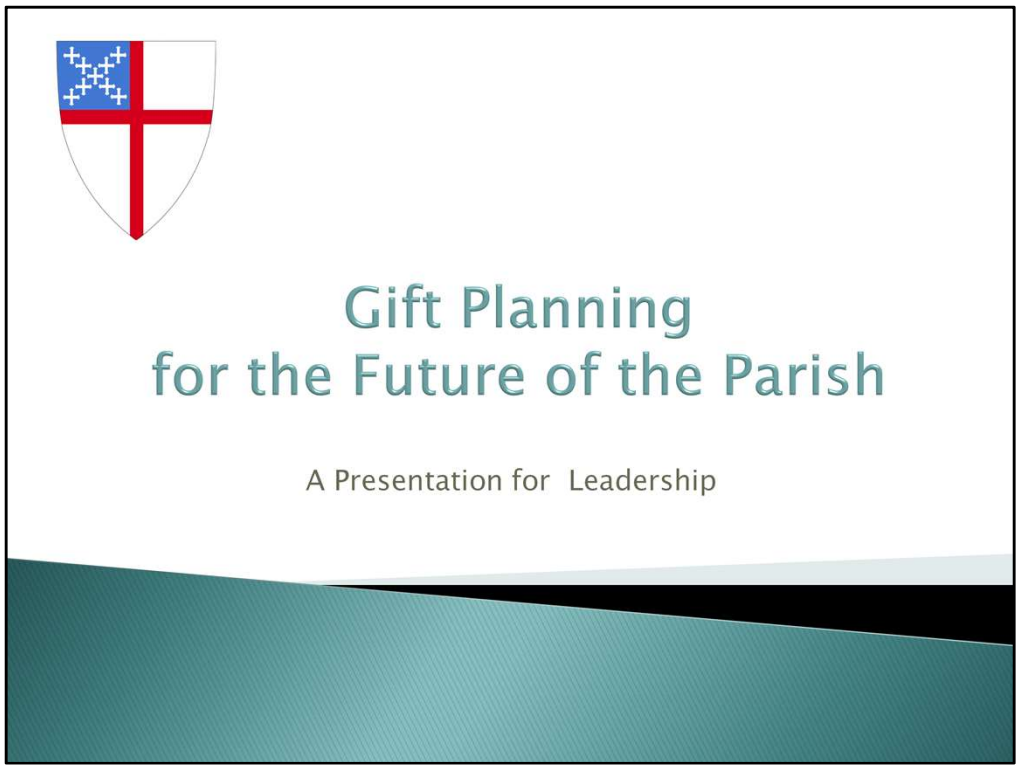
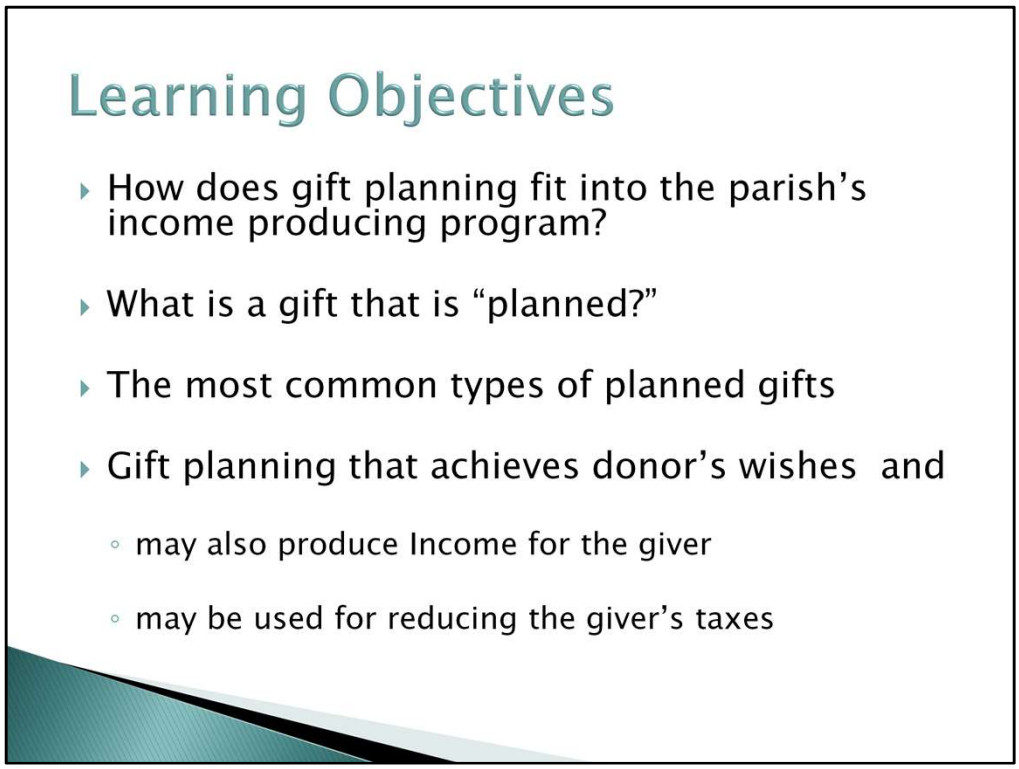
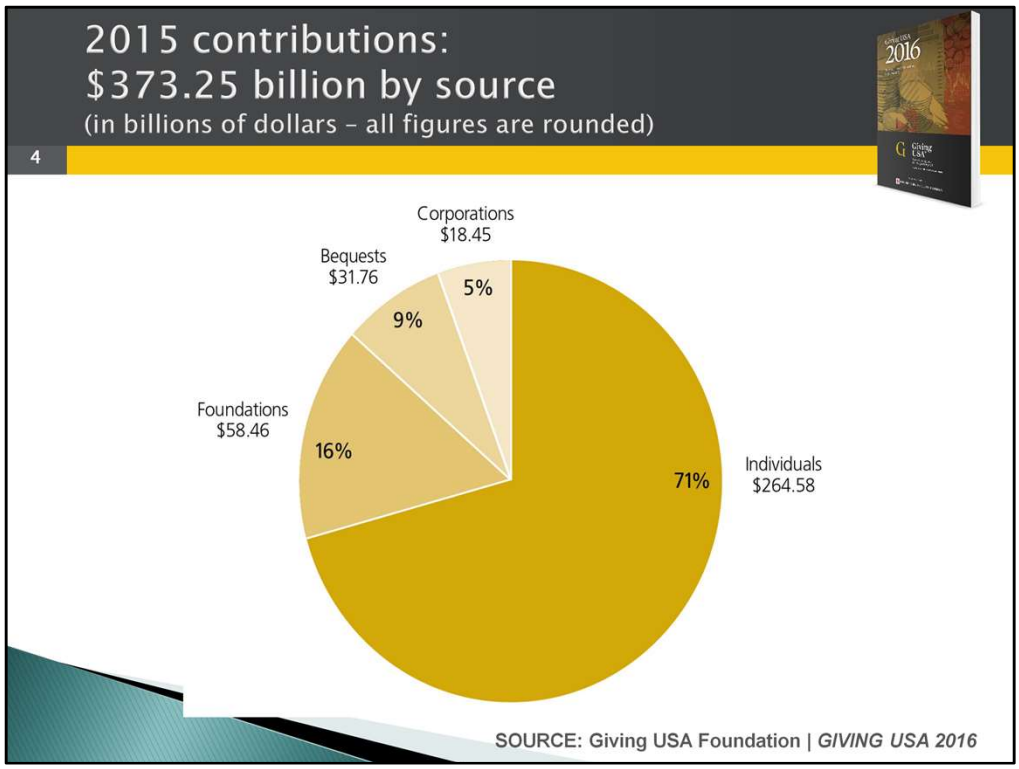

Gift Planning
for the Future of the Parish
A Presentation for Leadership

Disclaimer

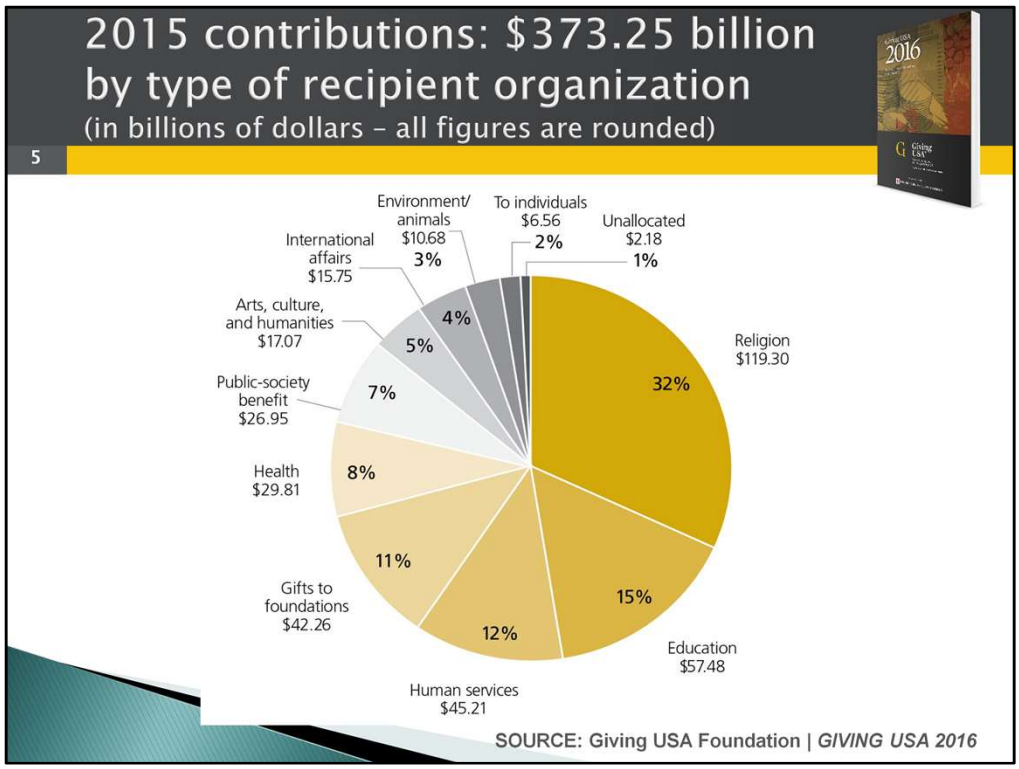
- This presentation is designed to provide an overview of certain charitable gift plans. It is not intended to provide legal, tax, investment, or other professional advice, For assistance in specific cases, obtain the services of a competent attorney or other professional advisor.



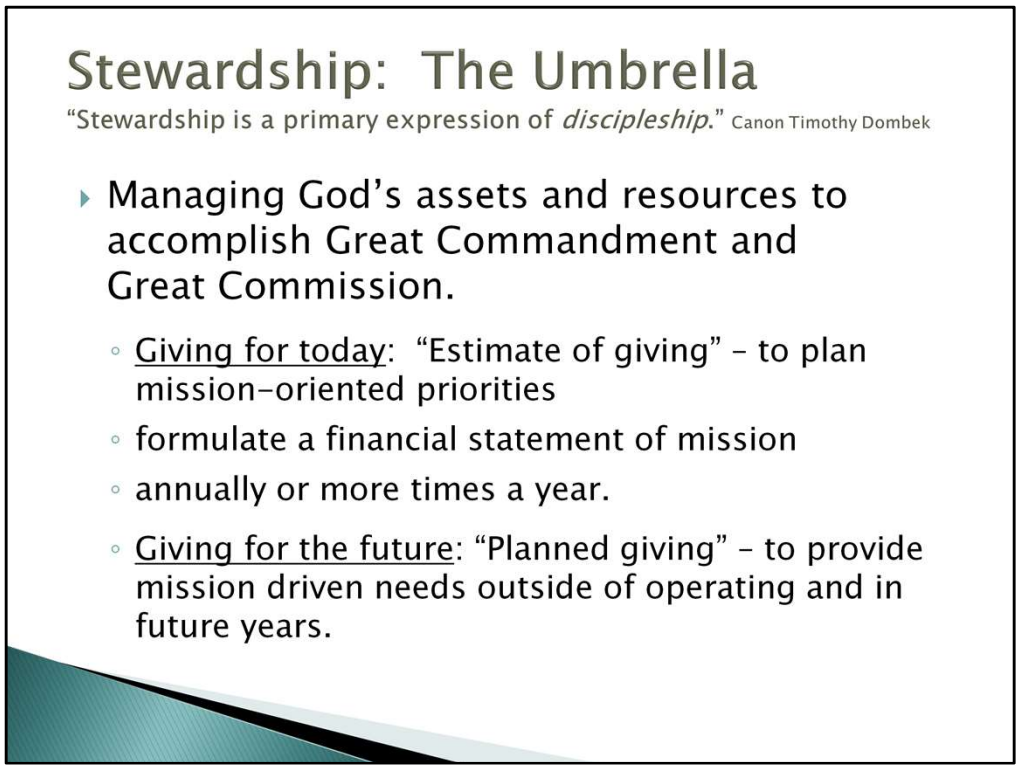
During this workshop, participants will learn:
A basic definition of planned gift, including that they are not always "at death" and that they might be of importance to donors for purposes of 1) increasing income during lifetime; and/or 2) tax savings.
The most common types of planned gifts, and those that do not necessarily require hiring an attorney or other professional advisor: simple bequests, life insurance ownership or beneficiary designations, retirement plan beneficiary designations
The basics of income-producing gifts, using Charitable Gift Annuities as an example, expanding that into more complex types of income-producing gifts (CRT's).
Other, less-common types of gifts that might be used strategically for tax purposes: life estates, charitable lead trusts., etc.



- Giving by individuals comprised 71 percent of total giving in 2015.[1]
- Giving by foundations—which includes grants made by independent, community, and operating foundations—amounted to 16 percent of all gifts made in 2015.[2]
- Giving by bequest accounted for 9 percent of all gifts made in 2015.
- Giving by individuals, bequest, and family foundations amounted to an estimated 87 percent of total giving in 2015.[3]
- Giving by corporations comprised 5 percent of total giving in 2015.

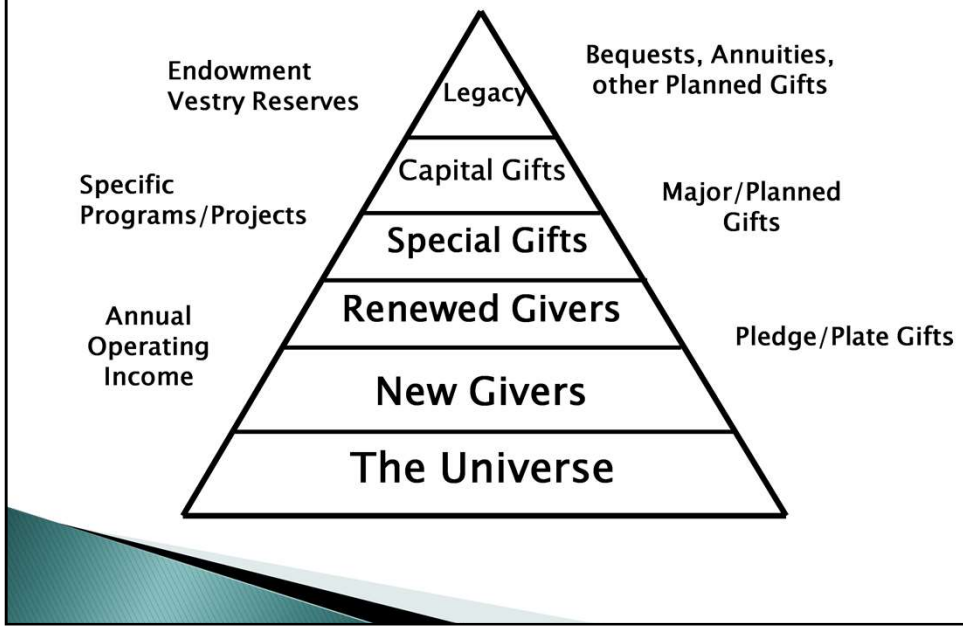


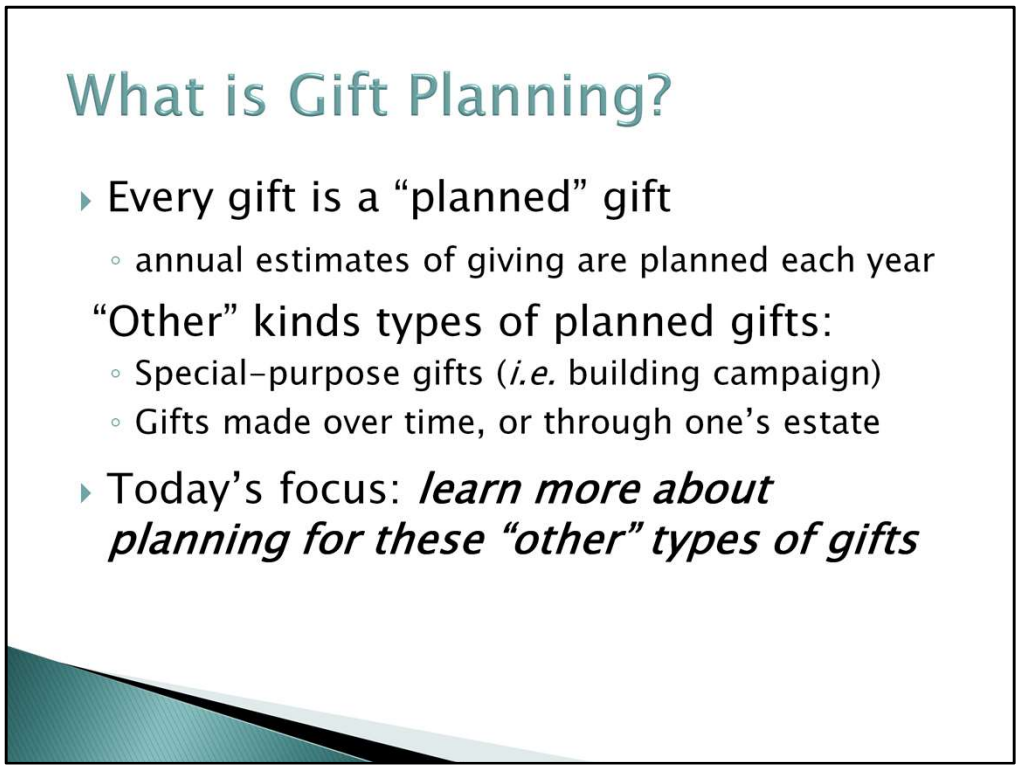
- Religious organizations received the largest share of charitable dollars in 2015, at 32 percent of the total.[4]
- The education subsector received the second-largest share of charitable dollars in 2015, at 15 percent of the total.
- Human services organizations received 12 percent of total charitable dollars in 2015, ranking third of total gifts received.
- Gifts to independent, community, and operating grant making foundations amounted to the fourth-largest share of charitable dollars in 2015, with 11 percent of the total.
- The health subsector received the fifth-largest share of charitable dollars in 2015, at 8 percent of the total.
- Public-society benefit organizations received 7 percent of total charitable dollars in 2015, ranking sixth of total gifts received.
- The arts, culture, and humanities subsector received the seventh-largest portion of charitable dollars in 2015, at 5 percent of the total.
- Gifts to the international affairs subsector amounted to the eighth-largest share of charitable dollars in 2015, with 4 percent of the total.
- Environment/animals organizations received 3 percent of total charitable dollars in 2015, ranking ninth of total gifts received.
- Gifts made directly to individuals amounted to 2 percent of total charitable dollars in 2015.



The challenge for congregations and their members is to keep in mind that we are stewards of God's generosity towards us.
We are called to manage assets and resources with God's ultimate ownership of them firmly in mind, and in such a way as to accomplish the Great Commandment and Great Commission.
Giving for today: "Estimate of giving" -- so that the parish can plan its mission-oriented priorities and formulate a financial statement of mission; annually or more times a year.
Giving for the future: "Planned giving" – so that the parish can provide for mission driven needs outside of its basic operations and in future years.

The Faith-Based Giving Pyramid





Every gift to our parish is a "planned" gift

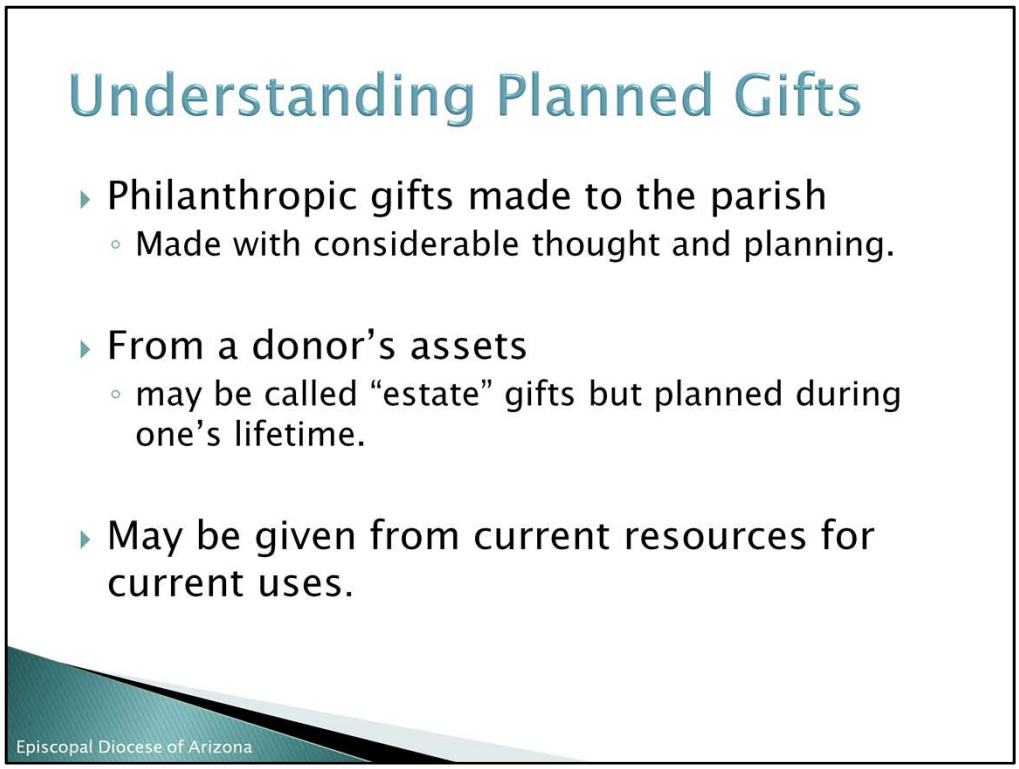
our annual pledges are planned each year

"Other" kinds types of planned gifts:

Special-purpose gifts (i.e. building campaign)

Gifts made to the parish over time, or through one's estate

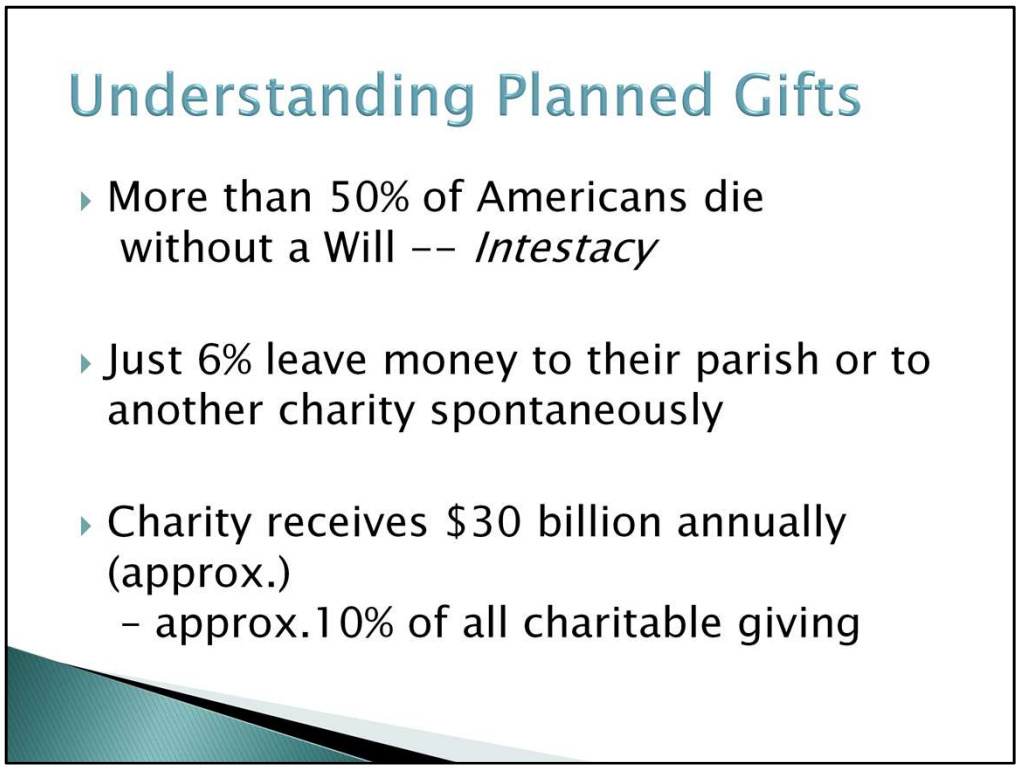
Today's focus: learn more about planning for these "other" types of gifts



Planned gifts are philanthropic gifts made to the parish that vary in type and size but are contributed after considerable thought and planning.

Often provided for from a donor's assets, they may be called "estate" gifts but are planned for in one's lifetime.

May be given from current resources for current uses.

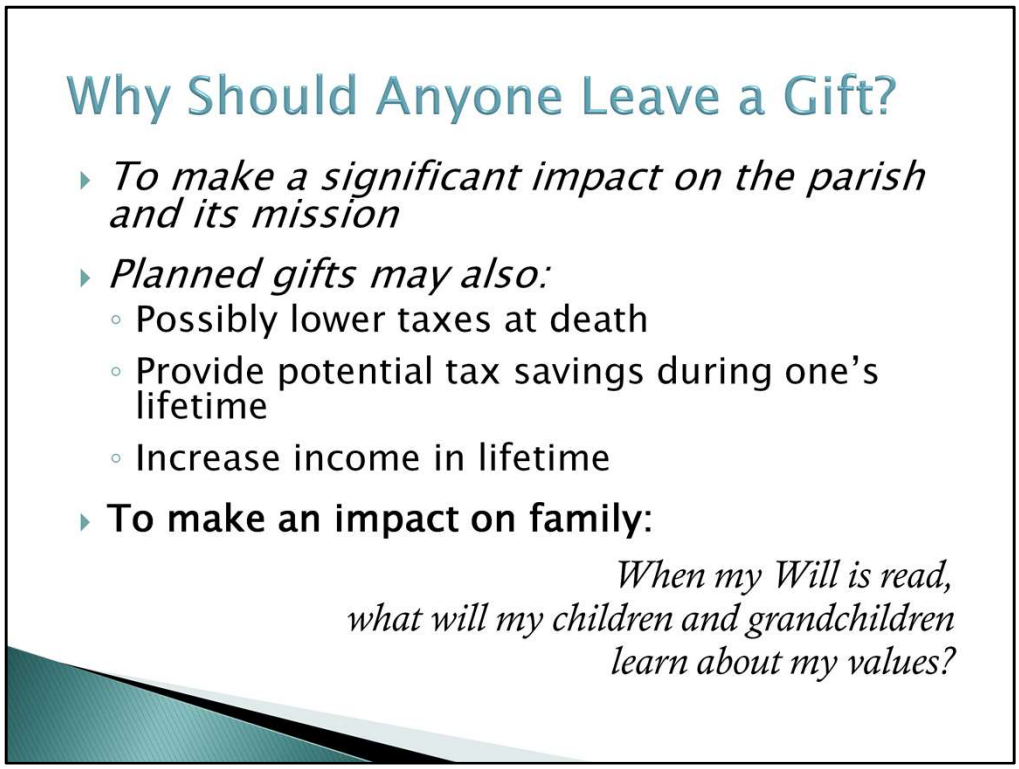


Unfortunately, more than 50% of Americans die without a Will
Of those with a Will, just 6% leave money to their parish or to another charity
MAKE SURE TO MAKE THE POINT THAT THE #1 REASON PEOPLE DO NOT MAKE PLANNED GIFTS IS – "I WASN'T ASKED!"
Nonetheless, total planned gifts to charity = $30 billion annually (approx) – about 10% of all charitable giving

Key To Receiving Planned Gifts

- "What is the Number One Reason that People ***Do Not*** Leave a Planned Gift to their Church?"
- No One Asked
  - *Asking* works better than *not* asking

MAKE SURE TO MAKE THE POINT THAT THE #1 REASON PEOPLE DO NOT MAKE PLANNED GIFTS IS – "I WASN'T ASKED!"



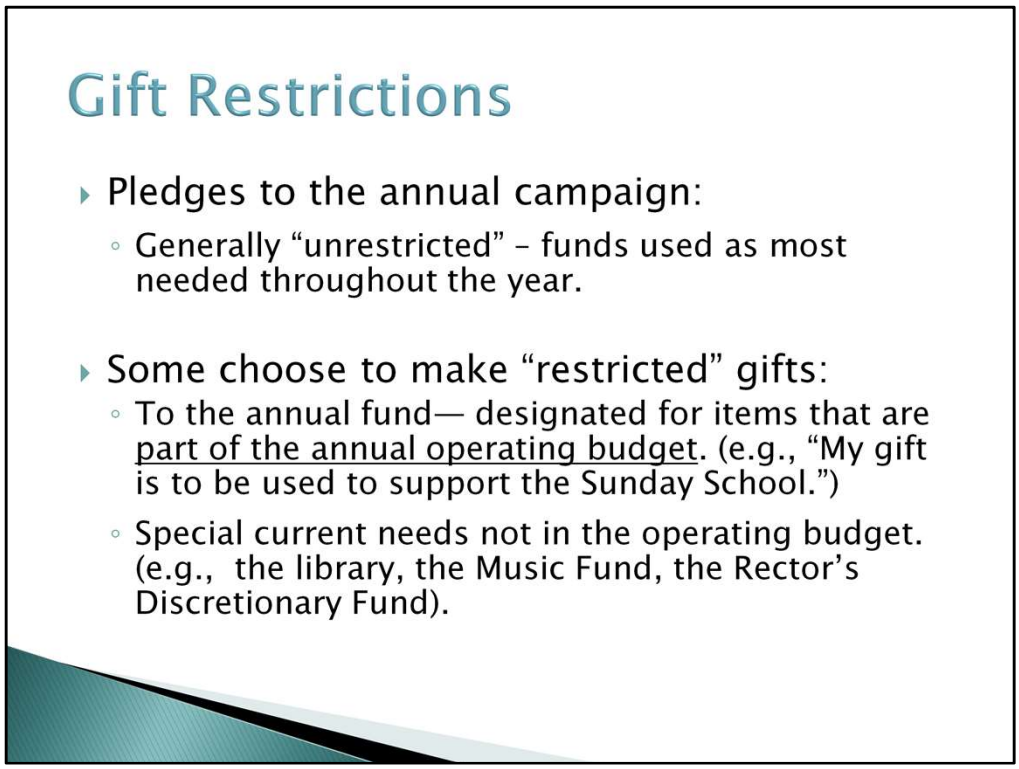
To make a significant impact on the parish, its mission, and the lives of those touched by the parish.

These planned gifts may also:

- Possibly lower taxes at death
- Provide potential tax savings during one's lifetime
- Increase income in lifetime

To make an impact on family:

When my Will is read, what will my children and grandchildren learn about my values?



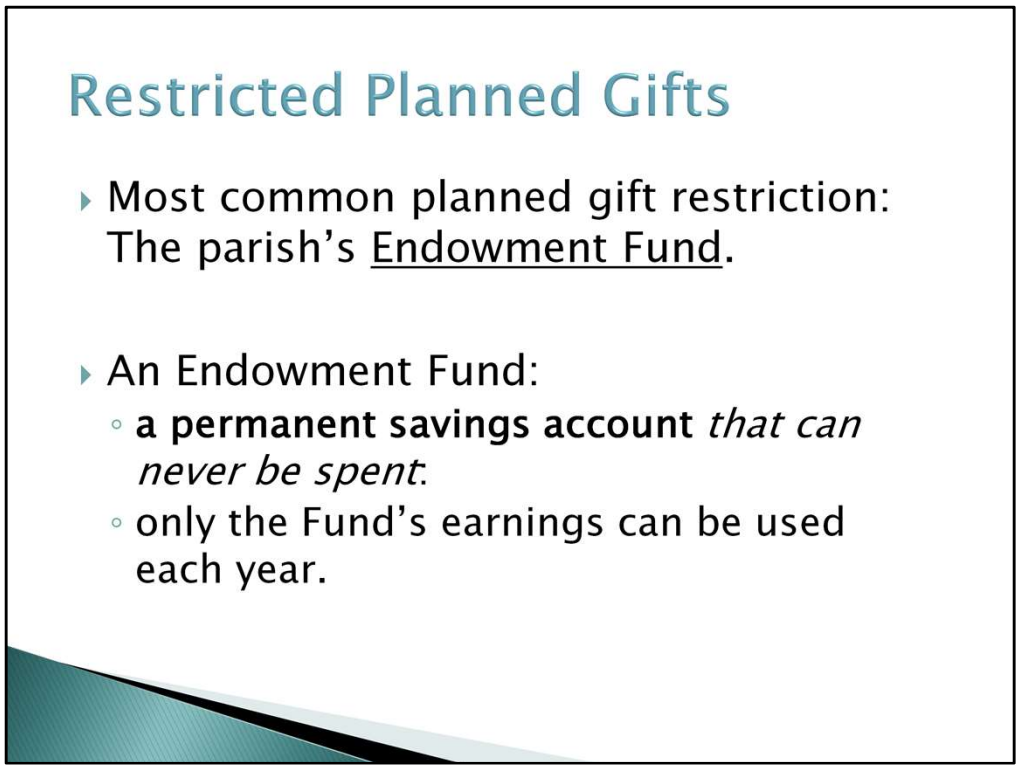
Pledges to the annual campaign:

Generally considered "unrestricted" – that is, leadership can utilize those funds as most needed throughout the year.

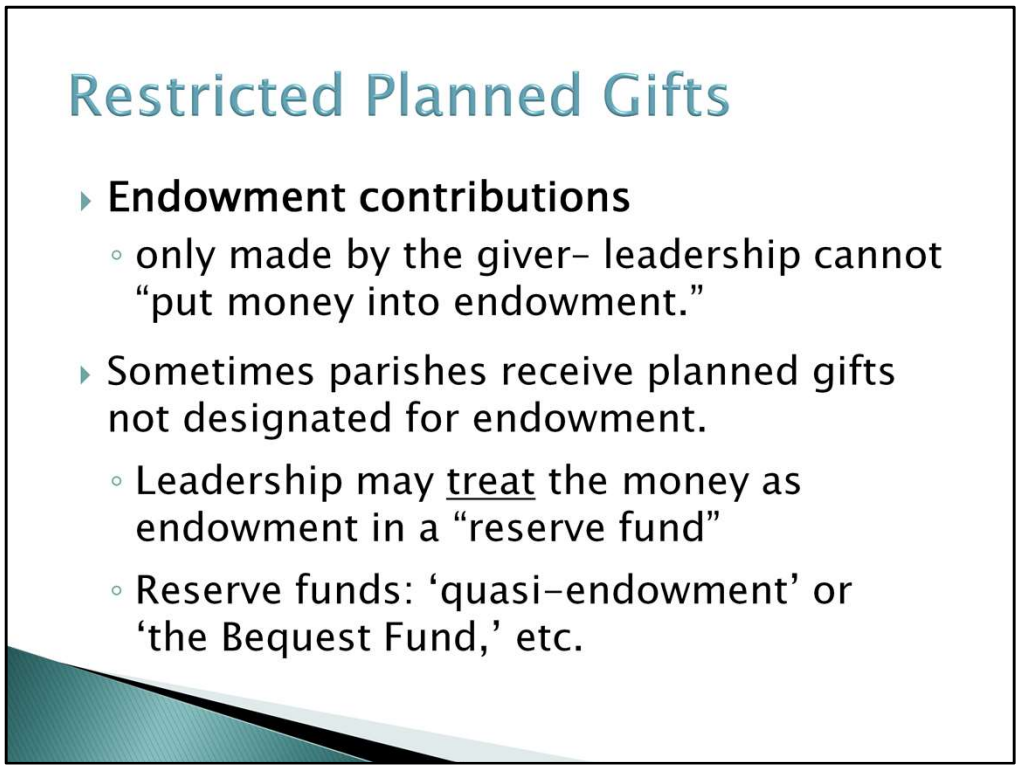
Some choose to make "restricted" gifts:

To the annual fund – it is important that those gifts be designated for items that are part of the 's annual operating budget. (Example: "My gift is to be used to support the Sunday School.")

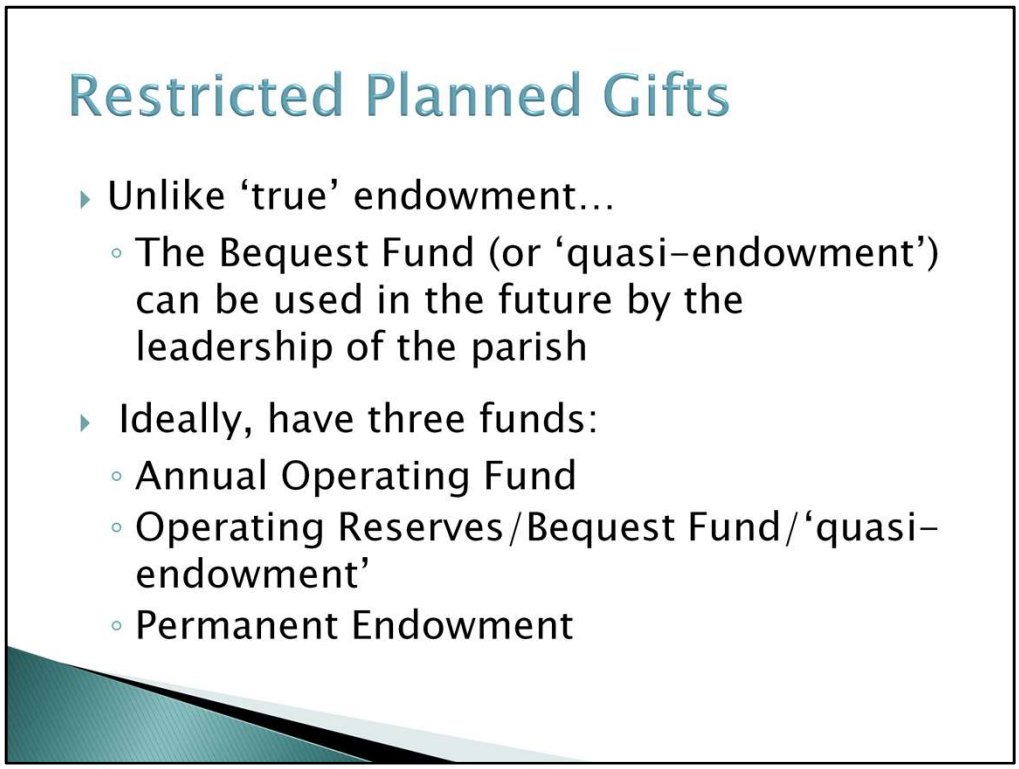
For special current needs not in the 's operating budget. (Example: the library, the Music Fund, the Rector's Discretionary Fund).



Planned gifts can also be "restricted" for a particular purpose – the most common restriction being for the parish's Endowment Fund.
An Endowment Fund can be thought of as **a permanent savings account** *that can never be spent*; in general, only the Fund's earnings can be used each year.



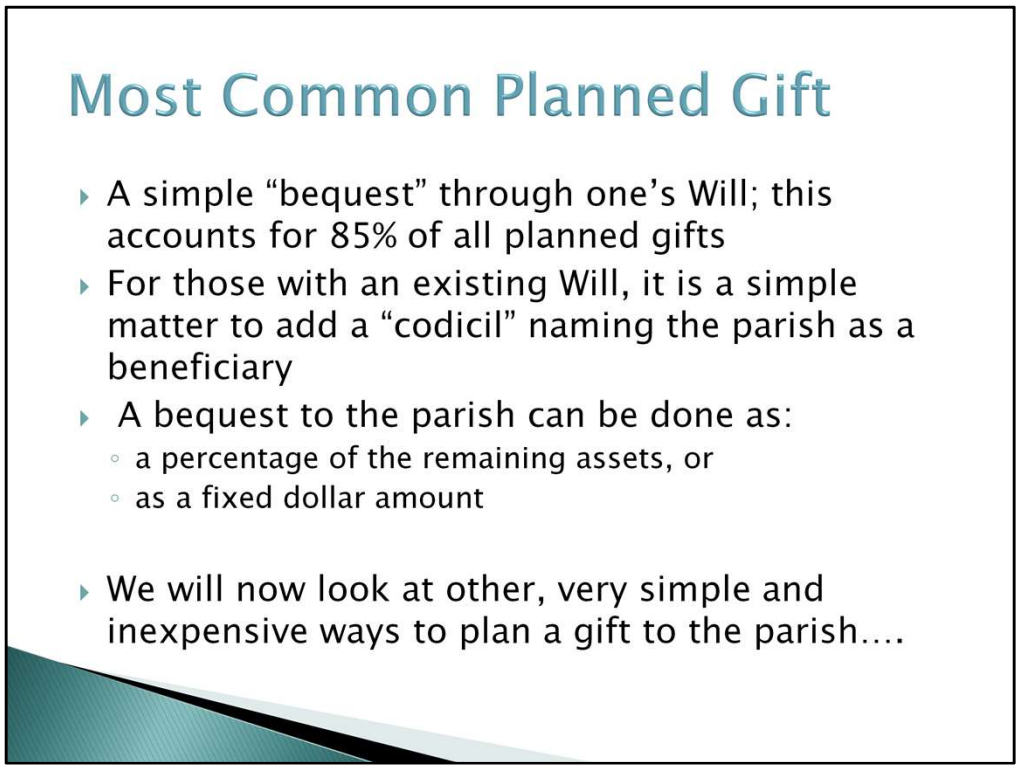
Endowment contributions can only be made by the giver – leadership cannot "put money into endowment," for example.
Sometimes parishes receive planned gifts that are not designated for endowment. When that happens leadership may move it into a "reserve fund" and treat the money as endowment, but it is not 'true' endowment. Reserve funds are sometimes called 'quasi-endowment' or called 'the Bequest Fund' etc.



Unlike 'true' endowment (which has been designated as such by the givers) the Bequest Fund (or 'quasi-endowment') can be spent at any point in the future by the leadership of the parish

A ideally has 3 funds, each of which is accounted for separately:

Annual Operating Fund (from the annual campaign)
Operating Reserves/Bequest Fund/'quasi-endowment' (from un-restricted bequests)
Permanent Endowment (from restricted gifts and restricted bequests)



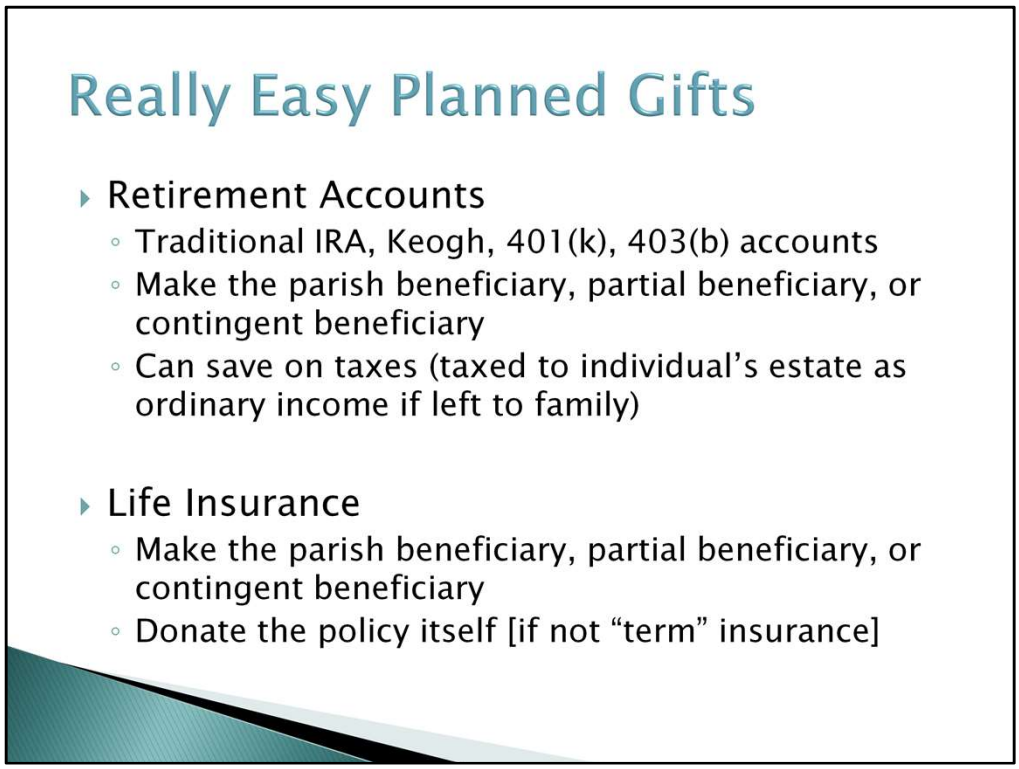
A simple “bequest” through one’s Will; this accounts for 85% of all planned gifts

For those with an existing Will, it is a simple matter to add a “codicil” naming the parish as a beneficiary

A bequest to the parish can be done as:

- a percentage of the remaining assets, or
- as a fixed dollar amount

We will now look at other, very simple and inexpensive ways to plan a gift to the parish….



Retirement Accounts

Traditional IRA, Keogh, 401(k), 403(b) accounts

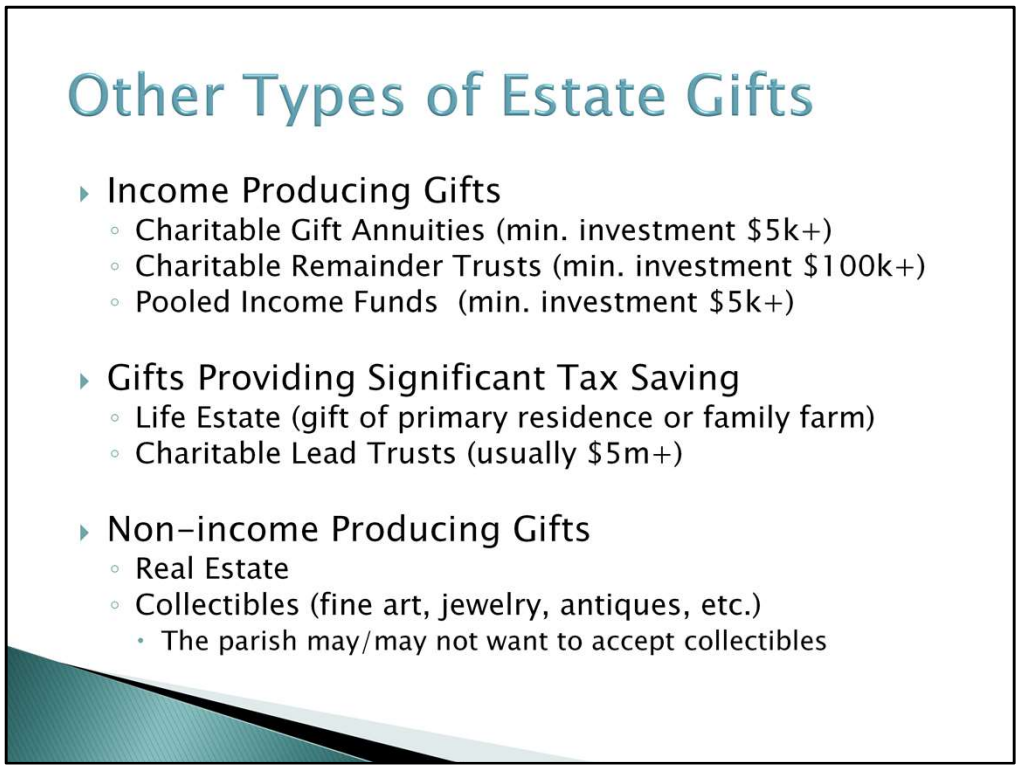
Make the parish beneficiary, partial beneficiary, or contingent beneficiary

Can save on taxes (taxed to individual's estate as ordinary income if left to family)

Life Insurance

Make the parish beneficiary, partial beneficiary, or contingent beneficiary

Donate the policy itself [if not "term" insurance]



Income Producing Gifts

Charitable Gift Annuities (min. investment $5k+)

Charitable Remainder Trusts (min. investment $100k+)

Pooled Income Funds (min. investment $5k+)

Gifts Providing Significant Tax Saving

Life Estate (gift of primary residence or family farm)

Charitable Lead Trusts (usually $5m+)

Non-income Producing Gifts

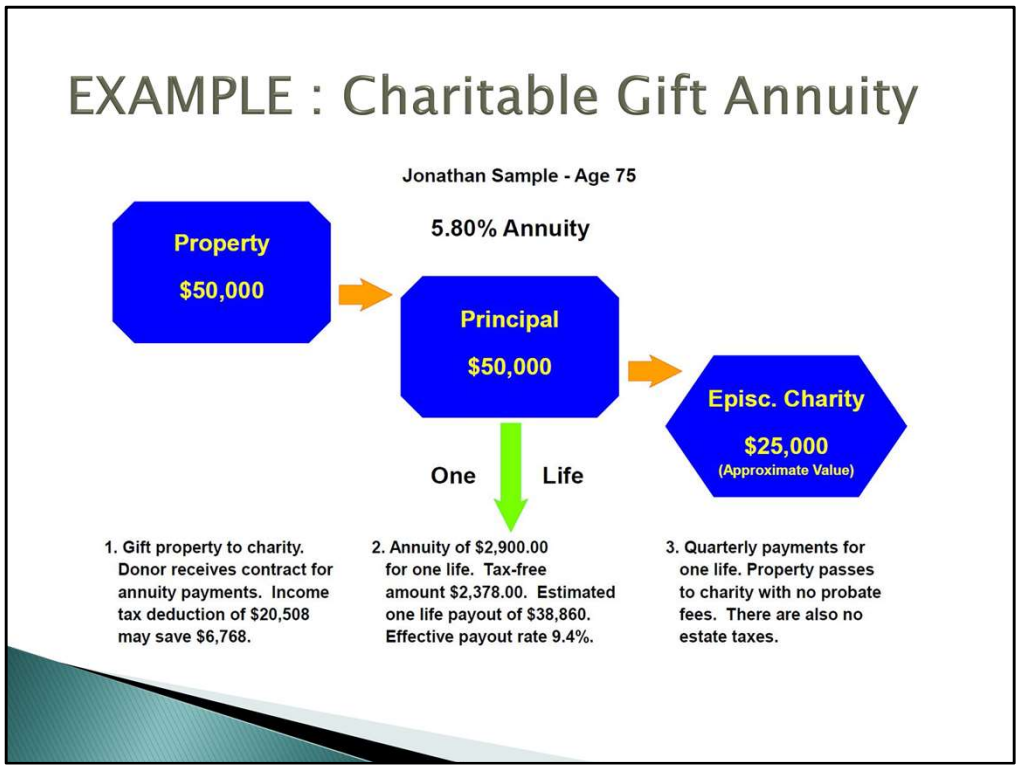
Real Estate

Collectibles (fine art, jewelry, antiques, etc.)

The parish may/may not want to accept collectibles

Income Producing Estate Gifts

- The most common are income-producing; may be in the form of a charitable gift annuity or a charitable remainder trust. They all work basically the same way:
  1. Assets (funds) go into the annuity or trust
  2. You (or you and your spouse) receive income for life
  3. At the end of your life (lives) the parish gets the remainder (generally calculated at about 50% of the amount you contributed initially)

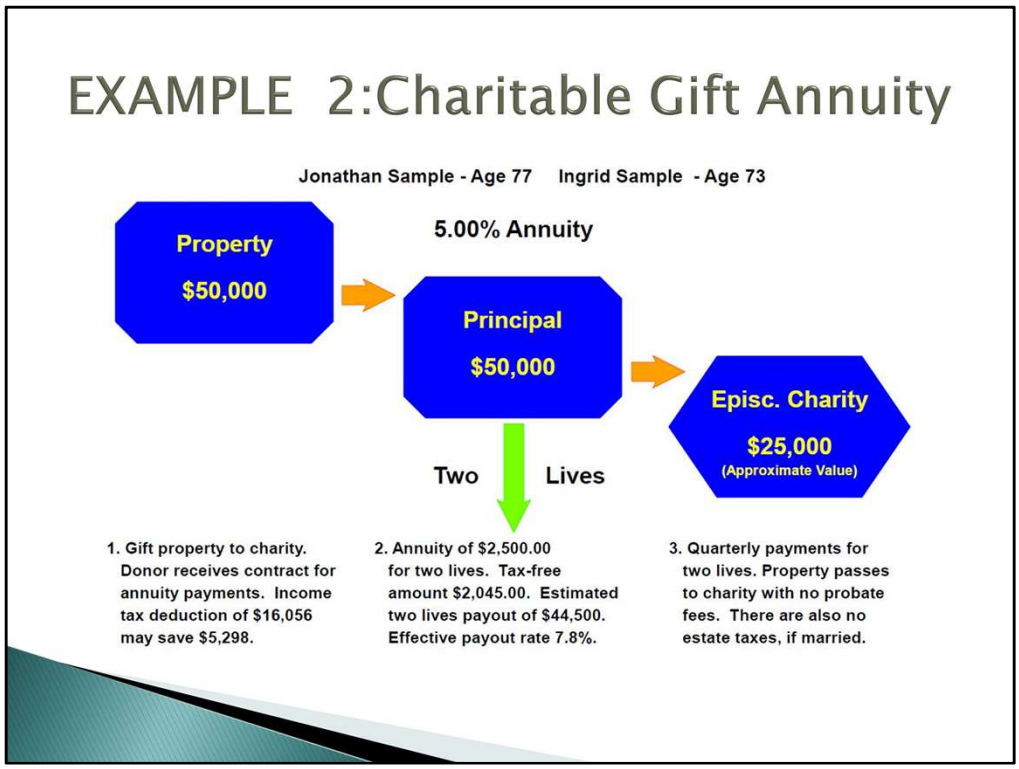


This slide shows that when Jonathan Sample makes a $50,000 gift to a charitable gift annuity, and makes the endowment fund of his local Episcopal Church the beneficiary, the following things happen:

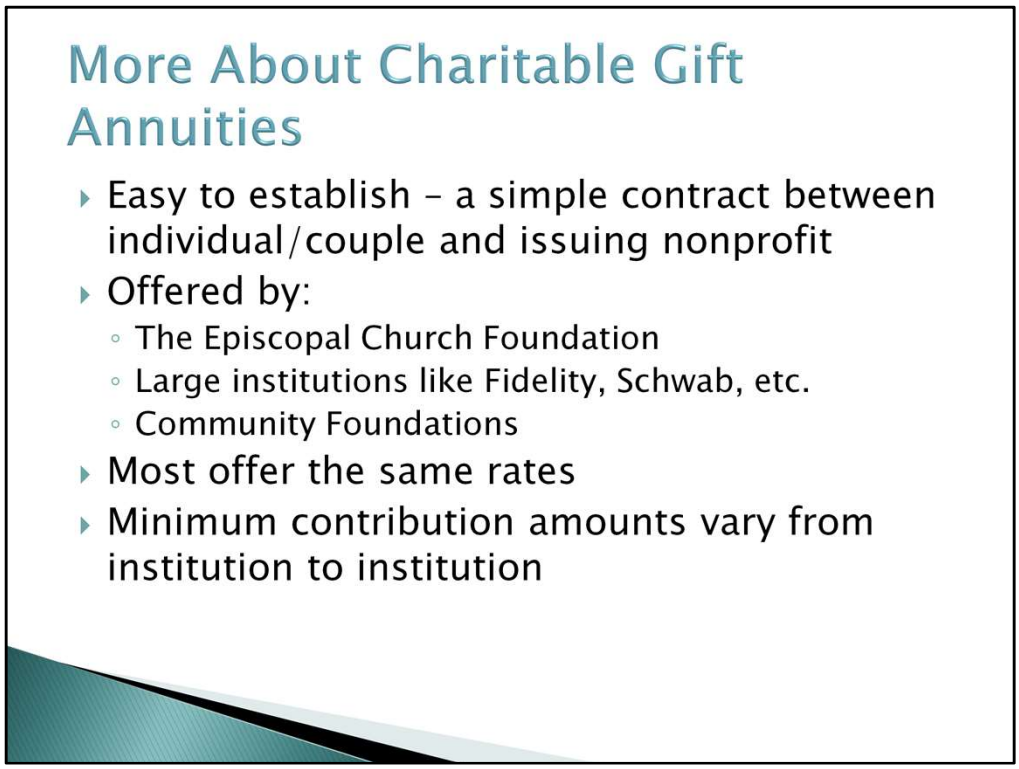
Jonathan receives a sizable tax deduction in the year of the $50K gift; in this example, the savings may be around $6,750, more or less.

At his age, the annuity pays income at 5.8% quarterly, so Jonathan will receive a guaranteed income of $2,900 annually ($725/quarterly) for as long as he lives. Plus, a portion of that income will be tax-free as well, boosting his effective payout rate to 9.4% on his planned gift to the church. Upon his death, the church's endowment fund will receive the remainder balance of the account, whatever that may be—typically, approximately 50% of the original gift.

Because it is a charitable gift annuity, the CGA account balance passes directly to the church without going through probate, nor being subjected to any estate tax.



Like the previous slide, this slide shows how the CGA works when covering two lives—that of Jonathan and his spouse. While the annuity rate drops slightly to 5.0%, to $2,500 annually ($625/quarterly) the total payout will likely increase, as it is covering two lives—Jonathan and Ingrid's.
While the effective payout rate falls to 7.8% in this example, the total estimated payout increases to $44,500, because of the longer time period of payments.



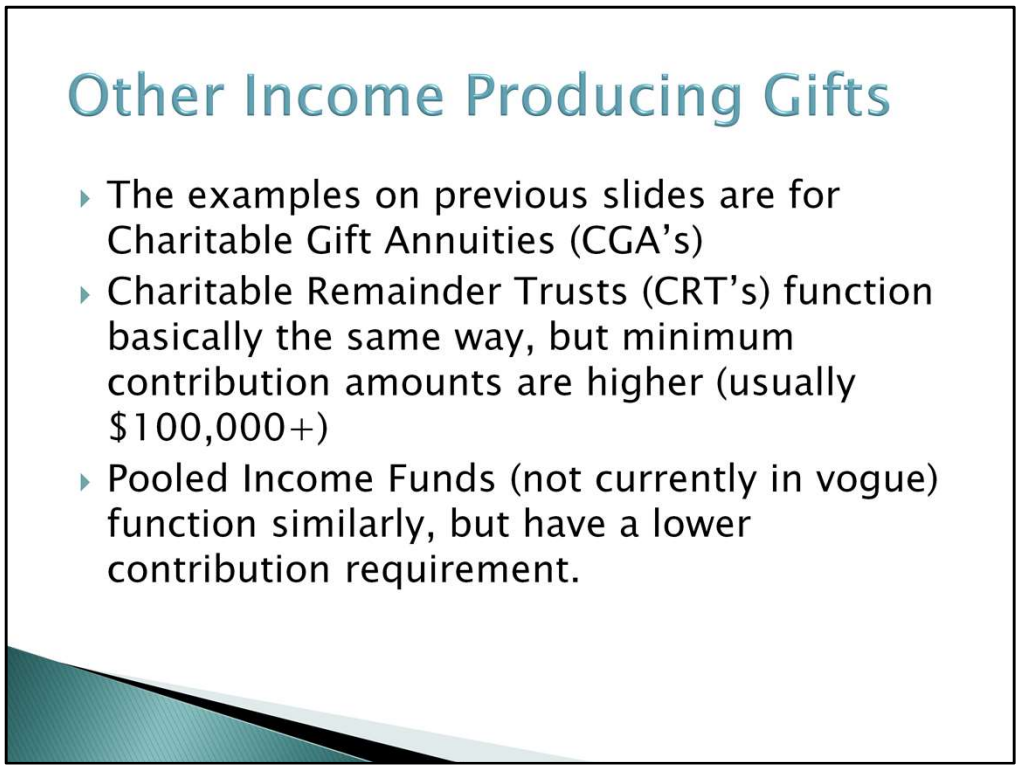
Easy to establish – a simple contract between individual/couple and issuing nonprofit

Offered by:

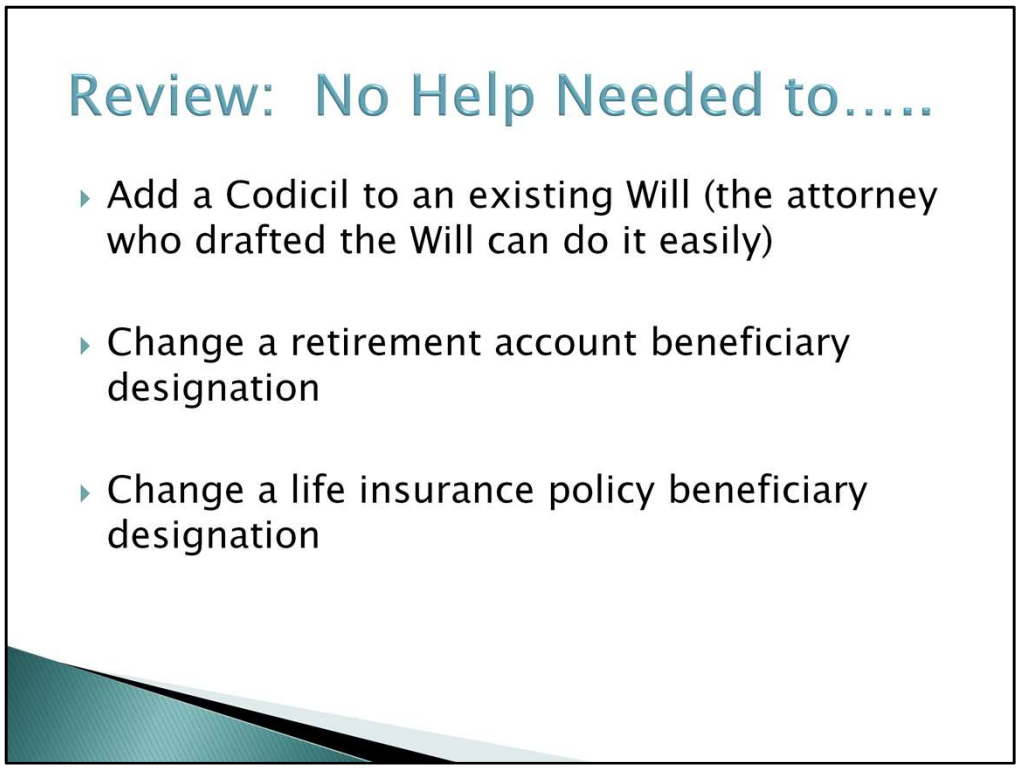
- The Episcopal Church Foundation
- Large institutions like Fidelity, Schwab, etc.
- Community Foundations

Most offer the same rates

Minimum contribution amounts vary from institution to institution



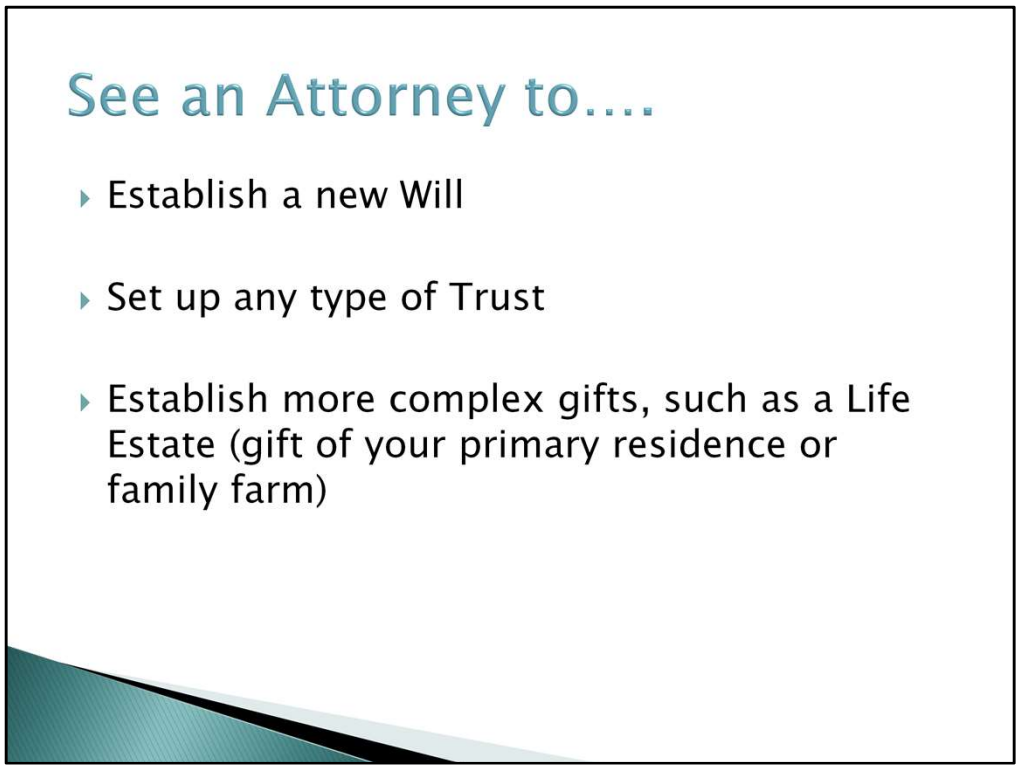
The examples on previous slides are for Charitable Gift Annuities (CGA's)
Charitable Remainder Trusts (CRT's) function basically the same way, but minimum contribution amounts are higher (usually $100,000+)
Pooled Income Funds (not currently in vogue) function similarly, but have a lower contribution requirement.



Add a Codicil to an existing Will (the attorney who drafted the Will can do it easily)
Change a retirement account beneficiary designation
Change a life insurance policy beneficiary designation

Review: Some Help Needed to…..

- Set up a Charitable Gift Annuity or contribute to a Pooled Income Fund
- Make a gift of a universal or whole life insurance policy
- Make a gift of real estate or other tangible property



Establish a new Will

Set up any type of Trust

Establish more complex gifts, such as a Life Estate (gift of your primary residence or family farm)

Key To Receiving Planned Gifts

- ASK for them
  - *Asking* works better than *not* asking

"I missed 100% of the shots I never took."

- Wayne Gretzky

Photo by Håkan Dahlström

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The Future is Purchased by the Present Samuel Johnson
Thank You!