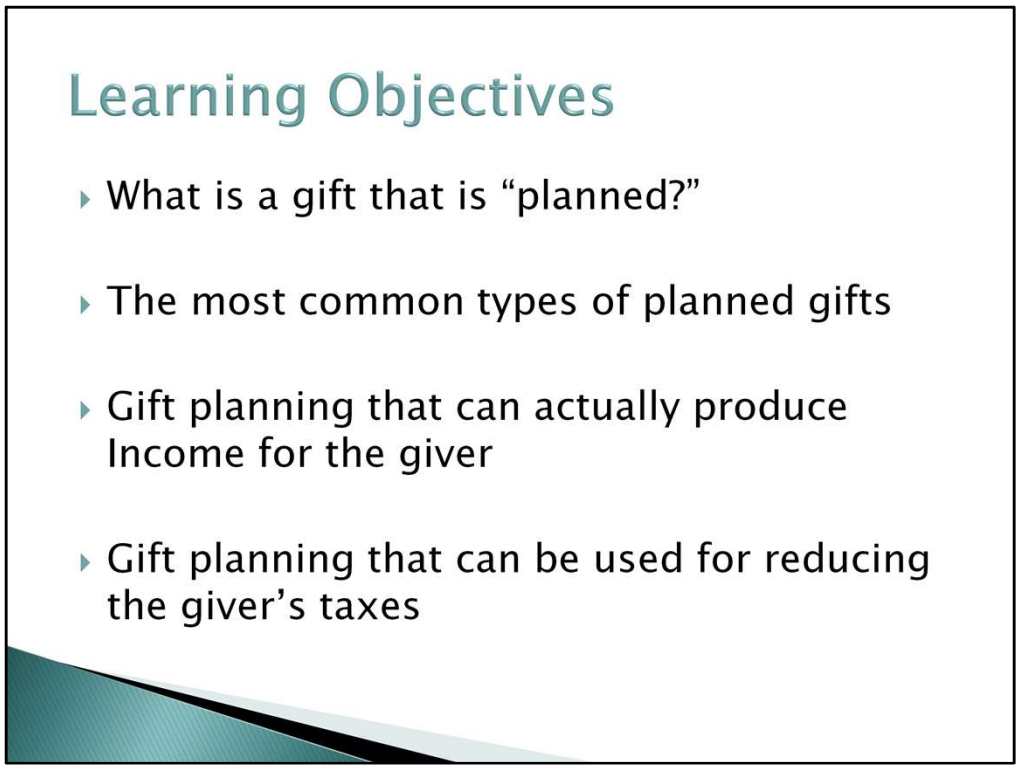
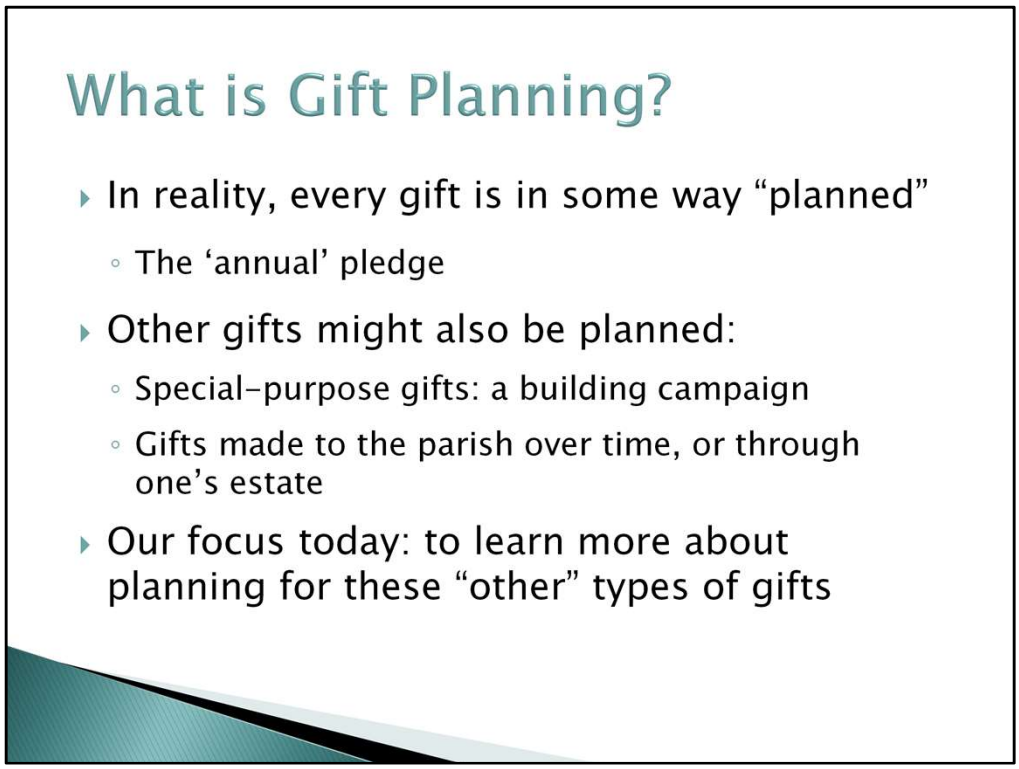
Gift Planning for the
Future of the Parish

Disclaimer

- This presentation is designed to provide an overview of certain charitable gift instruments. It is not intended to provide legal, tax, investment, or other professional advice. Please obtain the services of a competent attorney or other professional advisor when developing your own charitable giving plans.



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 parishioners 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.

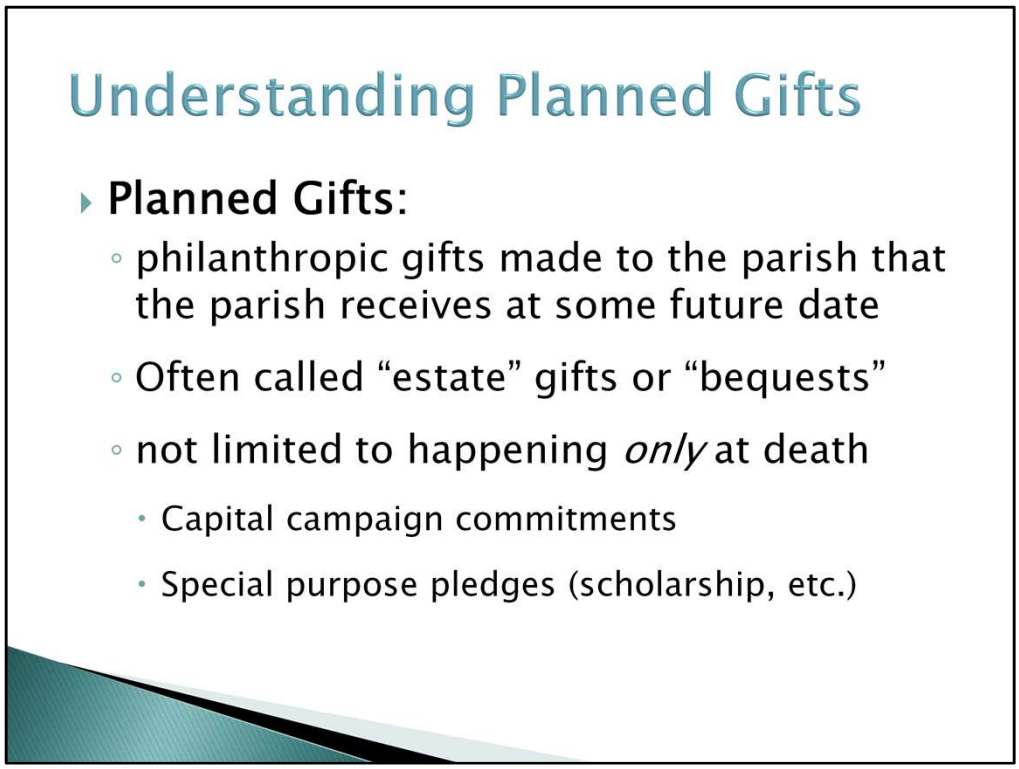


In reality, every gift we make to our parish is in some way "planned" – our annual pledges are planned each year

Other kinds of gifts, however, might also be planned; these include:

Special-purpose gifts (for example, to support a building campaign)
Gifts made to the parish over time, or through one's estate

Our focus today: to 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.

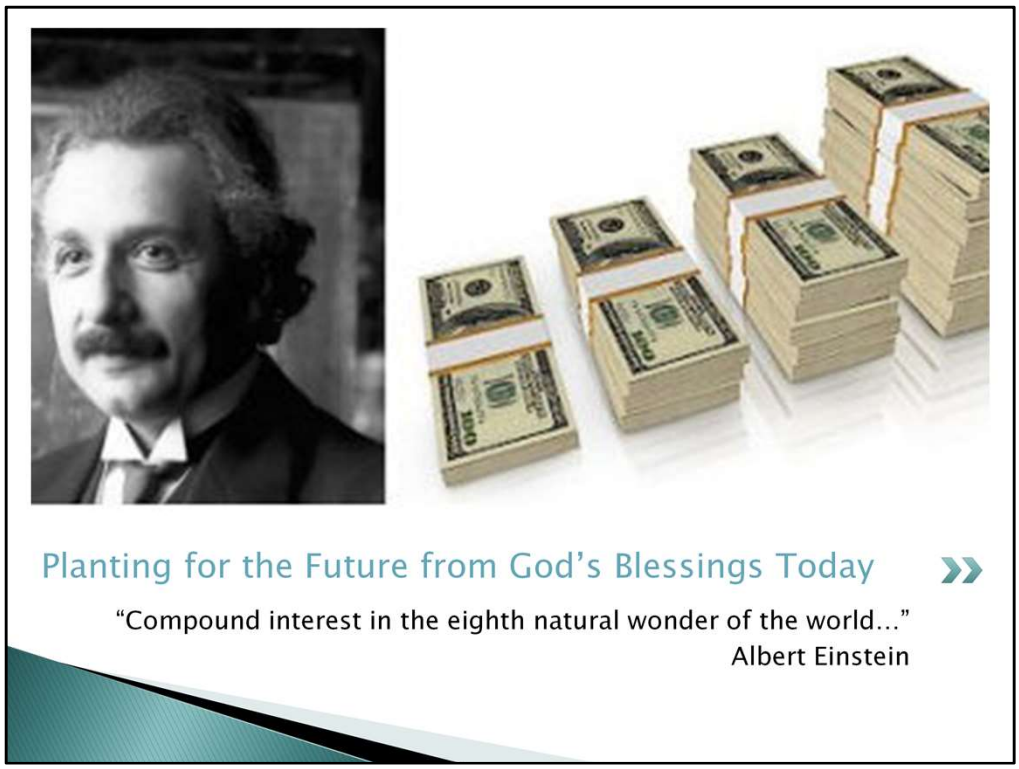
Often provided for from a donor's assets, they may be called "estate" gifts but are planned for in one's lifetime.

May be given from current resources for current uses.

There is an old saying that there are two best times to plant a tree:

The first best time to plant a tree is twenty to twenty-five years ago. For by now the tree would be in full, and one could benefit from its beauty, its shade, and perhaps its fruit, if it produces fruit. So the first best time to plant a tree is twenty years ago.

However, the saying, continues, the second best time to plant a tree is now—today. Before another day passes. Because *when you are trying to grow things, every day counts.*

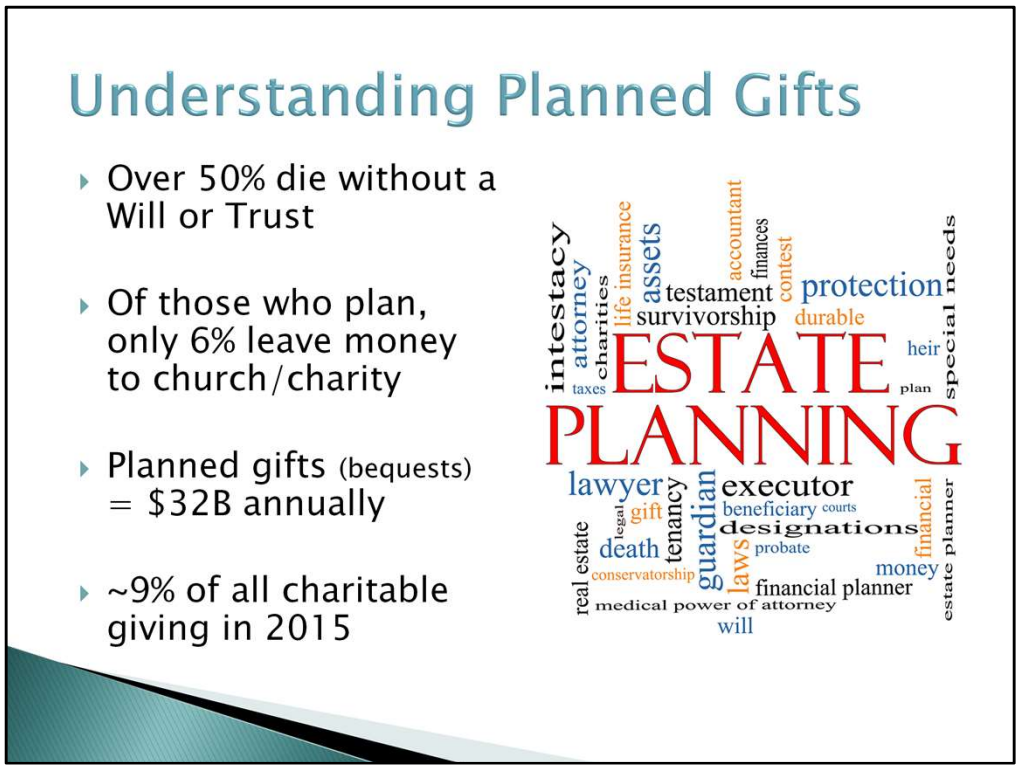


Quoting Albert Einstein, financial planners have said for years that the Eighth Wonder of the World is compound interest. The reason is that with enough time, an initial investment of resources, and a regular return that gets reinvested, your resources will grow, and continue to grow.

Like a tree, with time—that passes day by day anyway—your endowment resources will grow. And if you make additions to the initial investment, it will grow even more; like planting more trees to enable more of a future harvest.

Starting an endowment for your parish, and inviting people to leave planned gifts to the endowment, or make a planned gift of current appreciated assets, will enable any parish to grow its endowment, the income from which can keep a church free of deferred maintenance, among other goals a parish endowment might have as its focus.

Start today, and let time and the power of investment interest grow your endowment into a strong resource for keeping your parish a vital center of life transforming ministry in your community.



Unfortunately, studies have show that more than 50% of Americans die without a Will.

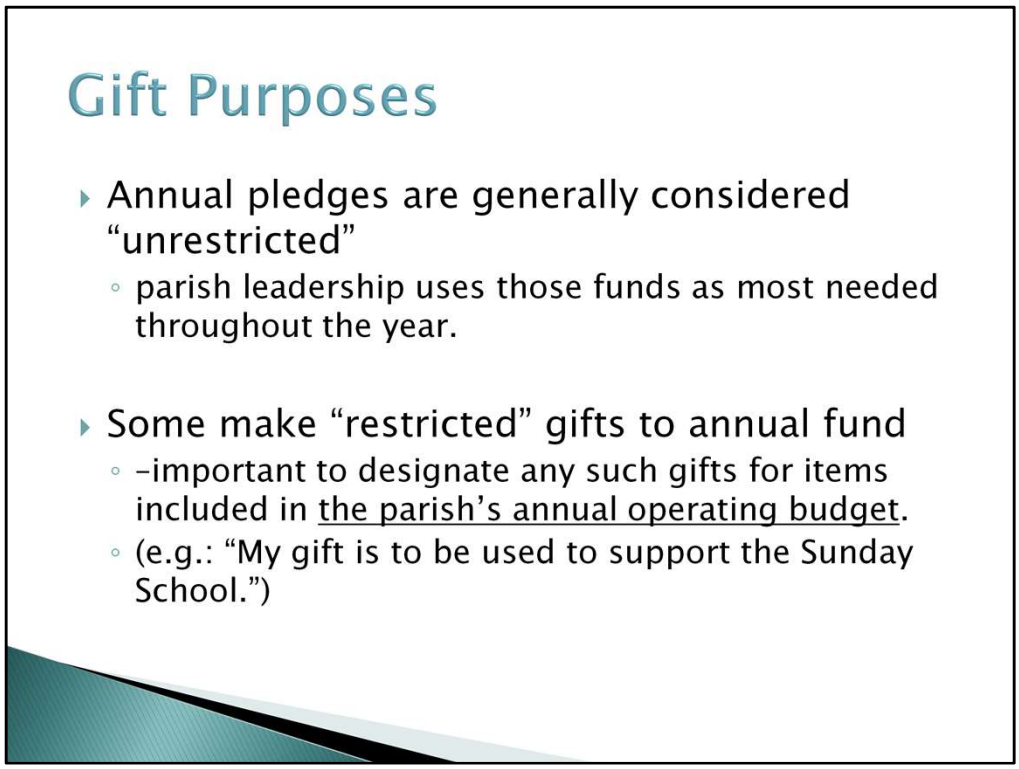
Of those with a Will, just 6% leave money to their parish or to another charity on their own volition, without being asked.

Nonetheless, total planned gifts to charity = $30 billion annually (approx) – about 10% of all charitable giving

Why Should Anyone Leave a Gift?

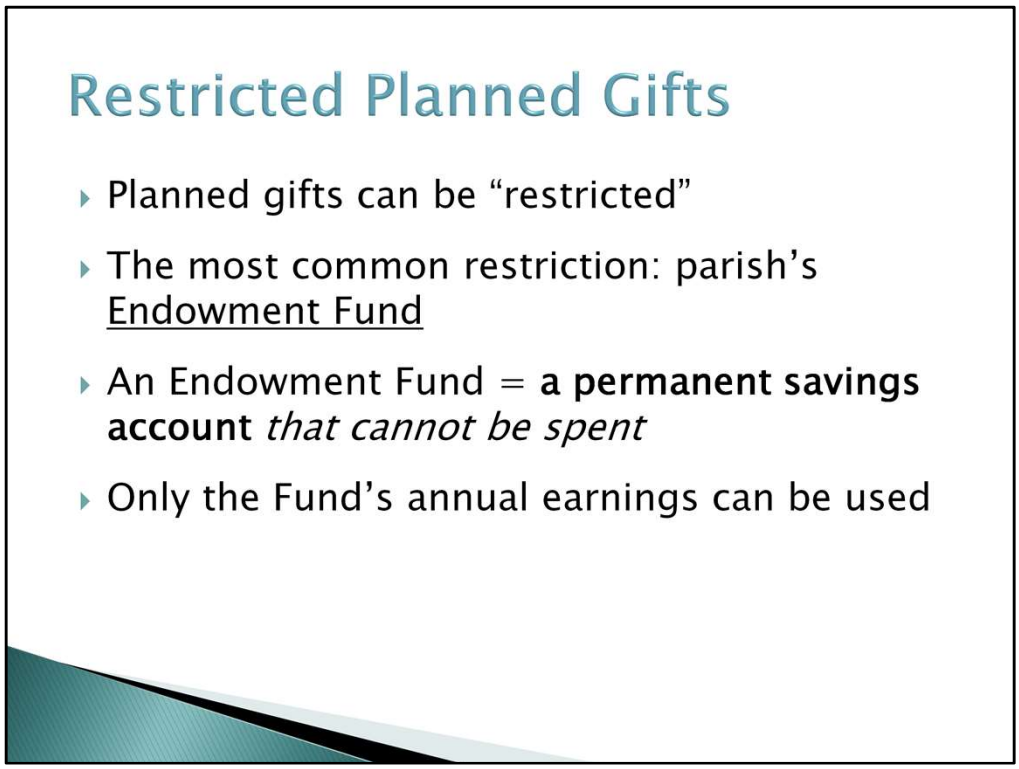
- To make a significant impact on the parish and its mission
- To possibly lower taxes at death
- For potential tax savings during one's lifetime
- To increase income in lifetime
- To make an impact on family:

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



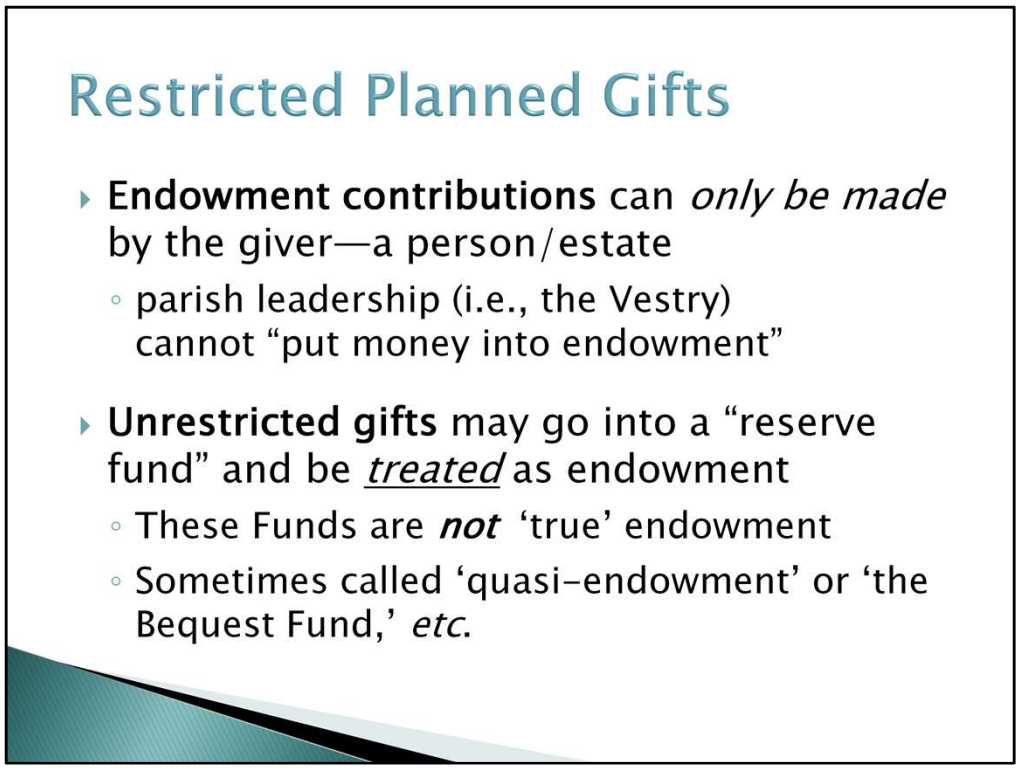
Our pledges to the annual campaign are generally considered "unrestricted" – that is, parish leadership can utilize those funds as most needed throughout the year.

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 parish's annual operating budget. (Example: "My gift is to be used to support the Sunday School.")



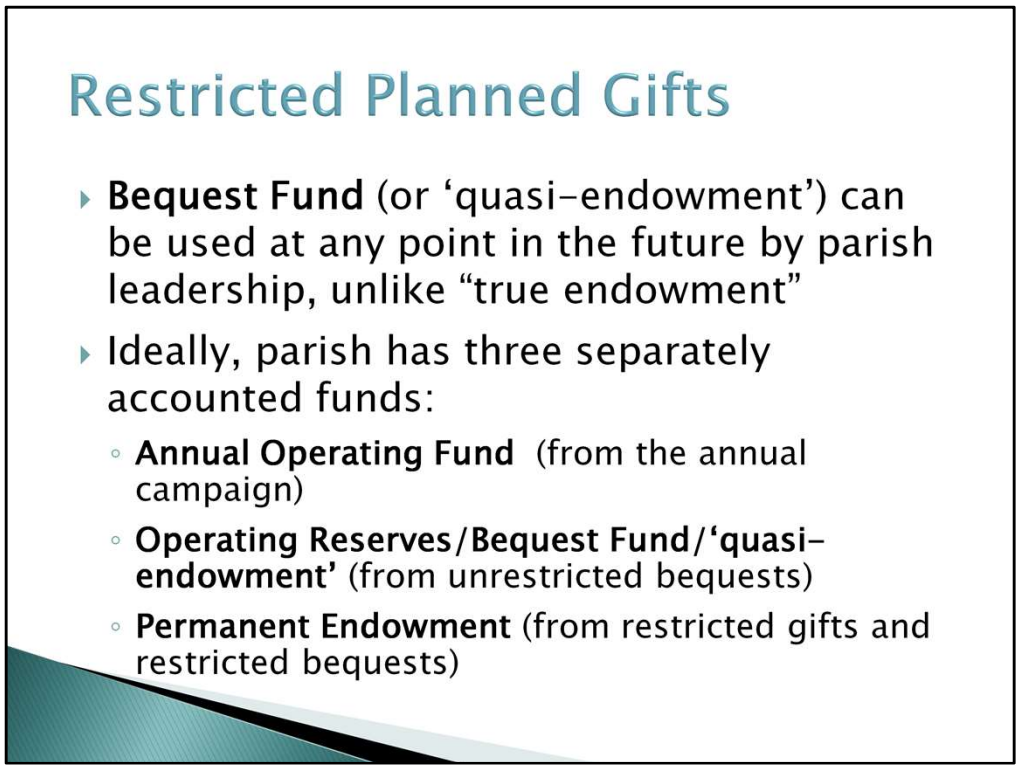
Planned gifts can also be "restricted" for a particular purpose – the most common restriction being for the parish's Endowment Fund.

An Endowment Fund can be thought of as **a permanent savings account** *that cannot be spent*; in general, only the Fund's earnings can be used each year.



Endowment contributions can only be made by the giver – parish leadership cannot "put money into endowment," for example.

Sometimes parishes receive planned gifts that are not restricted for endowment. When that happens parish 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

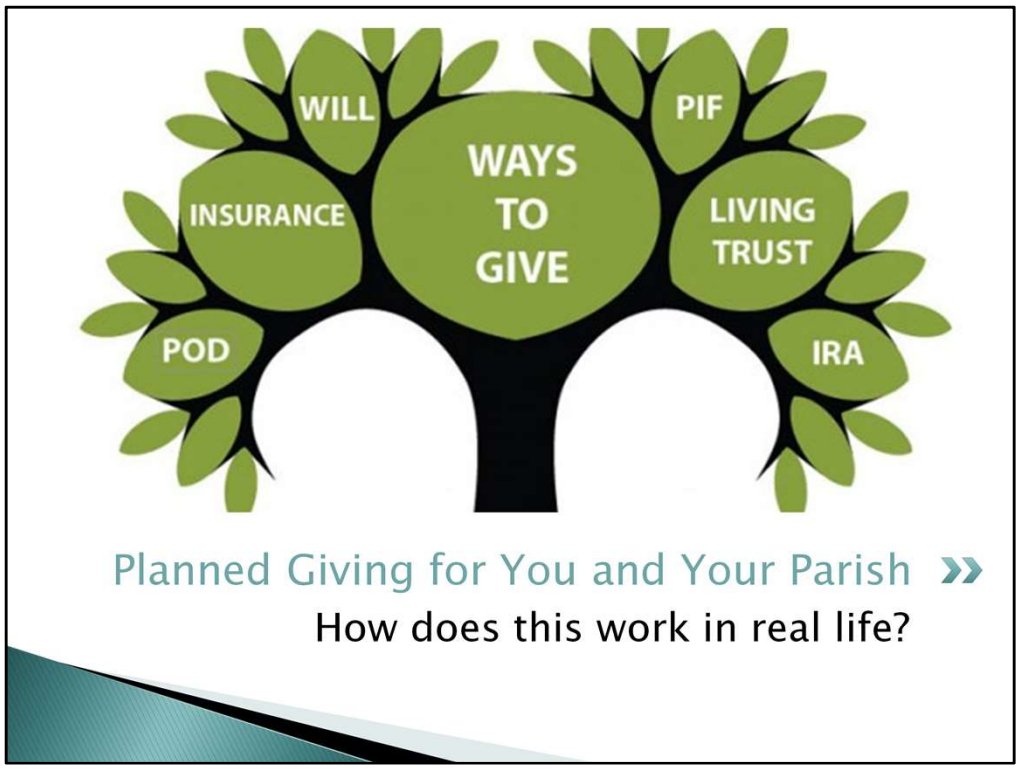
A parish ideally has 3 funds, each of which is accounted for separately:

Annual Operating Fund (from the annual campaign)

Operating Reserves/Bequest Fund/'quasi-endowment' (from un-restricted bequests)

May develop sub funds for specific purposes. (Ex: Major Maintenance Fund).

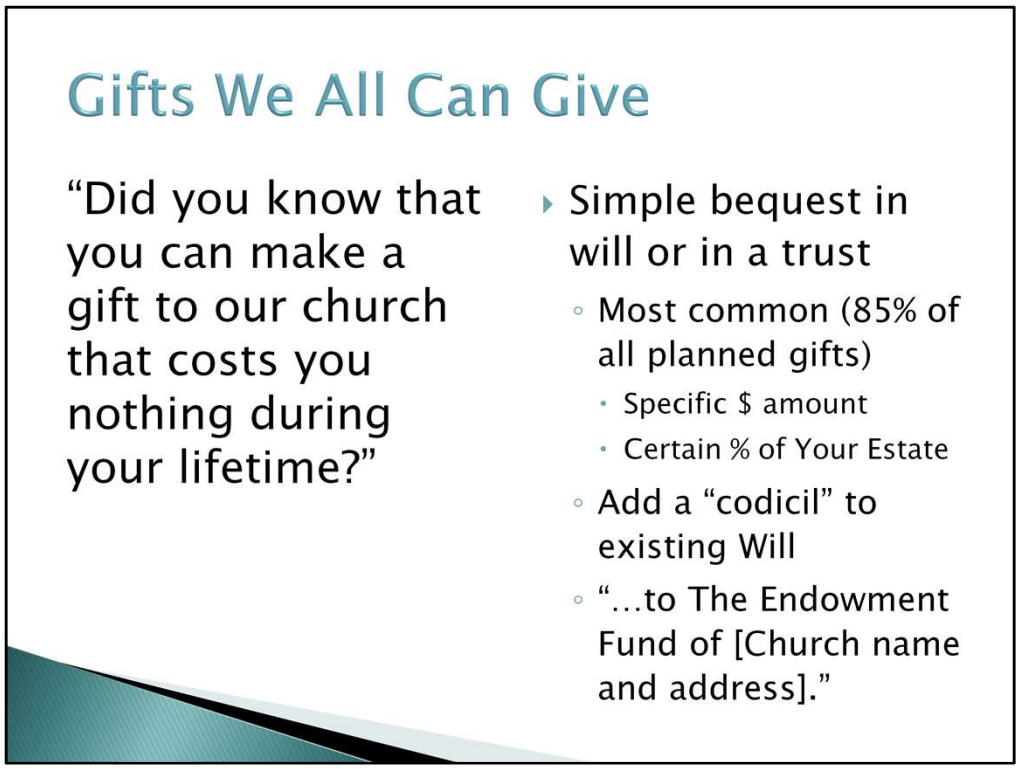
Permanent Endowment (from restricted gifts and restricted bequests)


WILL
PIF
WAYS TO GIVE
INSURANCE
LIVING TRUST
POD
IRA
Planned Giving for You and Your Parish
How does this work in real life?

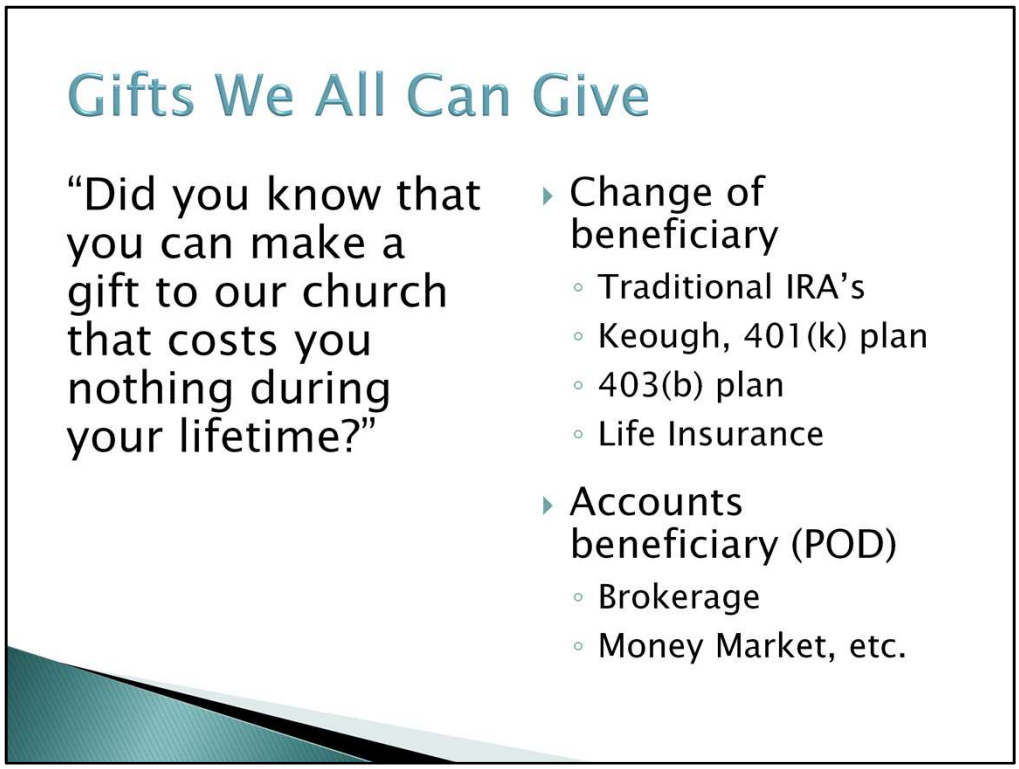
Gifts We All Can Give

"Estimate of Giving"

- According to a plan
  - $ per week/month
  - % of income
  - Electronically/ACH
- Out of *gratitude*, generously, and joyfully



85% of all planned gifts are in the form of a gift left to the church in one's will. This can be done either at the creation of the will, or by adding a codicil to an existing will.
The bequest can be restricted or unrestricted.
The amount left can either be a fixed dollar amount, such as "I leave $10,000 to the Endowment Fund of my parish church, St. _____." Or one could leave a fixed percentage amount, as in "After gifts to beneficiaries have been satisfied, I leave 50% of remainder to the Endowment Fund of my parish church, St. _____."
NOTE: Bequests are revocable. Good stewardship of the parish can help maintain the donor/church relationship.



Did you know that making your church the contingent beneficiary on an IRA account will allow the total balance of the account to transfer to your church? Non-spousal contingent beneficiaries will see much of that account depleted due to ordinary income taxes on the estate of the one who died. (Spouses receive IRA proceeds without tax.) A single–person or widow/er might consider this option.

If you have paid up life insurance, the policy could be given to the church for a tax-savings, and/OR make your church a beneficiary, or partial beneficiary, or contingent beneficiary, and your church will receive a portion or all of the proceeds of the policy upon your death—tax free!

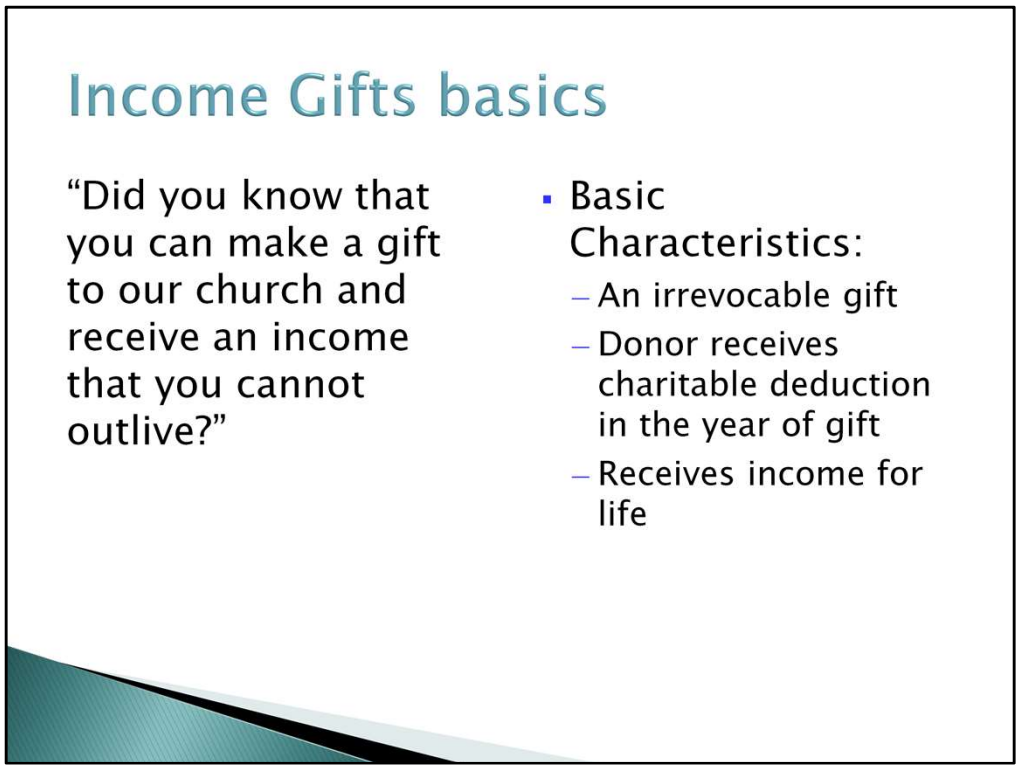
You could also donate the policy itself [if not "term" insurance] and receive a possible tax-deduction for the present cash value.

For some people, making the church a beneficiary, or partial beneficiary, or contingent beneficiary, of other accounts—such as brokerage, money market, or other savings vehicles) and your church will receive a portion or all of the balance payable upon your death. Talk to your bank, credit union, or brokerage house for information about Payable On Death (POD) designations.

Gifts We All Can Give

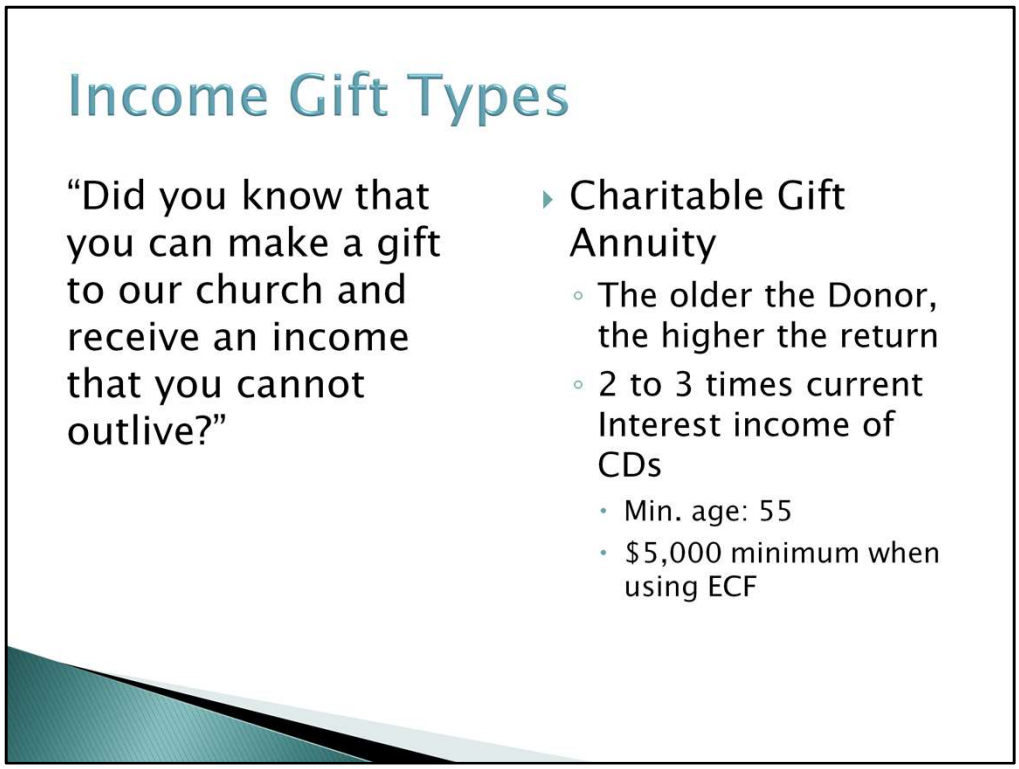
"Did you know that gifts of stock can be more beneficial than giving cash?"

- Appreciated Stock gifts
  - Deduct full value
  - Avoids Capital Gains tax
- Provides immediate gift to your church
  - Helpful for annual tax planning
- RELATED: Annual IRA Minimum distribution



Of these types of gifts, the most common are those that are income-producing. 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)



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

Offered by:

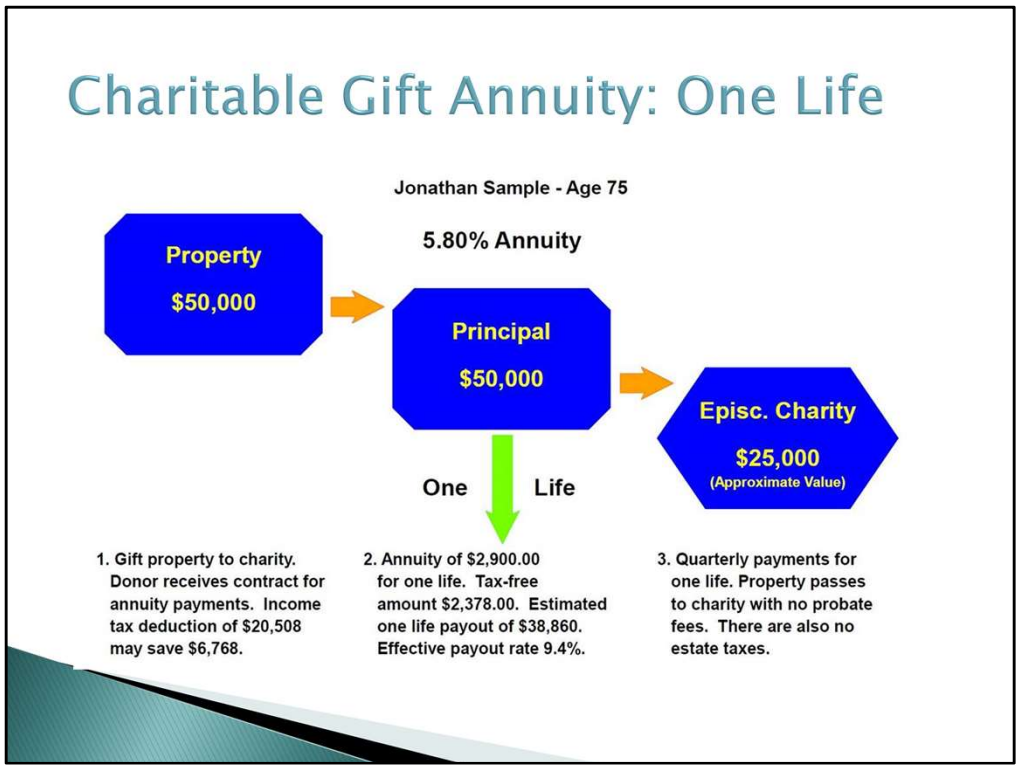
The Episcopal Church Foundation

Large institutions like Fidelity, Schwab, etc.

Community Foundations

All offer the same rates, established by national committee

Minimum contribution amounts vary from institution to institution

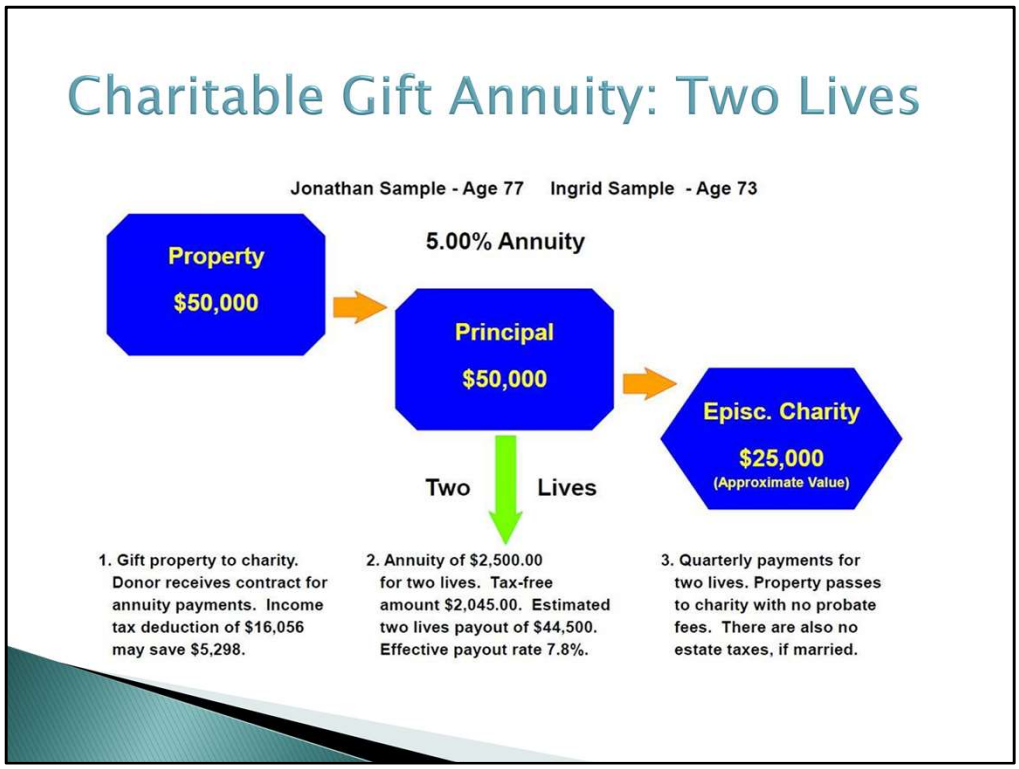


This slide shows that when Jonathan Sample makes a $50,000 gift to a charitable gift annuity, and makes the endowment fund of his local Episcopal Church the beneficiary, the following things happen:

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.

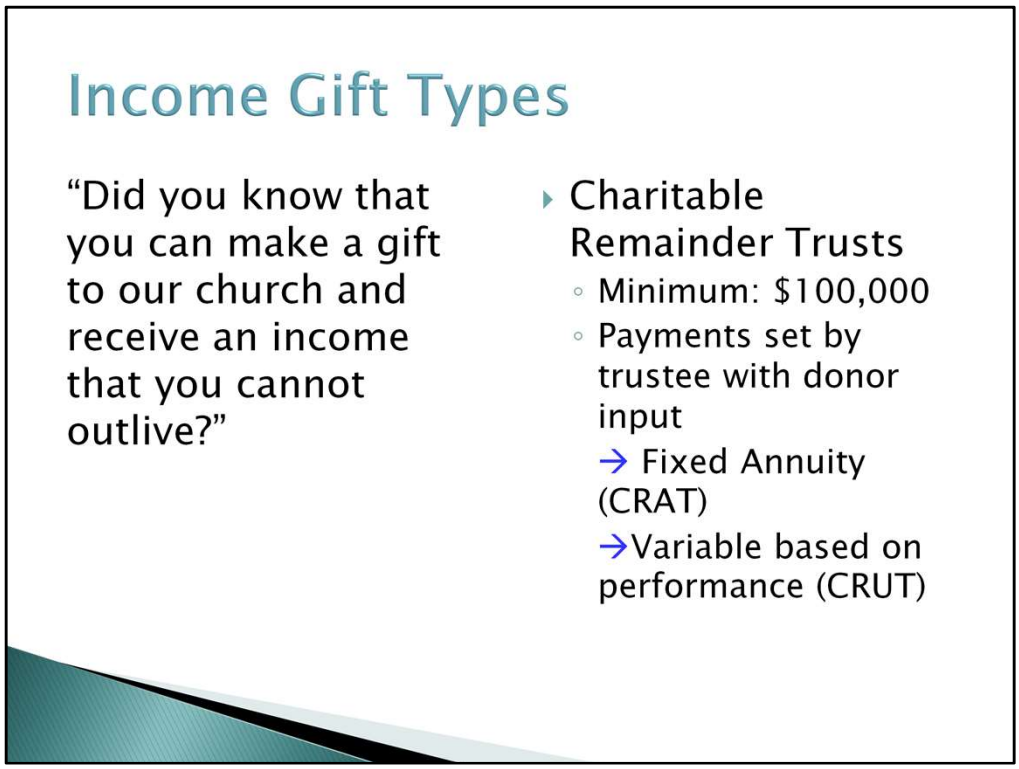
At his age, the annuity pays income at 5.8% quarterly, so Jonathan will receive a guaranteed income of $2,900 annually ($725/quarterly) for as long as he lives. Plus, a portion of that income will be tax-free as well, boosting his effective payout rate to 9.4% on his planned gift to the church. Upon 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.

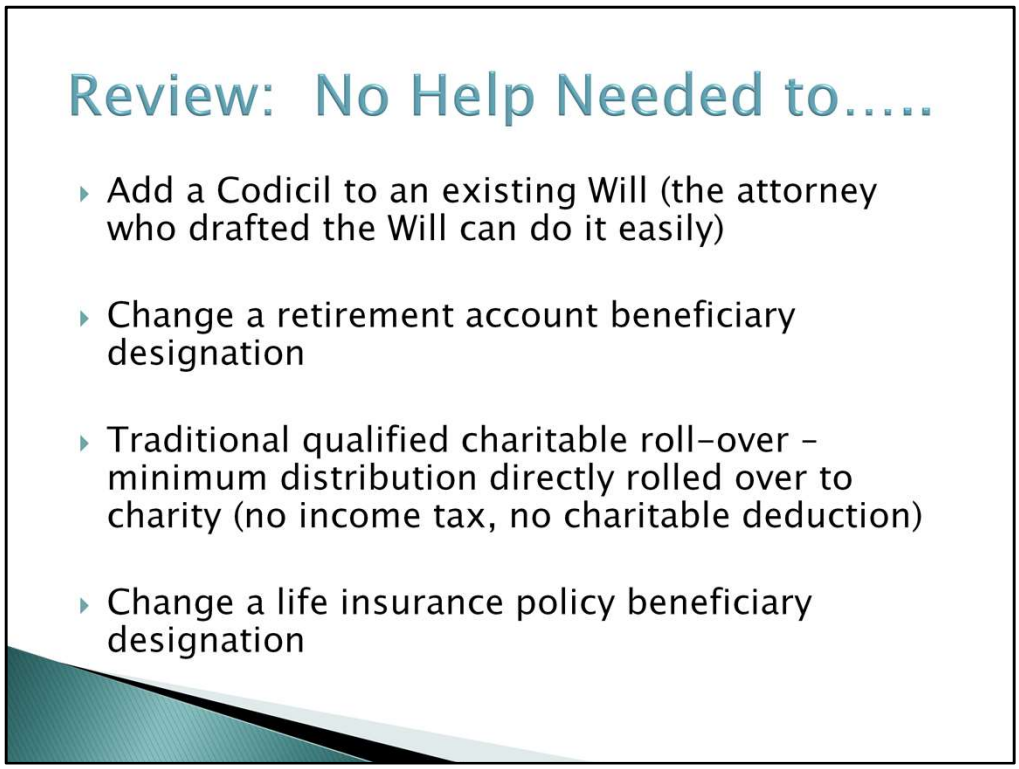


Charitable Remainder Trusts (CRT's)

function basically the same as charitable gift annuities; assets placed in trust; giver receives tax-deduction in the year given, and income goes to giver, based on the terms of the trust. Upon death, assets pass to church according to terms of the trust.

minimum contribution amounts are higher (usually $100,000+)

Two types of CRAT Fixed annuity, where the income is at a fixed rate; or a variable rate of return, paid out in a Charitable Remainder Unit Trust (CRUT)



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

See an Attorney to….

- 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)

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