first proposed cutting the annuity advertising budget to zero for the remaining months of 1925, but that emotional reaction was temporary: on March 19, 1925 the Ways and Means Committee approved a budget of "not less than $15,000 and if possible $16,000 . . . as the Budget for the Ways and Means part of the annuity program for the year 1925," with money taken from the annuity fund rather than the general operating budget. The minutes of April

---

[55] The willingness of ABS leaders to invest in annuity advertising soon led some of their colleagues to request a share of the budget. In December, 1920 two Home Agency Secretaries asked that they be given money to promote gift annuities. The Ways and Means Committee agreed to provide 5% of the face value of gift annuities received to the Home Agency budgets "in cases where the Agency Secretary has been directly involved in the securing of the annuity either by having initiated it, or having given essential aid in securing it." On March 24, 1921 the Ways and Means Committee voted to incorporate the annuity promotion allowance for Home Secretaries in the regular budget process.

[56] "The attention of the committee was called to the fact that Trust Companies and lawyers have very little knowledge of the annuity operations of the various missionary boards. Secretary Mann stated that it is his belief that prospective annuitants frequently consult their attorneys or banks in regard to these matters . . . he recommended . . . that he be authorized to suggest to the Foreign Missions Conference and the Home Missions Conference that some arrangement be made for advertising annuity bonds of these various boards in the technical papers reaching bankers and lawyers – the expense to be borne jointly by the several boards cooperating. It seemed best to the Committee that this should not be undertaken." Minutes of April 23, 1923.

23, 1925 reflect that "the new inquiries received and the money received on the annuity basis, would seem to indicate that this advertising has well paid for itself." Nevertheless, "In view of the Budget for the year 1925, the advertising for the remaining nine [sic] months will need to be greatly decreased."

By the time of the first Ways and Means Committee meeting after Frank Mann's resignation, it was clear to all that Mann's gift annuity campaign was succeeding beyond everyone's wildest dreams. The face value of the 342 new gift annuity contracts issued by the Bible Society between January 1 to November 20, 1924 totaled $413,233. In the first 11 months of 1924 the Society had received 1,919 gift annuity inquiries. The committee "was very gratified at this showing."[57]

Results of the Annuity Bond campaign continued to outstrip all expectations. At the January 1925 meeting, the Ways and Means Committee received a stellar report on fund raising results from ABS gift annuities in 1924. The year-end volume of inquiries was astounding, resulting in a year-end total of 2,569 inquiries from prospective gift annuity donors:

Number of	New Inquiries	Number of Sales	Amount of Sales
1924	2,569	381	$438,424
1923	1,000	312	$321,021
Increase 1924	1,569	69	$117,403

The table below shows the results of the ABS gift annuity campaign from 1920-1930 as reported in its official history[58]. Here are some observations:

1. The ABS advertising campaign produced an enormous number of gift annuity inquiries: 16,309 over 9 years. This is all the more impressive considering that the population of the United States in 1920 was 106 million compared with 317 million in 2014.

[57] Minutes of November 21, 1924.
[58] John H. Zimmerman, American Bible Society Essay #17, Part V: **Public Relations, Financial Promotion and Support, 1901-1930** (NY: American Bible Society, 1967), page 94. The numbers for 1924 are slightly different than reported in January 1925.

2. Responding effectively to so many inquiries demanded a huge commitment of staff time and a well-managed administrative system. The Bible Society was well-positioned to fulfill responses because of its pre-existing international, high-volume Bible sales system.
3. Issuing 4,615 gift annuity contracts based on 16,309 inquiries is an enviably high conversion rate of 28.3%.
4. Only nine gifts (0.2%) had a face value of $20,000 or more. These nine gifts totaled $343,000 (7.9%) of the $4,439,204.30 received. The face value of the average gift annuity was $961.91. Average gift values were remarkably consistent from year to year.
5. While the number of gift annuities fell after the market crash in October 1929, the face value in 1930 was nearly equal to the previous year.

American Bible Society
Annuity Income Statistics, 1920-1930

Year	Total # New Inquiries	Total # Annuity Bond Issues	Total Amount Received	Average Amount Per Annuity Bond	Annuity Bonds of $20,000 or more
1920		72	$ 158,995.57		
1921		207	$ 268,856.56	$ 1,298.82	1 for $50,000
1922	1,712	218	$ 189,590.00	$ 869.67	
1923	1,000	309	$ 321,021.38	$ 1,038.90	
1924	2,564	385	$ 438,624.25	$ 1,139.28	2 for $30,000
1925	2,033	577	$ 566,111.00	$ 981.13	3 for $20,000 1 for $40,000
1926	2,116	585	$ 520,053.00	$ 888.98	1 for $33,000
1927	2,107	610	$ 560,884.15	$ 919.48	1 for $100,000
1928	1,948	647	$ 533,938.14	$ 825.25	
1929	1,564	534	$ 444,312.57	$ 832.05	
1930	1,265	471	$ 436,817.68	$ 927.43	
Totals	16,309	4,615	$ 4,439,204.30		9 for $343,000

Mann's departure marks the end of the first phase of the Bible Society's gift annuity campaign. The appointment of Arthur C. Ryan[59] in February 1925 signaled a clear change in direction. Where Mann was a hard-charging, entrepreneurial marketer, Ryan's focus was on sound administration. Mann created a national advertising campaign from scratch; Ryan inherited a thriving gift annuity program, but one with inherent challenges.

Ryan's political and organizational skills were soon tested by a crisis involving the very heart of the ABS gift annuity advertising campaign. His responses to the crisis became fundamentally important in convening the first Conference on Annuities in 1927, and his death shortly after the Conference opened the door for a new era of national leadership by Dr. Gilbert S. Darlington.

7. Storm Clouds Gather Over Annuity Bonds

Just as Arthur Ryan took over as Financial Secretary, the top managers of the Bible Society were engaged in a soul-searching debate about the proper balance between financial motivations and philanthropy. That debate would have fundamental implications for the Bible Society, and would involve two giants of the national gift annuity movement: George Huggins, hired by the Society in 1925 to audit its gift annuity program, and Gilbert Darlington, Treasurer of the Society since 1920.

In the spring of 1927, when the Conference on Annuities met just a few blocks from ABS headquarters in New York City, the debate over financial self-interest versus public-spirited philanthropy was in full bloom.

The immediate cause of the debate within ABS was a complaint from a donor. Minutes of the Ways and Means Committee on January 6, 1925 record that an anonymous letter dated December 23, 1924 criticizing the promotional materials of the ABS Annuity Bond campaign was received from a "Subscriber," "raising the

---

[59] Arthur Clayton Ryan was born in Grandview, Iowa in 1879, graduated from Grinnell College in 1909 and from Oberlin Theological Seminary in 1911. He served as Secretary for the Levant Agency of the American Bible Society based in Constantinople from 1920-1924 , responsible for producing and circulating the Bible among European and Middle Eastern countries. ABS news release dated February 10, 1925. Also see **Bible Society Record**, Vol. 72, no. 7 (July 1927), pages 111-112.

question regarding the nature of this literature." As a result, the ABS Finance Committee demanded a review of "literature used in advertising annuity bonds."

The Ways and Means Committee appointed a four-person sub-committee (including Frank Mann as a volunteer member) and charged it to "look over the advertising material for annuity bonds to see if there is any basis for the complaint made" and report back at the next meeting. However, at the next meeting the sub-committee put the question back to the Finance Committee: what changes did <u>they</u> think were needed in order to make the ABS materials acceptable while keeping them effective?

On February 19, 1925 Secretary Ryan reported that the Ways and Means Committee passed the following motion:

> Resolved that the General Secretary ask each member of the Finance Committee to send in his criticisms of our annuity literature for the benefit of the sub-committee of the Ways and Means Committee appointed to revise this literature.

Ryan quickly decided on a time-honored strategy for the incoming manager of a controversial program belonging to his predecessor: he hired the nationally-recognized actuary George Huggins to perform a general audit of the ABS annuity program. On April 23, 1925 the Ways and Means Committee minutes record that Huggins is "now at work preparing an expert report on the whole annuity program of the Society." Until Huggins completed his audit, ABS would "continue to use the present supply of annuity literature."

The Bible Society's national reputation continued to soar. When Dr. Alfred Williams Anthony organized a Sub-committee on Annuities in March 1927, he hand-picked six members to join him: two actuaries and representatives of four charities, including Arthur Ryan.

Only three speakers made presentations at the Conference on Annuities held on April 29, 1927. George Huggins' "Actuarial Basis of Rates" was the keynote address. Two leaders of the American Bible Society delivered superb reports:

Arthur Ryan spoke on gift annuity administration and advertising, and Gilbert Darlington on gift annuity legislation and taxation.[60]

Underlying Secretary Ryan's remarks on advertising was the fact that a month earlier, members of the Committee on Financial and Fiduciary Matters had discussed the specific question of whether it is appropriate to promote "annuity bonds." Their charge to the new Sub-committee on Annuities included this very clear policy decision: "That organizations engaged in writing annuity business discontinue use of the word 'bonds.'"[61]

To Ryan, promoting gift annuities as bonds remained a live option. He surveyed 31 major charities that issued annuities, and reported to the April conference that the prevailing terminology included "annuity bond," "life annuity bond," and "annuity bond agreement." Ryan acknowledged a "more recent tendency" away from the term "annuity bond" to avoid confusing gifts with commercial bonds, "which are documents guaranteeing the return of the principal as well as payment of interest." While noting that some people had begun to allege that use of the word "bond" is "not quite ethical," Ryan asserted that confusion can be avoided by clearly stating the nature of the gift annuity in the charity's advertising and in the contract itself, claiming that "annuity bond" simply "defines the kind of bond."[62]

Secretary Ryan took the opportunity to question the Committee's finding:

> The Committee was not unanimous in its judgment regarding the nomenclature for the form of annuity contract, but the majority was inclined to recommend *annuity agreement*. The minority held to the term annuity bond agreement.

---

[60] Two other reports prepared for the Conference "were not read because of lack of time," but the Findings Committee decided to include them in the printed Conference report. **Annuity Agreements of Charitable Organizations** (1927), page 48.

[61] **Financial and Fiduciary Matters: Report of Committee on Findings** (March, 1927), page 5.

[62] Arthur C. Ryan, "Administrative Policy," **Annuity Agreements** (1927), page 19. Referring to comments like Ryan's, Ernest Hall reported at the second Conference on Annuities in 1928 that "It has been the policy of our Board [Foreign Missions of the Presbyterian Church in the U.S.A.] to avoid using the term 'Bond,' because in the usually accepted sense of the term it is not a bond." "Printing and Advertising," **Conditional Gifts Annuity Agreements** (1928), page 24.

Ryan made clear he was among the dissenters arguing in favor of annuity bonds:

> From his investigations, the writer sees no reason why any of the names quoted above should not be used, providing the essential statements in the document itself are in accord with legal requirements governing such contracts.

Gilbert Darlington followed Arthur Ryan at the Conference podium. Darlington had managed gift annuity accounting, investments, and financial reporting since becoming Treasurer of the Bible Society in 1920. He did not share Ryan's certainty on the terminology of annuity bonds. Speaking about his experience with Federal and state legislators, including some who were considering whether to tax gift annuities as if they were commercial investments, Darlington observed diplomatically that "There is great need for cooperation in facing this problem fairly and squarely":

> There are those who think that the wording of annuity contracts or agreements may have an important bearing on this point. Does the phrase "Annuity Bond Agreement" make it more difficult to meet this situation, and if so, why?

The public debate between Darlington and Ryan ended abruptly with the death of Ryan on June 22, 1927. There was no official action on the question of "annuity bond" terminology at the second Conference on Annuities held in November 1928, but the third Conference on Annuities in November 1930 came down strongly opposed to promoting gift annuities as bonds. In his preface to the conference report Dr. Alfred Williams Anthony wrote about "Certain perils" such as "Misleading Terminology":

> The word "Bond" is frequently employed in this connection. Annuity agreements have nothing to do with "bonds" in the ordinary investment and financial sense of that word, for they are not secured by any mortgage upon real estate or other real property. They are bonds only in the sense that they are written contracts which bind two parties.

Gilbert Darlington soon became the national spokesman for ABS on gift annuities. Under his leadership the American Bible Society formally changed its advertising policy on February 19, 1931.

Some drama was involved. The Committee reviewed the advertisements for Annuity Bonds of the American Bible Society that were "now appearing in 28 periodicals," clearly the largest and most profitable annuity campaign in the United States. ABS Financial Secretary George William Brown read aloud "the paragraph dealing with terminology" delivered by George Huggins at the third Conference on Annuities in November 1930:

> As to the terminology, it is suggested that the term annuity agreements be used, rather than annuity bonds, contract annuities, or conditional gifts. It is also suggested that the return to the donor be referred to always as annuities, rather than as interest. In a similar vein, it is suggested that the solicitation for funds, to be administered in connection with annuity agreements, be on the basis of featuring the service being rendered by the organization, rather than as an investment; nor should the annuity return be stressed too greatly as the appeal for the gift.[63]

Brown added that the previous month (January 1931), at a conference held by the Methodist Episcopal Church, ABS was criticized for ads featuring its maximum annuity payment rate of 9%. This was a full percentage higher than the maximum offered by the Methodists, and the 9% rate was highlighted by ABS in a way that could be misleading to most annuitants, who would receive much lower annuity payments.[64]

---

[63] Huggins, "Uniform Rates: Agreements and Terminology: Reserves and Accounting," **Methods and Plans in Using Annuity Agreements** (NY: Sub-committee on Annuities of the Committee on Financial and Fiduciary Matters of the Federal Council of the Churches of Christ in America, 1931), Wise Public Giving Series no. 34, page 13.

[64] At the second Conference on Annuities held in November 1928, Ernest Hall of the Board of Foreign Missions of the Presbyterian Church in the U.S.A. specifically criticized the ethics of the headline "As High as 9%": "That is the maximum rate which a few old people get. It is attractive but is misleading, and people who reply to such an advertisement are likely to be disappointed and indignant when they find out what they can actually get . . . Advertisements put out by religious societies are scrutinized by experts and should conform to the highest ethical standards." "Printing and Advertising," **Conditional Gifts: Annuity Agreements of Charitable Organizations** (NY: Sub-committee on Annuities of the Committee on Financial

Members of the ABS Ways and Means Committee voted approval of historic recommendations overturning the entire promotional strategy of the Bible Society:

> That the phrase "as high as 9%" be modified to avoid any possibility of misinterpretation; that the term "bond" be eliminated; and that the use of terms implying "investment" be discontinued; and that all annuity advertising be in harmony with the highest ethical standards.

The ABS Board of Managers approved the recommendations in March. At its meeting on May 21, 1931 the Committee reviewed new advertisements in which "such phraseology has been used as to conform to the highest standards of annuity advertising."

Now that his own house was in order, Gilbert Darlington was able to speak freely to other charities issuing annuities. Addressing "The Up-To-Date Legal Situation" at the fourth Conference on Annuities in 1931, Darlington warned that courts, regulators, and lawmakers are taking a close look at a charity's "correspondence and publicity" when deciding issues involving gift annuities. Darlington urged charities to review and revise their terminology: "The use of such words as 'interest', 'bond', 'principal remaining' should be avoided in all correspondence dealing with annuities."[65]

8. National Leadership Provided by the American Bible Society

With Huggins on board the Bible Society in 1925, Arthur Ryan and his colleagues embarked upon an important transitional period of consolidating gains in the annuity program and strengthening ABS administrative policies and procedures. There was a new openness to comparing the practices of other charities issuing

---

and Fiduciary Matters of the Federal Council of the Churches of Christ in America, 1929), Wise Public Giving Series no. 31, page 24.

[65] Darlington, **Rules, Regulations and Reserves in Using Annuity Agreements** (NY: Sub-committee on Annuities of the Committee on Financial and Fiduciary Matters of the Federal Council of the Churches of Christ in America, 1931), Wise Public Giving Series no. 38, page 32.

annuities, and a growing sense of responsibility for sharing the successes of the Bible Society.

Dr. Alfred Williams Anthony had invited Frank Mann to become a member of a Permanent Committee on Financial and Fiduciary Matters that he set up in 1923 for the Home Missions Council. This important committee soon came under the umbrella of the Federal Council of Churches of Christ in America. At a national conference of business and charitable organization leaders in 1925 Mann was selected to provide a wide-ranging address entitled “Annuities.” Mann thus became the first of many Bible Society staff to serve as a national spokesman for the gift annuity movement.

1925 was also the year that Huggins and Gilbert Darlington helped U.S. charities dodge a bullet by convincing the New York State legislature not to regulate charitable gift annuities as commercial investments.[66]

Change was in the wind throughout the United States in the spring of 1927. Secretary Ryan gave a very positive report to the Ways and Means Committee regarding a session on “Annuities” at the March 1927 Conference on Financial and Fiduciary Matters, noting that he accepted an invitation from Dr. Anthony to serve on a new Sub-committee on Annuities with the mission of:

> Further to study the whole question of annuity contracts, rates, publicity, etc., and to call at a later date a meeting of all parties interested in the issuing of annuity bonds, to try to devise ways and means of closer cooperation.[67]

The Sub-committee would evolve into the Committee on Gift Annuities, predecessor to the American Council on Gift Annuities (ACGA).

Secretary Ryan called attention to something that other charities were doing in their gift annuity programs: hiring full-time planned-giving staff. The Bible Society was opening up to ideas initiated by their peers:

> Increased interest in annuities was very manifest and some denominations are now employing full time secretaries to solicit annuities and legacies and other large gifts. The Presbyterian Board of Foreign Missions has just

[66] See note 17.
[67] Minutes dated March 31, 1927.

> inaugurated this system and other denominations are thinking of doing the same.

Ryan's Sub-committee convened a Conference on Annuities on April 29, 1927. On May 19, he gave the Ways and Means Committee a lengthy description of the conference proceedings, beginning with George Huggins:

> At this conference a detailed report on annuity rates as determined by objective was made by George A. Huggins of Philadelphia, the actuary who made the detailed study of the American Bible Society's annuities about a year ago.

Ryan carefully summarized the highlights of Huggins' presentation on the "Actuarial Basis of Rates" for the Committee, and included certain important details in his minutes. Two points are clear from Ryan's summary: the ABS Ways and Means Committee had not seen Huggins' report before the Conference; and Ryan fully intended to follow the standards of practice recommended for all charities issuing gift annuities:

> First, that a 70% residuum is a reasonable goal to work toward in the issuing of annuities. Second, that the rates of annuities should be determined in conformity with this objective, using McClintock's tables with interest on invested funds calculated at 4½%. Third, that care should be taken in issuing survivorship annuity bonds not to include more than two persons unless absolutely required by the donor and in all cases, where a survivorship bond is issued, the rate paid should be based upon actuarial tables and not upon the rate of the younger person.
>
> The General Secretary [Ryan] presented to the Committee tables prepared by Mr. Huggins showing comparative rates and other information connected therewith.

Ryan reported that both he and Darlington made conference presentations, but does not mention their disagreement over Annuity Bond advertising terminology. He ended his comments to the committee with a strong endorsement of the Conference on Annuities, though his reasons were defensive of ABS policies and practices:

> The General Secretary believes that the cooperation of the American Bible Society representatives in this general conference on annuities was exceedingly valuable for the Society because it called to the attention of the different persons present the fact that the American Bible Society has made a scientific study of this question and is issuing annuity bond agreements on a careful, conservative basis.

After Arthur Ryan's death in June 1927 he was succeeded as ABS Financial Secretary by George William Brown, but the spokesman on gift annuities was clearly Gilbert Darlington, who would lead the Committee on Gift Annuities as Chairman (1939-1959) and Honorary Chairman (1960-1980) – 53 years of volunteer service to the nation's charities.

From the 1927 conference to his retirement as Chair of the Committee on Gift Annuities in 1959, Darlington made a series of expert presentations on Federal and state taxation, legislation, and regulation. Charles W. Baas, who succeeded Darlington as both Treasurer of the Bible Society and as Chair of the Committee on Gift Annuities, wrote a brief chronicle of the Committee in which he credited Darlington as "often the only tax expert available to the Committee" from 1927 to the 1950s: "In partnership with George Huggins, Gilbert Darlington helped lay much of the foundation the Committee is building upon today."[68]

Charles W. Baas joined the staff of the American Bible Society in 1946 and served as its Treasurer for 41 years. According to the American Council on Gift Annuities, Baas was the longest-serving Board member of the Committee on Gift Annuities (45 years), presiding as Chair from 1959-1986 including 10 Conferences on Annuities.[69]

---

[68] Baas, **Committee on Gift Annuities: A History** (NY: Committee on Gift Annuities, 1991), page 73. Baas describes Darlington as a true Renaissance man, who served as president and chairman of Harbor State Bank; director of the Pan American Trust Company; and Chaplain General of the Naval Order of the United States, among many other accomplishments.

[69] **ACGA in Touch**, Vol. 6, no. 2 (Summer 2006), page 1. Charles William Baas was born in 1920 in Atlantic City, received a B.S. from Rutgers University, an MBA from NYU, and a Litt.D. from Wagner College. His colleagues insisted on adding Baas' biography to the roster of "Prime Movers" in his **History**, including these comments: "Charley Baas' name is synonymous with the Committee on Gift Annuities for an entire generation of planned giving officers, treasurers, business officers and others who work for charitable organizations throughout the

Darlington, Baas, and other Bible Society staff provided the Committee on Gift Annuities with extensive administrative support (financial accounting and reporting, mailings, sponsorship database, etc.). The Committee had no professional staff of its own; it depended entirely upon services provided free of charge by the Bible Society from 1927 to October 1989. The Annuity Board of the Southern Baptist Convention became the second host of the Committee after 62 years of Bible Society support.[70]

Philanthropic planners owe a tremendous debt to the American Bible Society and its leaders Frank Mann, Arthur Ryan, Gilbert Darlington, and Charles Baas. The Bible Society captured the attention of the country with its gift annuity campaign in the 1920s, raising millions of dollars for its philanthropic mission and inspiring many other charities to start life-income programs. The Society then used its considerable influence to advance the professional ethics and financial sophistication of American charities through providing national leadership and administrative support for the Committee on Gift Annuities for more than six decades.

It was through the Bible Society that George Huggins gained the knowledge of charitable gift annuities he needed to develop a robust financial security system for life-income gifts. The next part of this series will show why his "Actuarial Basis of Rates" remains the foundation for philanthropic planning and policy-making in the United States.

United States . . . Charley Baas has led, sustained and nurtured the Committee for 45 years. There will never be another like him."

[70] Baas, **Committee on Gift Annuities: A History**, page 93.