



## **Planned Giving Handbook**

December 2022

## Acknowledgements

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The Planned Giving Handbook began in 1991 as a project of the Committee on Resources and Marketing of the National Association of United Methodist Foundations to develop a resource which could be adapted to meet the needs of all United Methodist churches. The Planned Giving Handbook was widely distributed by member foundations. It was significantly revised in 2006 under the leadership of the Focus Area on Education and distributed in print form and digitally.

In 2016, recognizing that one size does not fit all, NAUMF charged the Focus Area on Faith and Generosity with restructuring the Planned Giving into separate modules or documents to make it easier to use in differing contexts.

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1991 Edition: Douglas L. Byrd, Donald W. Joiner, Parke H. Hess, Norman K. Quick, and Thomas E. Rieke, and Charles Smith.

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*The UMFNIC works with churches throughout Northern Illinois to establish endowment programs and promote planned giving. The UMFNIC is equipped to guide you through this process.*

## What is Planned Giving?

***"Planned giving is the art of helping people learn they can afford to make more generous charitable contributions than they had thought possible." The ABC's of Planned Giving, L. Clough, 1992, p 5.***

Many faithful people practice the spiritual discipline of regular financial offerings to their church or favorite charities. Typically regular offerings represent a portion of a household's income, given to a faith community in celebration of God's blessings.

Like Jesus' disciples who didn't realize they could fill their nets by simply casting on the other side of the boat (John 21.6), many people are unaware of the value of another side of their personal financial "boat" - their assets. The field of **planned giving** teaches us to be faithful stewards of our **accumulated assets**, to discover the wealth of giving opportunities available to all persons. Because planned gifts typically arise from asset management, this type of giving is typically "win-win" and grows our financial stewardship today and into the future.

Persons with a strong history of faithful giving, whether small or substantial amounts, demonstrate *donor intent*. The most satisfying aspect of planned giving is supporting donor's exploration of the many ways they can fulfill their hopes and visions for making a difference with the gifts God has entrusted to them. There are many persons with *donor intent* in our congregations. And they are waiting for us to extend an invitation and to hook them up with giving opportunities that fit their unique life experiences.

**Sound too good to be true?** Imagine the disciples surprise when they drew in full nets, simply by casting on the other side of the boat! Planned giving and the simple techniques described here offer great rewards for those curious, committed and faithful persons willing to explore!

In congregations, the pastor is typically well positioned to identify persons who could benefit from planned giving information. Pastors are a valuable player in the communication and development of faithful stewardship (see "The Pastor's Role," page 18). In addition, lay leadership knowledge can open doors of opportunity for conversation about gifts that benefit both donor and ministries. The ability of ministries to create endowments and equip donors to support the future of their ministry connects donors with opportunities to enjoy generosity.

All of the gift opportunities introduced in this Handbook can be promoted and communicated to donors at any time. Churches may find it helpful to first create an endowment and planned giving ministry to coordinate communication and education about creative gift strategies. (See Section II). Having policies in place to guide donors can reduce conflict that can arise from "surprise" gifts. However, sometimes surprise gifts create the motivation to discuss and establish policies. Since many gifts are surprises, it can be advantageous to plan ahead and establish policies to prevent

confusion and conflict in the future. Donors may not require policies, but for those who ask, being able to say “Yes, here they are” generates valuable trust and credibility.

We are called to celebrate our giftedness and to invite others into the joy that flows from giving!

## Theology of Giving

**Giving is a Spiritual Discipline lived out in our daily walk with God.** Our theology of giving is grounded in four principals that shape both our personal and congregational stewardship journey and theology of giving. Our acceptance of and struggles with these principals guide our daily and lifelong choices and decisions about resources. The daily choices we make as disciples of Jesus constitute our spiritual journey, linking our faith with our stewardship of money.

### “FAITH & MONEY” STEWARDSHIP PRINCIPLES

1. **Everything is first and foremost a gift from God.**
2. **God chose humankind as stewards of God’s creation.**
3. **As God’s stewards, our priorities should reflect God’s preference for the “poor.”**
4. **Our actions today have implications for the present and future.**

Today is as critical a time for stewardship in the church as ever. Mention the word “stewardship” to an average parishioner, and most people are likely to think of the offering plate. Holistic Christian stewardship is about much more; it is about choosing a “way of life” impacting all the decisions we make during our lives. We hope to challenge readers to recognize stewardship as a lifestyle rather than as a gift in the offering plate. In particular, we hope to inspire the understanding that “giving” opportunities in our churches and ministries empower faithful disciples of Jesus Christ to create a legacy beyond the limited span of our lives.

***“The church is of God and will be preserved to the end of time.”***

*United Methodist Baptismal Covenant*

Take a look at your church’s mission or vision statement, or consider the United Methodist Mission statement: “To make disciples of Jesus Christ for the transformation of the world.” Notice that it doesn’t have an *expiration date!* The church is of God and for eternity. In other words, we expect our church to be here long after our brief time on earth is over. However, our giving opportunities too often focus solely on the here and now, not on God’s future. John Wesley invites us to ***Earn all we can, Save all we can and Give all we can.*** Many of us are fortunate enough to experience all three of these enriching experiences during our lifetime. However, many organizations and donors remain unaware of the options available to help us generously ***Give all we can*** for ministry today and into the future.

***“Every generous act of giving, with every perfect gift, is from above.” James 1:17***

Think for a moment about the vision and commitment of the people who started our churches and made plans and decisions intended to shape the future: selecting a worship place, constructing a building and establishing designated funds for missions or scholarships for future generations. Now think for a moment about the people who will come after us: our children, their children and their friends. What can we do in this current time to ensure resources will be available for future generations of Christian disciples and disciple-makers?

***“The gift that keeps on giving.”** Victor Talking Machines Co., 1926*

One answer is an **Endowment and Planned Giving Ministry**. An Endowment and Planned Giving Ministry communicates our confidence that 1) the church will be here tomorrow to nurture disciples, 2) we wish to continue to help put God’s love in action into the future, and 3) our help will be needed tomorrow to continue the work of healing a hurting world. Endowed gifts, in particular, “keep on giving” because they create a permanent legacy extending into the future. This Handbook contains detailed information for developing your Endowment and Planned Giving Ministry.

Our ministries must also demonstrate professional financial management and honor the trust of donors who contribute to this ministry. This Planned Giving Handbook seeks to assist organizations committed to helping donors fulfill their stewardship and philanthropic desires to contribute to ministries that change the world today and tomorrow. Donors are looking for good investments for their charitable giving, and we believe the church should be one of the recipients of their generosity.

***“You do not have, because you do not ask.”** James 4:2*

But we have to ask! Very few people think to include the church in their Wills or living trusts unless they are asked. We each have the opportunity and responsibility to create a legacy that accurately represents the values honored and gifts made during our lives. What we often don't know is how easy and affordable “giving” can be or how significantly we can impact the future by decisions we make today!

As leaders in a local church or ministry, it’s our job to encourage our friends and fellow parishioners to join us in giving a portion of our lifetime’s accumulated assets to bless our church and future generations. By creating an endowment and planned giving ministry, we create a framework for inviting others into lifelong comprehensive Christian stewardship, reflecting that all that we are and all that we have are gifts from God. We celebrate every time a donor or organization experiences the joy of giving.

An Endowment and Planned Giving Ministry connects our spiritual and our financial lives in a journey toward health and wholeness. Giving is good for the soul, mind and body; and God expects good things for and from us. Churches that shy away from this opportunity for spiritual growth find their spiritual and temporal health suffer. The conversation and growth that is possible through giving blesses both the giver and the receiver, automatically multiplying our gifts and stewardship. Planned Giving and Endowments are vehicles for sharing blessings and maximizing stewardship of our financial gifts and resources.

## Why Establish an Endowment Program for your Church?

What if we could master plan our churches the way commercial businesses and many non-profit organizations do? What if we could anticipate our needs for ministry and facilities and staff and set aside funds that would earn interest income to support our mission and ministry for the long-term?

The answer is we can ... and many churches do.

Church endowments provide the income to maintain church buildings, generate funds for mission work or enhance other ministries. A properly structured endowment program can help you secure the financial future of your church. Endowments have provided a major source of funding for many institutions in our society for years.

Webster defines endowment as a “permanent fund or source of income.” An endowment fund is made up of money or other financial assets that are donated to charity. The principal is invested and the resulting income may be used for further investments and supplementary expenditures. Most endowments have guidelines that state how much of each year’s investment income can be spent. When properly managed, endowment funds will generate earnings that can enhance the ministry of the church in the years ahead.

### POTENTIAL BENEFITS

The difference between endowment funds and other types of funds, such as operating or capital funds, is that assets are invested in perpetuity. The whole point of an endowment is to provide a steady, predictable source of income over time. Endowment funds can be fundamental to the financial stability of an organization. Endowment income can provide a cushion against unforeseen expenses or economic downturns. An endowment fund can be established for anything which serves the mission and ministry needs of a church.

### HOW IT AFFECTS GIVING

When members are given opportunities to give from accumulated assets *as well as* from current income, it can lead to increased generosity. It adds a completely separate income stream. An endowment’s existence will encourage deferred gifts to the church that might otherwise have gone to an alternate charity. Endowments also provide opportunities for donors to give gifts in honor and in memory of family and friends.

An endowment fund says that your church:

- Believes in its future



- Wishes to be guided in stewardship by the belief that all we have is from God
- Wants to build a sense of permanence
- Desires *as a church family* to be good stewards even as we expect *each member to be a good steward*
- Wishes to go the extra mile in providing new services and programs
- Wants to create a legacy for future generations

Simply by having an endowment program, a church can signal that it is doing a good job of long-range planning. At the same time, the church is affording its members an opportunity to practice life-long giving, and to include their church in their present and future financial plans.

### **FIVE WAYS ENDOWMENT PROGRAMS HELP CHURCHES GROW**

1. The church receives increased gifts to fund its various ministries
2. Members begin including planned gifts as well as current gifts in their stewardship response
3. Members are educated as to many expanded gift opportunities for mission and ministry through their church
4. Current contributions given in support of the on-going annual budget are freed up to strengthen and even expand existing programs
5. The church and its various ministries and institutions begin to receive major planned gifts that have previously been directed to other causes where endowments are already in place

The UMFNIC is ready to partner with you to establish a permanent endowment program. This Planned Giving Handbook, provided by the Foundation, is a step-by-step guide through the process. Planning, consultation, educational and training services also are available from the Foundation free of charge. For more information on services available from the Foundation, see “The Role of the UMFNIC in Planned Giving” on page 14.

## Endowment/Planned Giving Services Available from the Foundation

The UMFNIC consults with local churches to establish Planned Giving/Endowment ministries in accordance with guidelines set forth in *The Book of Discipline of The United Methodist Church*. Types of services include:

- Leadership in establishing a planned giving program through presentations in the church and consultation with church leaders
- Use of the Foundation's *Planned Giving Handbook*, which provides a step-by-step process and model resolutions for establishing a permanent endowment fund
- Ideas, resources and leadership in interpreting planned giving opportunities
- Planned giving workshops and educational programs
- Resource materials on planned giving and estate planning, including brochures, videos and planning workbooks
- Confidential consultation with individual donors
- Donor recognition programs and ideas
- Professional funds management/investment services
- Trustee/custodial services of charitable gifts benefitting United Methodist churches and/or its related charities
- Ongoing evaluation and consultation services

Planning, consultation, educational and training services are core ministries of the Foundation and are provided free of charge. There is a small fee for professional fund management/investment services. Fees cover accounting, reporting, and compensation of professional investment counselors. The Foundation provides an accounting of transactions with respect to each account invested in its common funds on a periodic basis.

## Frequently Asked Questions

### 1. What is an endowment program?

- A. An endowment is a permanent fund that that can be invested to establish a long-term source of income to support programs and ministries. In most churches, the income from the investment or a set percentage of the value of the fund is available to spend on an annual basis. A healthy endowment can provide a source of funds – beyond the annual budget – for opportunities in operations and outreach and a hedge against challenging economic times.

### 2. How do we start one?

- A. The first step is to create an Ad Hoc Committee to draw up a resolution to be presented to a Charge Conference establishing a Permanent Endowment Fund Committee and Permanent Endowment Fund. Once the Permanent Endowment Fund Committee is in place, it determines how the fund will be administered and invested. The committee's duties include:
- determining what types of funds will be included in the endowment program, usually based on the church's needs, goals or long-term vision
  - determining what types of gifts will be accepted and acting as the authority for receiving planned gifts on behalf of the church
  - determining how income will be distributed, and
  - general oversight of the endowment program and its invested funds.

The step-by-step process for establishing a Permanent Endowment Fund Committee and fund is outlined in your *Planned Giving Handbook*, in accordance with ***The Book of Discipline of The United Methodist Church***.

### 3. Is it necessary to establish an incorporated foundation?

- A. It is not necessary to incorporate a separate foundation. The UMFNIC is an incorporated 501(c)(3) organization, which is fully licensed in accordance with local, state, and federal regulations to serve as trustee of charitable gifts to United Methodist churches and other agencies. Trustee services include:
- professional management of assets
  - record keeping and reporting
  - accounting and payment of income to a donor or beneficiaries

The Foundation also is licensed to provide charitable gift annuities to donors who wish to set up an annuity that will benefit a church or church-related institution. Setting up a separate incorporated foundation in a local church could be problematic in that the corporation would be separate from the incorporated local church and would not be subject to the control of the church Charge Conference.

#### **4. What types of people should be on the committee?**

A. The Permanent Endowment Fund Committee should include the pastor, the chair of the Finance Committee, the local church treasurer or business administrator, a representative of the Board of Trustees, a representative of the Stewardship Committee and an additional three to five at-large members who are recognized leaders in the church. Usually the church Nominating and Leadership Development Committee submits its slate of nominees to the Charge Conference.

#### **5. How do the trustees and endowment fund committee work together?**

A. In most churches the Permanent Endowment Fund Committee and Trustees work closely together to ensure the financial security of the church. The endowment fund committee should keep the trustees informed through annual or quarterly reports on the state of the endowment funds and how those funds are impacting the mission and ministry of the church.

#### **6. How do we decide what to endow?**

A. The Permanent Endowment Fund Committee will typically create a list of funds and sub-funds that are in keeping with the mission, ministry and vision of the church. Most churches create a General Endowment Fund, which is an “undesignated” fund which can be used by the church to cover special needs, including unbudgeted facilities maintenance or capital improvements. In addition, the committee will typically create a list of “designated” funds which may be used to endow specific ministries, such as missions, children’s ministries, scholarships, continuing education for pastors and staff, worship and educational needs and almost anything the committee or congregation can imagine. Some of these endowment funds are established to honor or memorialize a member or members. Some are established to provide for current and future needs.

## **7. How long will it take for the endowment to grow?**

- A. It depends on how committed the church and endowment committee is to building a substantial fund and how well the endowment program is communicated and celebrated by the committee and church at large. Guidance on how to promote an endowment program is available in the marketing handbook which accompanies this document.

## **8. Who decides how the income is spent?**

- A. The Permanent Endowment Fund Committee, with approval of the Charge Conference, establishes the funds that make up the endowment and is responsible for administering income distributions to the respective ministries involved. From that point, the committee or agency of the church that is responsible for the ministry or function that is endowed by the fund decides, in consultation with the Church Council and the Finance Committee, how to spend income distributed to it by the Permanent Endowment Fund Committee.

## **9. Will endowment giving reduce other types of giving?**

- A. Typically the addition of an endowment program creates a new stream of income for a church. In most churches, 99.5% of the operating budget is funded by gifts of income (cash, coins and checks) from its members. Likewise, most capital campaign pledges are funded by gifts of income, while planned gifts to the church endowment are given almost 100% from assets. Without a well-publicized endowment program, church members may designate planned gifts, such as bequests, trusts or charitable gift annuities to other charitable organizations that do.

## **10. Does the leadership need to give?**

- A. Absolutely. Members of the Permanent Endowment Fund Committee and other lay leaders should be prepared to “lead by example” when it comes to establishing a church endowment. It is a good practice to recognize and “thank” donors on a regular basis in a special recognition event or service or by printing a listing of gifts and givers in one or more church publications.

## **11. How does the endowment program relate to the mission and ministry of the church?**

- A.** The most successful endowment programs are those that are tied to a well thought out and well-communicated vision for ministry. Donors will give if they believe in the mission of the church and if they believe the church, or ministry, is changing people's lives.

## The Role of the UMFNIC in Planned Giving

The UMFNIC promotes planned giving throughout the Conference and will assist local churches in establishing a Permanent Endowment Fund, a Permanent Endowment Fund Committee and an ongoing Planned Giving Program. In this regard, The Foundation offers the following:

1. The Foundation provides leadership in planting the seed for a planned giving program through presentations in the church and consultation with church leaders.
2. The Foundation provides step-by-step processes and model resolutions that the local church can use in establishing a Permanent Endowment Fund. This helps to ensure the best structures and procedures are used, by providing ideas and resources, as well as hands-on assistance in the creation and organization of a Permanent Endowment Fund Committee.
3. The Foundation provides ideas, resources and leadership in announcing and interpreting planned giving opportunities.
4. The Foundation provides a wealth of resources, planned giving ideas and leadership for wills or charitable estate planning seminars in the local church, and for on-going stewardship education.
5. Foundation staff members are available to counsel potential donors privately to help them clarify their charitable gift giving goals.
6. The Foundation can provide technical assistance to both prospective donors and to the Permanent Endowment Fund Committee in the form of gift planning ideas, income projections, tax deduction calculations and estate analyses.
7. The Foundation can provide the resources and materials for an effective ongoing planned giving program in the local church.
8. The Foundation can provide professional funds management/investment services for the Permanent Endowment Fund assets as determined by the local church.
9. The Foundation can act as managing trustee of a charitable trust of which at least 40% of the assets will benefit a United Methodist church or institution.
10. The Foundation can offer gift annuities, which will benefit the local church.
11. The Foundation can provide an annual opportunity to the local church in which the church's planned giving program can be evaluated and adjusted to meet current goals.
12. The Foundation can provide a series of workshops on working creatively with stewardship issues confronting the church today.

There is a small fee for professional fund management/investment services, which covers accounting and management costs, including compensation of investment advisors. Contact the Foundation office for the rate applicable to your account.



## Role of the Permanent Endowment Fund Committee

Those churches that have established Permanent Endowment Fund Committees either act as a committee of the whole for all purposes or assign the following specific responsibilities to an individual or small sub-committee. The committee as a whole should conduct an annual evaluation.

1. Communications:
  - a. Creates primary church brochures
  - b. Develops library of topical brochures
  - c. Creates annual reports
  - d. Maintains copies of original Permanent Endowment Fund documents, including Gift Acceptance Policies.
  - e. Creates newsletter articles about donors and gift opportunities
  - f. Provides general information to estate planning professionals
  - g. Determines method and frequency of distribution of all written materials.
  - h. Prepares articles about donors.
  - i. Prepares articles about Permanent Endowment Fund giving opportunities.
  - j. Determines who will respond to inquiries about the Fund.
  - k. Provides informational materials to be used by church office when responding to inquiries about the Permanent Endowment Fund.
2. Public Events:
  - a. Develops lists of groups within the church that should be invited to special events
  - b. Develops and hosts workshops on topical events
  - c. Maintains a list of estate planning professionals in the community
  - d. Plans annual celebrations focusing on one endowment area each year
3. Investment:
  - a. Oversees the investment of all assets described in the Fund documents
  - b. Recommends investment policies to the Committee
  - c. Selects and reviews investment progress of asset manager
  - d. Arranges annual audit
4. Legal:
  - a. Reviews basic documents in order to keep them in conformity with all laws that apply to such an endowment program and to ensure that the documents represent the best interest of the church.
  - b. Provides opinion to the Committee on the acceptability of any particular gift

- c. Represents the Committee to any attorney, CPA, or other estate planning professionals of a donor who is planning a specific gift.
5. Cultivation:
  - a. Identifies congregational groups by age:
    - I. Young Adults
    - II. Middle years
    - III. Pre-Retirement
    - IV. Retirees
  - b. Identifies congregational groups by social orientation:
    - I. Singles
    - II. Young Families
    - III. UMV
    - IV. UMM
    - V. Church School Classes
    - VI. Fellowship Groups
  - c. Maintains a listing of potential donors, based on Permanent Endowment principles.
  - d. Recommends to the Committee those potential donors who should be cultivated.
  - e. Recruits those persons who should cultivate potential donors.
6. Donor Recognition:
  - a. Recommends to the Committee the specific way(s) by which donors will be acknowledged.
  - b. Administers the donor recognition program.
7. Evaluation
  - a. Sets goals and analyzes progress on an annual basis. (See “Evaluating Your Endowment Program” section of this Planned Giving Handbook.)

## The Pastor's Role

As spiritual leader of the congregation, the pastor plays a significant role in creating the vision for the endowment program and in encouraging his or her members to consider planned giving. Here are some of the things a pastor can do to help support and sustain an endowment program:

1. **Preach** on Biblical themes pertaining to being good stewards of one's accumulated assets.
2. **Teach** in adult education settings the subject of responsible Christian stewardship in matters of personal financial planning and estate planning.
3. **Counsel** with persons as part of your pastoral ministry on the importance of wills and estate planning, especially in conjunction with premarital counseling, preparation for baptism of children, counseling at times of health crises or at the death of a spouse, and pre-planning funeral arrangements.
4. **Encourage** the formation of a "Permanent Endowment Fund Committee" which will in turn seek to promote bequests, life incomes gifts and other planned gifts in the life of the congregation.
5. **Educate** yourself about Permanent Endowment opportunities drawing upon basic information available through the UMFNIC or through The Permanent Endowment Resource Center of The General Board of Discipleship.
6. **Communicate** with church members through the various church media channels about wills and life income gifts.
7. **Promote** as a service to the church membership and the community a wills clinic, gifts and wills workshop, estate planning seminar and/or financial planning seminar.
8. **Develop** a long-range planning process with the congregation culminating in a mission statement for which major funding will be required to minister to future generations.
9. **Acknowledge** personally and publicly the receiving of bequests and life income gifts to encourage others as well as to thank the donor.
10. **Celebrate** with gratitude what faithful friends have made possible through gifts that support the ministry and mission of the church today.
11. **Evaluate** your own estate plan. Have you included the church or other charitable institution in your will?
12. **Minister** patiently and faithfully since this crucial aspect of Christian Stewardship takes time to bear fruit.

## Ways a Pastor Can Encourage Planned Gifts

1. Preach on Biblical themes pertaining to being good stewards of one's trust from God (including one's income and accumulated possessions).
2. Teach in adult education settings the subject of responsible Christian stewardship in matters of personal financial planning and estate planning.
3. Counsel with persons as a part of your pastoral ministry on the importance of wills and estate planning, especially in conjunction with premarital counseling, preparation for baptism of children, counseling at times of health crisis or at the death of a spouse, and pre-planning funeral arrangements.
4. Encourage the formation of a "Permanent Endowment and Planned Giving Ministry Committee" in the local church which will in turn seek to promote bequests, life income gifts, and other planned gifts in the life of the congregation.
5. Educate yourself about planned giving opportunities drawing upon basic information available through the UMFNIC. Study and become familiar with this resource, and other sources which the foundation office can recommend.
6. Communicate with church members through the various church media channels about the importance of Christian estate planning and the opportunities for giving through careful, prayerful, and creative gift planning.
7. Encourage the lay leadership to plan, attend, and support stewardship events in the local church such as Estate and Gift Planning Workshops, Estate Planning Seminars, workshops on Creative Gift Planning, and Financial Planning Seminars.
8. Develop a long-range planning process with the congregation culminating in a mission statement which includes endowment funding for the church's mission and ministry to and with future generations.
9. Acknowledge personally and publicly the receiving of bequests and other planned gifts which benefit the local church as a way of encouraging others as well as a way of saying "thank you" to donors.
10. Celebrate with gratitude what faithful friends have made possible through planned gifts that support the ministry and mission of the church today (in other words, what is being made possible because of planned giving and endowment funding).
11. Evaluate your own estate plan. (Have you included the church or other charitable institutions in your will?)
12. Minister patiently and faithfully since this important aspect of Christian stewardship takes time to "bear fruit".

## Evaluating Your Endowment Program

The UMFNIC encourages you to evaluate your endowment program on a regular basis. Frequency may depend on where you are in the process, but once the program is up and running, we recommend that you set goals and analyze your progress on an annual basis. The evaluation process should help you fine tune your strategic plan and set goals for the following year.

To help with this process, here are some points to consider:

- Measure your annual growth in terms of
  - new gifts received
  - growth of investment income
  - new donors identified
- Have you asked donors within the congregation to self identify? Do you know who is planning to remember the church in their will or living trust? Are you regularly reminding members of the congregation to include the church in their estate planning?
- How well have you communicated with the congregation on the benefits of planned giving?
- What events or educational seminars have been most successful this year?
- How has income from the permanent endowment been used to support or enhance the mission and ministry of the church? How well have you reported the disbursements to the congregation?
- How have you thanked and recognized your donors? Do you have a meaningful recognition program in place?
- Has your core leadership helped promote the program through their example of giving?
- How successfully have you linked the church endowment to the church's mission and/or long range vision for ministry?

## Steps to Establishing a Permanent Endowment Program

1. Ask the Church Council to establish an Ad Hoc Committee made up of the pastor, local church Financial and Stewardship officers, and a representation from the Trustees and other active lay members who are supportive of an enhanced stewardship program for the local church.
2. Encourage the Ad Hoc Committee to meet with the president or with an expert representative of the UMFNIC to clarify the role of such a program in the life of the local church and to determine a course of action.

*At each of the following steps, the president or an expert representative of the UMFNIC is available to act as a resource for additional information and guidance. Please note that at each meeting of the Ad Hoc Committee, an attempt should be made to provide a formal training session on Permanent Endowment options. If the Committee members enter into a solid educational program on Permanent Endowment, the work of the Committee will be that much easier.*

3. The Ad Hoc Committee should develop a statement detailing the reasons for establishing a Permanent Endowment Fund.
4. The Ad Hoc Committee should prepare a resolution in accordance with ***The Book of Discipline of The United Methodist Church***, which can be presented to a regular or called charge conference for the purpose of establishing a Permanent Endowment Committee and a Permanent Endowment Fund. The body of the resolution will become the Permanent Endowment Fund document, which will define Committee membership and areas of responsibility, the purpose(s) and operation of the Permanent Endowment Fund, and a gift Acceptance Policy. Once prepared, the Committee should consider consulting with an attorney in order to ensure that the Fund will conform to all applicable Illinois laws. (See *sample resolution*.)

**PLEASE NOTE:** *A Permanent Endowment Fund Committee is a Committee subject to all the provisions of **The Discipline**, which govern the Committees of a local church. It is not an entity separate from the organized local United Methodist church. Its authority is derived from the Charge Conference and it remains accountable to the Charge Conference.*

- a. Within the description of Committee membership, consideration should be given to the number of terms an at-large member can serve. There is good reason to consider the possibility that an at-large member be allowed to succeed him or herself at least once.

- b. Within the description of the Permanent Endowment Fund, provision should be made for not more than five or six accounts, which would provide for more specific endowments. (*See section on examples of such accounts or funds.*)
  - c. The Ad Hoc Committee should create a gift acceptance policy which describes the types of gifts that can be accepted, the manner in which they can be accepted and the manner in which they will be used. This policy should be an attachment to the Permanent Endowment Fund document. This policy will also provide the basis for rejecting inappropriate gifts. (*See sample gifts acceptance policy that follows this section.*)
5. Prior to being presented to a Charge Conference, the resolution should be presented to the Administrative Board or Council, the Trustees, and the Finance and Stewardship Committees.
6. Once the Permanent Endowment Fund Committee is in place, it should determine how the Fund is to be invested based on goals that have been developed by the Committee in consultation with its Foundation representative, and proceed to establish the means by which the Committee will invest the Fund's assets. If an outside fund manager – other than the UMFNIC – is to be used, an investment strategy should be worked out with the outside manager in order to ensure that United Methodist guidelines on investing are followed and that the investment goals of the Fund are met. For assistance in formulating a local church investment strategy, please refer to the Investment Guidelines of the General Council on Finance and Administration of the United Methodist Church at <http://www.gcfa.org/statement-of-investment-guidelines>.
7. The Committee should develop the ongoing Permanent Endowment program, which will keep giving opportunities before the members of the congregation. This should include information events such as wills and charitable estate planning seminars presented on a cyclical basis and the provision of brochures related to Permanent Endowment on a regular basis to all or selected members of the local church. Depending upon local circumstances, the church might develop a campaign seeking endowment gifts from particular individuals and families, or from all church members.
8. A brochure should be created which describes the purpose(s) of the Permanent Endowment Fund and which directs church members to seek additional information. (*Contact the UMFNIC for samples of brochures.*)
9. The Committee should determine the ways by which gifts will be acknowledged. It may be important to establish different ways of acknowledging gifts based on the size of the gift.

10. An inaugural event should be developed which will interpret the purpose of the Fund and define opportunities for making gifts to the Fund.
11. Once the inaugural event is completed, the Committee should make regular reports to the Administrative Board or Council, to the Trustees and to the Charge Conference. The reports should include the results of the program to date, an evaluation of the program to date and any recommendations for changes in the program based on results of the evaluation.



## The Permanent Endowment Fund Committee The Permanent Endowment Fund

The 1988 General Conference recognized the place of “Planned Giving” in the stewardship program of the local church by enacting legislation which enables a Permanent Endowment Fund Committee in every United Methodist Church. This legislation is contained in Paragraph 2533 of *The Book of Discipline (2008)*. While this Committee is not a part of the required organizational structure, it can be one of the most important Committees in the church.

The first step in establishing such a Committee and Fund is to have the Administrative Board/Council create an Ad Hoc Committee on Permanent Endowment, composed of five to nine people. This Committee should be made up of people who have a dream for their church, who want to see their church’s stewardship vision expand and who want to see their church inspire persons to be good stewards. The greatest qualifications to be possessed by these five to nine people is that they are respected and trusted by the members and friends of the local church. Knowledge of the local church’s finances and property concerns would be a bonus.

The agenda for the first meeting of the Ad Hoc Committee should include a visit from the president or an expert representative of the UMFNIC. This person will outline the process to follow in creating an effective Permanent Endowment program for your local church.

While the Ad Hoc Committee will spend much of its time brainstorming new ideas, its primary objective should be to bring to the Administrative Board/Council a resolution creating a Permanent Endowment Fund Committee and a Permanent Endowment Fund. (*See sample resolution that follows this section.*) The Ad Hoc Committee will want to make a strong presentation to the Board/Council that will include:

- ... the personal benefits to members
- ... the financial benefit to the church
- ... an opportunity for questions
- ... opportunities for personal witness and support
- ... a positive response to any negative reactions
- ... an official motion by which the Administrative Board or Council will endorse the creation of a Permanent Endowment Fund Committee and a Permanent Endowment Fund, and
- ... a resolution creating a Permanent Endowment Fund Committee and a Permanent Endowment Fund that will be submitted to a Charge Conference of the local church.

## Establishing a Permanent Endowment Fund Committee

There are several issues that must be taken into consideration as the Ad Hoc Committee drafts the Charge Conference resolution establishing a Permanent Endowment Fund Committee. In addition to the following, each church needs to address its own concerns and needs.

### A. INCORPORATED CHURCHES

In the case where the local church is incorporated, the laws of the State of Illinois should be carefully considered before a resolution is drafted. Special attention should be given to proper wording of the resolution, especially as it relates to the directors of the corporation, their authority and responsibilities and the authority of the members of the Permanent Endowment Fund Committee.

### B. RELATIONSHIP TO THE BOARD OF TRUSTEES

*The Book of Discipline* explains that a Permanent Endowment Fund Committee may provide the following services:

1. To receive and administer all bequests made to the local church;
2. To receive and administer all trusts; and
3. To invest all trust funds of the local church in conformity with the laws of the country, state or like political unit in which the church is located.

Although this permissive legislation may transfer an area of responsibility from the Board of Trustees to the Permanent Endowment Fund Committee, the Committee remains subject to the designation of the donor and/or the direction of the Charge Conference. In addition, it should be noted that in the case of gifts of real property the Trustees and the Charge Conference retain their responsibilities relating to that property as stated in *The Book of Discipline*.

It is clearly in the best interest of the Board of Trustees and of the local church to transfer this specific authority and these specific responsibilities to a Permanent Endowment Fund Committee who can focus exclusively on these stewardship matters. The Board of Trustees thereby can be freed to pursue other duties associated with the care and maintenance of church property. In many churches, the Board of Trustees has discovered that once it has fulfilled its responsibilities to church property, the Board has little time or energy remaining to consider the matters related to creating and promoting a Permanent Endowment Fund.

### C. COMMITTEE MEMBERSHIP

The Committee membership listed in italics in the sample resolution that follows this section is only a suggestion; however, there is a good reason for the presence of each member suggested:

1. The commitment of the **Pastor** is crucial to the success of the Permanent Endowment program.
2. The **Chairperson or specified representative of the Committee on Finance** will bring to the Permanent Endowment Fund Committee knowledge of finances within the church that will be beneficial in designing the church's total stewardship program, of which Permanent Endowment is one part.
3. The **Local Church Treasurer** as a financial officer of the church is familiar with the day-to-day needs and commitments of the church.
4. A **Representative from the Board of Trustees** will provide valuable expertise and will help to preserve a good working relationship between the Committee and the Board of Trustees. Property matters, which demand the most time and attention from the Trustees, are often a major focus of donors in making a planned gift to an endowment program.
5. A **Representative of the Stewardship Committee** will help provide continuity in how the church communicates its short-term and long-term financial goals.
6. Naming **an additional Three to Five Members by the Committee on Nominations and Leadership Development**, in accordance with *The Book of Discipline*, permits the inclusion of persons with special expertise. Since the other suggested Committee Members will bring a working knowledge of current programs and finances of the church, the additional Three to Five Members should be persons who might be characterized as visionaries, and as those who are considered trustworthy leaders by the congregation, and as those with a previous record of generosity to the church and its institutions. Their support of the program will lead others to have confidence in the Permanent Endowment program as well.

Naming the chairperson at the same time the Committee is elected creates several advantages:

1. Someone will be in place to convene the Committee;
2. Special expertise and other leadership qualifications necessary in a chairperson can be carefully considered as a part of the nominations process; and

3. Committee members will be given added confidence that the Committee is ready to begin its work immediately.

#### **D. RESPONSIBILITIES**

*The Book of Discipline* provides for the Permanent Endowment Fund Committee to have the opportunities, the responsibilities and the authority to provide leadership for the local church in all matters relating to Planned Giving and endowments. While it is best in most churches to give the Committee the full authority, there might be some situations where modifications should be considered if failure to do so might prevent or delay the creation of or the effectiveness of the Permanent Endowment Fund Committee.

#### **E. THE PERMANENT ENDOWMENT FUND**

The Ad Hoc Committee should take into consideration the unique circumstances of the church when determining the purposes for which endowments are being established. Do they reflect future programs and ministries as well as current programs and ministries? Are they defined broadly enough to allow the church some flexibility in the use of earnings? Are they described succinctly enough to capture the interest of church members and friends?

#### **F. FINAL DRAFT**

Once the final document is drafted, it is suggested that the church's attorney review it. Additionally, the UMFNIC is willing to provide suggestions and also to review the final document before it is presented to a Charge Conference.

#### **G. CHARGE CONFERENCE**

The resolution may be presented in the Charge Conference session by the chairperson or a member of the Ad Hoc Committee; or it may be presented as a recommendation from the Administrative Board/Council. (If the Ad Hoc Committee presents the resolution, it is preferable to have the prior endorsement of the Administrative Board/Council.) Once the Charge Conference votes to create a Permanent Endowment Fund Committee and a Permanent Endowment Fund and elects membership to it, the Ad Hoc Committee is terminated.

## Sample Charge Conference Resolution

### Establishing a Permanent Endowment Fund Committee and a Permanent Endowment Fund

(NAME) UNITED METHODIST CHURCH OF (CITY, STATE)  
CHARGE CONFERENCE RESOLUTION  
PERMANENT ENDOWMENT FUND COMMITTEE  
AND PERMANENT ENDOWMENT FUND

#### DESIGNATION OF FUND

This Fund shall be known as the **(Church Name)**, Permanent Endowment Fund, hereafter referred to in this document as “the Fund.”

The Fund and its administration will conform to all applicable Illinois laws and regulations, any applicable Federal laws and regulations including the provisions of the Internal Revenue Code, and *The Book of Discipline of The United Methodist Church*.

#### PURPOSE OF FUND

The Fund is established and shall be operated exclusively for religious purposes.

The Fund is established to provide members and friends the opportunity to make charitable gifts to **(Church Name)** (hereafter referred to as “the Church”) that will become a permanent endowment for financial support and a living memorial.

The Fund is intended for Church purposes which are not funded through the annual operating budget; however, gifts which intend to supplement programs and ministries are appropriate. Gifts may be designated to the following purposes through the corresponding funds of the Permanent Endowment Fund:

##### Undesignated:

- General Endowment Fund  
(For special needs and ministries identified by The Church Council)

##### Designated:

- *(List funds here. See fund examples that follow this section.)*
- Any other Fund that shall be designated from time to time by the Permanent Endowment Fund Committee and approved by the Board of Trustees.

#### ADMINISTRATION OF THE FUND

No part of the Fund (neither principal nor income) shall be used to the benefit of any member of the Permanent Endowment Fund Committee.

Notwithstanding any other provision hereof, this Fund shall be used to conduct or carry on only those activities permitted to be conducted or carried on by an organization which is tax exempt or by an organization, donations to which are deductible from taxable income, pursuant to the provisions of the Internal Revenue Code and other applicable legislation and regulations as they exist or may hereafter be amended.

The Fund shall be administered by the **(Church Name)** Church Permanent Endowment Fund Committee (hereafter referred to as “the Committee”) under the authority granted to the Committee by the Charge Conference.

## THE PERMANENT ENDOWMENT FUND COMMITTEE

The Committee shall be comprised of the following members:

*(List Committee members here. Committee might include such members as:*

- 1. The Senior Pastor (Non-voting Member)*
- 2. The Church Administrator*
- 3. A representative of the Finance Committee named by the finance Committee*
- 4. A representative of the Board of Trustees named by the Board of Trustees*
- 5. A representative of the Stewardship Committee named by the Stewardship Committee*
- 6. Up to six persons nominated by the Committee on Nominations and Leadership Development (the “At Large Members”)*

All members of the Committee shall serve until their successors are duly appointed.

*(List term limits here. Possible term limits:*

*The At-Large Members shall be elected by the Charge Conference for a term of three years and may serve for a second three-year term. Upon completion of two terms, an At-Large Member may serve another two terms after a one-year absence from the Committee. The initial terms of the At-Large Members shall be staggered with two members elected for a one-year initial term, two members elected for a two-year initial term, and two members elected for a three-year initial term.)*

The members of the Committee shall be succeeded by members appointed or elected as provided above. Any interim vacancies may be filled by action of the Church Council.

The Chairperson of the Fund Committee shall be nominated by the Committee on Nominations and Leadership Development from the At-large Members established above and elected by the Charge Conference. The Committee shall elect a secretary and such other officers and appoint such sub-committees as it deems necessary and shall define their duties.

*(Optional: The Committee shall appoint a Fund Administrator. The Fund Administrator shall have the responsibility of handling the day to day activities associated with the*

*Funds, i.e. correspondence, acknowledgments, receipts, deposits, disbursements, etc...)*

The Committee shall make a full report no less frequently than once a year to the Church Council.

The Committee, in cooperation with the Church Committee on Finance, shall ensure that the annual audit or review is performed.

The Committee shall act by a vote of the majority of the Committee members authorized herein to vote, excepting amendments to this agreement as described under the Section “Amendment of Agreement.”

The term “majority” as used in this agreement is constituted by at least fifty percent plus one of the Committee members present and voting at a duly called meeting. Any instrument required to be executed by this agreement (except amendments to this agreement described under the Section “Amendment of Permanent Endowment Fund Agreement”) shall be valid if executed in the name of the Fund by a majority of the Committee. All actions of the Committee shall be taken by resolution at a published meeting. The vote shall be recorded when the vote is not unanimous. A copy of any resolution or action taken by the Committee, certified by any one of the Committee members, may be relied upon by any person or entity dealing with this Permanent Endowment Fund Agreement.

## **INVESTMENT OF PERMANENT ENDOWMENT FUNDS**

The Fund’s investment objectives are:

1. Conservation of principal for the effective maintenance of purchasing power.
2. Regular income at a reasonable rate.
3. Investment of assets in institutions, companies, corporations, or funds approved by the Permanent Endowment Fund Committee.

*[Optional: The United Methodist Foundation of the Northern Illinois Conference, Inc. shall be used to serve as primary custodian of the assets received by the Fund.]*

*The United Methodist Foundation of the Northern Illinois Conference, Inc., through an Investment Management Agreement with the Committee, will invest all permanent Funds received by the Fund.]*

Donors will be encouraged to consider the United Methodist Foundation of the Northern Illinois Conference, Inc., as Trustee in the management of revocable or irrevocable Charitable Trusts established to benefit the Church. The donor may designate otherwise.



An appropriate investment strategy for all the Fund's assets will be determined by the Committee and primary custodian. The specific purpose of each fund authorized by the Committee shall be stated in order to fulfill the wishes of the donor and thereby to segregate and maintain gifts for their stated purposes. Earnings from each fund shall be available for distribution by the Committee in a manner consistent with the designated category.

### **CHANGES IN PRIMARY CUSTODIAN**

Any transfer of the Fund's assets from the primary custodian or Trustee to any other agency must be approved by a majority vote of the Committee, *[Optional: on the recommendation of a majority vote of the Church Council of said church.]*

### **LIMITATIONS ON USE OF PRINCIPAL**

The objectives of the Fund are to conserve principal corpus and make use of only the income from the Fund unless the donor specifically designates the use of principal in the Gift Agreement. Only in extreme and overwhelming circumstances bordering on the survival of the Church itself may principal be withdrawn; and, then, only if use of the principal to be withdrawn has not been restricted by the donor(s).

Any withdrawal of principal (as long as it does not violate the donor's intentions as described in the gift agreement) must be approved by a three fourths (3/4) vote of the members present and voting at duly called meetings of both the Committee and the Charge Conference of the Church.

*(Optional: Gifts placed into the General Fund may be withdrawn and may be used for any purpose that is not specifically prohibited in another section of this Agreement and that is designated by a majority of the Church Council.)*

### **DISTRIBUTION OF INCOME**

The income of each of the sub funds shall be distributed as the donor has directed by will or other gift document provided such direction is in conformity with the purposes set forth herein.

Each sub-fund shall be considered as a designated Fund and therefore the income from said account shall only be distributed for the purpose associated with said designated Fund.

### **DISTRIBUTABLE INCOME**

Distributable income can be described as follows:

- A. The net income earned on the investment, exclusive of capital gains.



- B. An amount determined each year by applying a percentage against a rolling three-year average of the fair market value of the fund as determined on the first business day of each calendar year. The percentage applied against the fair market value shall be 50% of the applicable federal rate as defined in the Internal Revenue Code on January 1<sup>st</sup> of every year; however, the percentage shall never be lower than 3% or greater than 5%. In years in which there is excessive growth in the fund, the Committee reserves the right to make additional distributions of income and capital gain beyond the 5% ceiling by a 2/3 approval vote of its members

## **GIFTS TO THE PERMANENT ENDOWMENT FUND**

A Gifts Acceptance Policy document is included as part of this Agreement. Gifts to the Fund that are classified as designated will be assigned to the corresponding sub-fund.

A gift to the Fund that is not designated to a specific sub fund will be placed in the General Endowment Fund.

*(Optional: Any gift in excess of \$(Amount to be determined) which is made to the Church, and which is not designated as a permanent gift shall be assigned to the General Endowment Fund. For a gift to be “designated for a specific sub-fund”, a minimum gift in the amount of (Amount to be determined) shall be required.)*

The Committee shall have sole authority to accept or reject any and all gifts to the Fund in keeping with the authority granted by the Charge Conference.

All gifts made to the Fund shall be accepted subject to the terms and limitations set forth in this document.

## **POWERS OF THE PERMANENT ENDOWMENT FUND COMMITTEE**

In the administration of the Fund, the Committee shall have the necessary authority to carry out the purpose of the Fund. No power or authority shall be exercised by the committee in any manner or for any purposes whatsoever that may not be exercised by an organization that is tax exempt or by organization donations, which are deductible from a donor’s taxable income to the extent allowed by the provisions of the Internal Revenue Code and other applicable legislation and regulations as they now exist or may hereafter be amended. The acquisition, ownership, sale or transfer of any real or personal property must be consistent with **The Book of Discipline of The United Methodist Church** as amended from time to time.

The Committee shall have the powers and duties authorized by **The Book Of Discipline of The United Methodist Church** and granted by this session and future sessions of the Charge Conference.

A. To receive and administer all bequests made to the local church; to receive and administer all trusts; to invest all trust funds of the local church in conformity with laws of the country, state, or like political unit in which the church is located.

B. To emphasize the need for adults of all ages to have a will and an estate plan; and to provide information on the preparation of these to the members of the congregation.

C. To stress the opportunities for church members and constituents to make provisions for giving through United Methodist Churches, institutions, agencies, and causes by means of wills, annuities, trusts, life insurance, memorials, and various types of property.

D. To arrange for the dissemination of information that will be helpful in pre-retirement planning, including such considerations as establishing a living will and a living trust, and the need to designate someone to serve as a responsible advocate should independent decision making be lost.

E. To update the committee rules and regulations after each General Conference as needed.

F. Other responsibilities as determined by the Charge Conference.

G. To collect, receive, and receipt for the income, profits, rents, and proceeds of the Fund.

H. To purchase, subscribe for, retain, invest, and reinvest in securities or other property, wherever situated, and whether or not productive or of a wasting nature and without any requirement for diversification as to kind or amount. The intent is that the Fund's investments shall be made independently by the Committee or their contracted manager. These may include investments in bonds, notes, or other securities of the United Methodist Foundation of the Northern Illinois Conference, Inc. The terms "securities or other properties" as used in this document shall be deemed to include real or personal property, corporate shares, common or preferred stock, or any other interest in any corporation, association, investment trust, or investment company, bonds, notes, mortgages, debentures or other evidences of indebtedness or ownership, secured or unsecured.

I. To sell for cash or credit, convert, redeem, exchange for other securities or other property, or otherwise dispose of any securities or other property at any time held by the Committee.

J. To hold part or all of the Fund uninvested; however, such uninvested Fund shall be deposited in an account with the United Methodist Foundation of the Northern Illinois Conference, Inc., or a federally insured commercial bank,

savings bank, savings and loan association, or broker that is a member SIPC pursuant to specific authority of the Committee.

K. To employ suitable accountants, agents, legal counsel, and custodians, and to pay their reasonable expenses and compensations. Each separate Fund shall bear its pro rata share of such reasonable expenses.

L. Any other provisions of this agreement notwithstanding, the Committee shall not engage in any act of self dealing as defined in the Internal Revenue Code; nor retain any excess business holdings as defined in the Internal Revenue Code; nor make any investments in such manner as to incur tax liability under the Internal Revenue Code; nor make any taxable expenditures as defined in the Internal Revenue Code or corresponding provisions of any subsequent Federal tax law.

M. The Committee shall determine all matters regarding management of the Fund, expenditures, and investment by a majority vote present at a duly called meeting (except amendments discussed under "Amendment of Permanent Endowment Fund Agreement").

## **BOND AND COMPENSATION**

No Committee member shall be required to furnish any bond or surety. Each Committee member shall serve without compensation for their services hereunder, but all expenses of these Funds or of any Committee member acting hereunder shall be paid by the Fund. Accounting, receipts, deposits, and disbursements for all Permanent Endowment Funds shall be handled by the bonded designee(s) of the Church as assigned.

## **ACCOUNTING BY PERMANENT ENDOWMENT FUND COMMITTEE**

The Committee shall render a statement of their transactions regarding the **(Church Name)** Permanent Endowment Fund. At no time shall the amount of individual gifts nor the identity of donors to the Fund be published unless written permission to do so is obtained. The Church, or any member, or any donor to the Funds may file an objection to the accounting in writing within sixty (60) days of the date of the accounting. In the absence of such objection, the Committee shall be released, relieved, and discharged with respect to all matters and things set forth in such accounting as though such accounting had been settled by judicial decree of a court of competent jurisdiction.

## **LIABILITY OF THE PERMANENT ENDOWMENT FUND COMMITTEE**

No Permanent Endowment Fund Committee Member (hereafter referred to as "Member") shall be responsible for loss in investments made in good faith. No Member shall be liable for the acts or omissions of any other Member, or of any accountant, agent, legal counsel or custodian selected with reasonable care. Each Member shall be fully protected in acting upon any instrument, certificate, or paper believed by him to be

genuine and to be signed or presented by the proper person or persons. No Member shall be under any duty to make any investigation or inquiry as to any statement obtained in such writing but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained. The Board of Trustees shall include the Committee as part of the Trustees indemnification insurance.

### **MERGER, CONSOLIDATION, OR DISSOLUTION OF (CHURCH NAME)**

If at any time the Church is lawfully merged or consolidated with any other United Methodist church, all the provisions hereof in respect to the Fund shall be deemed to have been made on behalf of the merged or consolidated Church which shall be obligated to administer the same in all respects and in accordance with the terms thereto.

*[Optional: If the Church should ever be dissolved without any lawful successor thereto, the Fund, including both principal and interest to date, shall be entrusted to the United Methodist Foundation of the Northern Illinois Conference, Inc. to direct the distribution of principal and accumulated income as it determines in its sole discretion to similar local United Methodist churches to the Church named in this resolution to use for the purposes for which the gift (or gifts) was intended. In the event of such dissolution as set forth above, and in the case that the United Methodist Foundation of the Northern Illinois Conference, Inc. should not then be in existence, the Fund, both principal and interest, shall be paid over and entrusted to a bona fide local charity selected by the surviving members of the last duly qualified Permanent Endowment Fund Committee which shall most closely resemble the purposes of the **(Church Name)** Permanent Endowment Fund. Such charity must be a charity duly qualified under Sections 170(c) and 501(c)(3) of the Internal Revenue Code.]*

### **AMENDMENT OF PERMANENT ENDOWMENT FUND AGREEMENT**

This agreement may be amended or modified from time to time only after recommendation by a two-thirds (2/3) vote of the Committee members present at a duly called meeting and voting and by a two-thirds (2/3) vote of a duly announced Charge Conference of **(Church Name)**. No amendment or modification shall (1) alter the intention that the Fund be operated exclusively for religious purposes; (2) alter or eliminate the stated fund purposes found under purpose of the Fund herein, or (3) alter the intent of any donor to the Fund. Every amendment or modification of this agreement shall be in writing and signed by the Committee who voted to approve same and by the Recording Secretary of the Charge Conference, the District Superintendent, and the Senior Pastor.

### **SEVERABILITY**

If any provisions or application of any provisions of this Fund shall be held or deemed to be illegal, inoperative, or unenforceable, the same shall not affect any other provisions

or any applications of any provisions herein contained or render the same invalid, inoperative, or unenforceable.

This Permanent Endowment Fund Agreement was adopted the **(Day)** day of **(Month)**, **(Year)**, in a duly authorized Charge Conference of **(Church Name)** meeting in **(City, State)** by a vote of **(Number of Votes For)** for, **(Number of Votes Against)** against, and **(Number of Votes Abstained)** abstained.

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**(Name of Recording Secretary)**, Recording Secretary

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**(Name of District Superintendent)**, District Superintendent

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**(Name of Senior Pastor)**, Senior Pastor

## Gift Acceptance Policy

### PURPOSE

The purpose of this Gift Acceptance Policy is to describe the type of gifts that can be accepted and the manner in which they can be accepted. Where a Permanent Endowment Committee (hereinafter referred to as The Committee) does not exist, The Board of Trustees (hereinafter referred to as The Trustees) is instructed by the Charge Conference to receive and distribute gifts received under the Gift Acceptance Policy of the Church.

### INTRODUCTION

In order to protect the interests of (Church Corporate Name) (hereinafter referred to as The Church) and the persons and other entities who support its programs, these policies are designed to assure that all gifts to the Church, or for the use of the Church, are structured to provide maximum benefit to both parties.

This document focuses on both current and deferred gifts, with special emphasis on various types of deferred gifts and gifts of non-cash property. The goal is to encourage funding of the Permanent Endowment Fund (hereinafter referred to as The Fund) without encumbering the organization with gifts which may prove to generate more cost than benefit, or which are restricted in a manner that is not in keeping with the goals of the Church.

To optimize funding from individuals and other entities, the Church must be capable of responding quickly, and in the affirmative where possible, to all gifts offered by prospective donors. Except where stated otherwise, these policies are intended as guidelines only. Flexibility must be maintained since some gift situations can be complex and decisions only made after careful consideration of a number of interrelated factors. Therefore, these policies may in some instances require that the merits of a particular gift be considered by the Committee and a final decision be made only after a recommendation by that Board.

The Committee reserves the right to decline or otherwise refuse any gift offered to the church, with or without cause. Reasons for which a gift may be declined include, but are not limited to the following:

1. The Committee does not believe it is in the best interest of the church or the Fund to abide by the restrictions placed on the gift by the donor.
2. The costs to maintain the gift or to meet the restrictions placed on the gift by the donor are considered to be excessive for the Fund.
3. The gift is considered to be inappropriate or unrelated to the tax-exempt purposes of the Church or the Fund.
4. The gift is designated to benefit or to be channeled to a specific individual.

## **GIFT ACCEPTANCE TERMS AND CONDITIONS**

All gifts will be acknowledged by written confirmation of the gift and of any terms and conditions of the gift acceptance. All information concerning donors and prospective donors, including their names, names of beneficiaries, the amount and type of the gift, aspects relating to their estates, etc., shall be kept strictly confidential except when donors permit the release of such information.

### **I. OUTRIGHT GIFTS**

#### **A. CASH**

1. Gifts in the form of cash and checks shall be accepted in any amount.
2. All checks must be payable to the Church and in no event shall they be made payable to an employee, agent, or volunteer for credit to the Church.

#### **B. PUBLICLY TRADED SECURITIES**

Securities that are traded on the exchanges shall be accepted by the Church. The Permanent Endowment Fund Committee shall make the decision to keep or sell the security.

#### **C. CLOSELY HELD SECURITIES**

Non-publicly traded securities may be accepted upon approval by the Trustees. The Committee shall make the decision to keep or sell the security.

#### **D. REAL PROPERTY**

1. All gifts of real property must have the approval of the Trustees and a fair market value in excess of (*for example, \$10,000*)
2. Prior to approval, the Committee shall make a recommendation for accepting the real estate and shall include a report on (but not limited to) the following:
  - a. current title and ownership
  - b. current zoning
  - c. any and all restrictions
  - d. any encumbrances, including an Affidavit of Lien signed by the Donor
  - e. an independent qualified third party appraisal
  - f. at least a Phase I environmental audit
  - g. a recommendation on marketability
3. Upon recommendation from the Committee, the Board of Trustees shall make the final decision to keep or sell the property.

#### **E. TANGIBLE PERSONAL PROPERTY**

1. All gifts of personal property must have the approval of the Committee and a cash value in excess of (*for example, \$1,000*).
2. Prior to approval, the Committee shall make a recommendation for accepting the personal property and shall include a report on (but not limited to) the following:

- a. current title and ownership
  - b. an independent qualified third party appraisal
  - c. a recommendation on marketability
3. The Committee shall make the decision to keep or sell the property.

#### F. OTHER PROPERTY

The Committee shall make the decision to accept and to keep or sell any other property that it may deem to be in the interest of the Church.

## II. **PLANNED (DEFERRED) GIFTS**

### A. BEQUESTS

1. Gifts through wills (bequests) shall be actively encouraged by the Church.
2. Upon inquiry by a prospective donor, all representations as to the future acceptability of various properties to be left to the Church in a will or other deferred gift shall be made in accordance with the terms and provisions of Paragraph I (A-F) of this document.
3. Gifts of property that are not acceptable from estates shall be rejected by the Committee and that decision shall be communicated to the legal representatives of the estate.

### B. REVOCABLE LIVING TRUSTS AND CHARITABLE TRUSTS

1. The Committee will recommend as fiduciary The Conference United Methodist Foundation.
2. The fees for management of a Charitable Remainder Trust will not normally be paid by the Church, however, upon approval by a majority of the Committee, these fees may be paid by the Church. The fees for management of a Revocable Living Trust will not be paid by the Church under any circumstances.
3. Revocable Living Trusts and Charitable Remainder Trusts and all other deferred gifts shall be encouraged as a method of making gifts to the Church while retaining income which may be needed by the donor for personal purposes. Such trusts shall not be marketed as tax avoidance devices or as investment vehicles and it is understood that no activity will be conducted that will violate Federal and/or State security regulations.
4. No representations as to the manner in which trust assets will be managed or invested shall be made by any employee or other persons acting on behalf of the Church.

### C. LIFE ESTATE GIFTS

The Committee may accept such gifts provided that there has been a full disclosure of the possible ramifications of the transaction to the donor.

### D. LIFE INSURANCE POLICIES

1. The Church will encourage donors to name the Church as beneficiary of life insurance policies that they have purchased.



2. The Church will not accept gifts from donors for the purpose of purchasing life insurance on the donor's life. Exceptions to this policy may be made only when the Church has an insurable interest and is in compliance with all State and Federal statutes.
3. No insurance products will be endorsed for use in funding gifts to the Church.
4. In no event shall lists of Church donors' names be furnished to anyone for the purpose of marketing life insurance for the benefit of donors and/or the Church.

#### E. GIFT ANNUITIES

The Church will accept Charitable Gift Annuities purchased from The Conference United Methodist Foundation.

### III. PAYMENT OF FEES RELATED TO GIFTS TO THE CHURCH

#### A. FINDER'S FEES OR COMMISSIONS

No fees shall be paid to anyone as consideration for directing a gift to the Church.

#### B. PROFESSIONAL FEES

1. In general, the donor shall pay any fees associated with the gift.
2. No fees shall be paid to anyone as compensation for any sale of any products to the donor.

### IV. RESTRICTIONS

- A. Any restriction on the use of any gift must be approved by the Committee prior to acceptance of the gift.
- B. A designated permanent sub fund, other than those identified, may be established with a minimum gift of (*for example, \$50,000*) or such minimum to be determined appropriate and approved by the Committee.

### V. GIFT USE

- A. The use of undesignated gifts to the church, other than those gifts intended for undesignated use within the operating budget of the church, shall be determined by the Church Council. (Optional: If the gift is \$1,000 dollars or less, the Wills and Legacies Committee, if one exists, shall make recommendation to the Church Council on the use of the gift.) If the gift is more than \$1,000, the Church Council will entertain suggestions on the use of the gift from local church bodies prior to making a decision on its use.
- B. The church should maintain a "wish" list of projects and items that can be supported or purchased with undesignated gifts.
- C. The church may direct that a percentage of all undesignated gifts to the church be placed automatically in a Permanent Endowment Fund.

## Investment Guidelines

The General Conference has assigned responsibility for investment policy to the General Council on Finance and Administration (GCFA), as noted in ***The Book of Discipline of The United Methodist Church***. A statement of investment guidelines and an addendum for local churches may be found on the GCFA website at:

<http://www.gcfa.org/statement-of-investment-guidelines>

## UPMIFA and Spending Plans

### HISTORY

#### The Traditional Approach—Interest and Dividends

The traditional approach to spending from a Permanent Endowment Fund was limited to “income” defined as interest, dividends, rents, and royalties. The advantages to the traditional approach are that, as long as interest rates and dividend distributions are high, endowment spending is adequate and there is no need to sell anything from the portfolio to garner cash for distributions. However, under this approach, those charged with managing endowment assets tended to allocate investments heavily in bonds to produce income. There was no long-term growth to keep up with inflation. Moreover, as interest rates declined to all-time lows, distributions became smaller and smaller.

#### UMIFA—Total Return Limited by Historic Dollar Value

This led to the enactment of the Uniform Management of Institutional Funds Act (UMIFA) in 1972, which expanded the definition of distributable income to include not only the traditional interest, dividends, rents, and royalties, but also capital gains. In essence, the entire total return could be spent. UMIFA encouraged those charged with managing permanent funds to invest more heavily in growth stocks, so that increases in value could increase the amounts distributable. However, if unrealized capital gains were to be spent, it was necessary for fund managers to sell securities to garner cash; then a downturn in the market could lead to a reduction of the principal of the fund. Under UMIFA, distributions were limited to spending that would not go below the Historic Dollar Value of the Fund. In years when the value of the Permanent Endowment was below the Historical Dollar Value, there could be no distribution.

### CURRENT LAW

#### UPMIFA—Prudent Percentage of Rolling Average Market Value

This led to the adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2006. Some version of UPMIFA is now the law in every state (June 30, 2009, in Illinois). Under UPMIFA, distributions from Permanent Funds are based upon a “prudent” percentage of a rolling average market value. While all states require the use of the three-year rolling average market value in conjunction with the appropriate spending rates, state laws vary on the top spending rates. We suggest that a spending rate of 3% to 5% of the rolling three-year market value average be adopted and that calculation be performed at the same time each year to determine the funds available for distribution.

UPMIFA encourages those charged with managing endowments to invest in a balanced portfolio in a broad diversification of assets. The goal is to generate an increasing distribution that keeps the spending power of the fund up with the negative impact of inflation, which has averaged about 3% annually since 1926.

## Charitable Gift Planning

### CONSIDER THE POSSIBILITIES OF PLANNED GIVING

There are many ways to give. The wise steward looks at that which God has entrusted him or her and decides what will constitute a worthy gift. It therefore follows that one needs to decide:

- How much to give
- To what cause(s)
- When to make the gift(s)
- How the gift(s) can best be made

The purpose of this chapter is to help the Permanent Endowment and Planned Giving Ministry Committee position itself so that donors can receive both information and assistance in making these decisions. While this chapter is not an attempt to provide an exhaustive and comprehensive listing of all gift options, it is presented as basic information about the most common vehicles or options for charitable gift planning. The “Planned Giving Guide” on pages 49 & 50 may also be helpful.

Unless you are an attorney, a CPA, or a development officer, there is no need for you to become an “expert” on these gift plan options; but a basic knowledge will be valuable as you provide leadership in your church’s stewardship program. The detailed professional advice and assistance needed can be secured by both the church and the donor from qualified professionals. While UMFNIC is not equipped to provide legal and tax consulting services, we are positioned to be a valuable source of information and guidance in matters relating to all of these charitable gift plans and welcome opportunities to assist both the church and prospective donors.

### GIVING CASH

The cash gift is always a welcomed gift to any charitable cause. More people give cash (usually in the form of a check) than any other type of gift. Cash gifts may be deductible on your income tax return if you itemize deductions (limited to 50% of adjusted gross income). However, the cash gift is sometimes smaller than the donor would like to give because of limited cash available at the time of the gift. The cash gift may also cost the donor more to give than a gift of some other kind of property. Thus, the donor is also encouraged to look at other kinds of gifts.

### GIVING APPRECIATED SECURITIES

A gift of appreciated securities may enable the donor to give at a lower cost. In addition to the donor benefitting from a charitable tax deduction for the full value of the securities on the date they are given, capital gains tax may also be avoided on gifted long-term securities. Many persons own appreciated securities which are paying minimal dividends and which they have chosen not to sell due to the capital gains consequences. (If the owner sells these securities, capital gains tax must be paid on the difference between their tax basis, i.e. the value of the securities when they received them, and the value at the time the securities are sold.)

When giving appreciated securities, the donor not only satisfies a need and desire to make a charitable gift, but also takes advantage of making the gift at a reduced cost. If the proper procedures are followed, the donor can avoid paying any capital gains tax. And, the church which receives the appreciated securities can sell them without paying any capital gains tax.

## GIVING THROUGH YOUR WILL

The easiest way for many persons to make a charitable gift may well be through their will. Yet, few church members have included their church in their estate planning.

Statistics across our nation indicate that more than half of the adults who die each year die without a valid will. If there is no valid will, the laws of the state decide the disposition of one's estate; and in no state are charitable gifts a part of that plan of distribution.

It is very unlikely that many members of your church have made any provision to include their church in their will. And, records indicate that persons who have made charitable gift planning a part of their will have included their college or university, a medical center, or some national charity (such as the American Cancer Society, The American Bible Society, or the American Heart Association) ... but not their church.

These are all good causes, but the question arises, "Why are so many other causes named in wills, and not the Church?" The majority of church members have not included the church in their will because no one ever seriously asked them or explained how and why they might consider doing so. The other charities have clearly given them this option and provided both information and assistance in carrying out this act of Christian stewardship.

There are several ways to include charitable giving through your will:

- 1 **A fixed amount:** Your will can state a specific amount which you would like to be given to your church or other cause of the Church following your death.
- 2 **A specific item or some designated property:** Your will can direct that specific real or personal property be given to your church following your death.
- 3 **A percentage of your estate:** For many persons it may be better to designate a percentage of your estate rather than a specific dollar amount. That percentage will then grow or shrink in the same proportion as your entire estate.
- 4 **A residual bequest:** After all other bequests are granted, the residual (what remains) can be left to your church. The residual might also be left to your church in addition to a specific bequest named earlier in the will.

Through their estate plans members can also leave the remainder of a trust to benefit their church. Through the use of a testamentary trust a family member (or anyone named) can receive the income from designated assets for their lifetime or for a specific number of years. Following the death of that person (or at the end of the stated

number of years) the remainder in the trust benefits the ministry chosen by the donor.

## GIVING REAL ESTATE

Some of the largest charitable gifts made each year are gifts of real estate. Gifts of real estate can be made in a variety of ways:

1. **An outright gift.** Many of the same advantages indicated earlier for gifts of securities apply to gifts of real estate. Thus, highly appreciated real estate makes a very cost-effective gift since a charitable income tax deduction may be realized along with the avoidance of capital gains taxes. If the income tax deduction is larger than the donor can take the year of the gift, the excess may be carried over for up to five years. (Some special benefits may also exist for the donor of depreciated property.)
2. **Reserving a life estate.** The donor who deeds his or her home or family farm to the church, while reserving the right to use the property for life, benefits from a significant income tax deduction (the year the gift arrangement is made) for the present value of the gift to the church and removes the property from the reach of estate settlement expenses.
3. **Funding a life income gift.** There are numbers of life income plans which can be funded with real estate. Each plan has unique benefits for the donor as well as for the church to which the gift is made. The donor can benefit from a life income and may also benefit from significant income tax deductions, avoidance of capital gains tax, and a reduction of estate taxes.

## GIVING PERSONAL PROPERTY

Personal property such as automobiles, works of art, antiques, coin or stamp collections, jewelry, and other items can make generous gifts to the church. There are some tax benefits for the donor which depend upon the value of the property given and how the gift is to be used by the church.

## GIVING THROUGH LIFE INSURANCE

There are many ways to make charitable gifts through life insurance -- each with significant benefits for the church and for the donor.

1. **A paid-up policy.** The owner and beneficiary designations must be changed to the charity, and a charitable deduction equal to the replacement value of a comparable policy may be realized by the donor.
2. **A policy on which you are still paying premiums.** The charity must be made owner and beneficiary, and the cash value (at the time the policy is given) plus all future premiums paid may be treated as charitable deductions.
3. **A new policy to benefit ministry.** When the church is both owner and beneficiary, the donor's premiums may be treated as charitable deductions.
4. **Name the church as a beneficiary of an existing policy.** The church

can be named to receive all or to share in a portion of the death benefits payable through the policy.

5. **Assign the dividends of the policy to the church.** The dividends become tax deductible contributions to the church.
6. **Use an insurance policy to replace gifted assets.** Life insurance is useful in replacing assets which have been given to the church so that family members will receive as much (or more) than they would have otherwise received through the will.
7. **Use a life insurance policy to guarantee a charitable pledge.** This policy might be a part of the donor's gift, or the charity might decide to purchase the policy on its own. This procedure is often used in case of significantly large pledges.
8. **Life insurance can be used to fund future life income arrangements.** Life insurance proceeds can fund a trust which will in turn provide future income for a family member with the trust remainder benefiting ministry after a specified number of years or at the death of the trust's income beneficiary.

Remember, the fact that one is uninsurable does not always rule out using life insurance to make charitable gifts since the policy can be written on the life of another family member.

## GIVING THROUGH LIFE INCOME PLANS

There are times when people want to give an asset they own to the church, but they need (or want) to retain the lifetime income from that same asset. For these people life income gifts provide excellent opportunities to make a gift while retaining the income for a specified number of years, for their lifetime, or for their and their spouse's lifetime. Life income gift plans offer opportunities to plan for educational expenses, retirement needs, and other present and future needs of family members along with significant income tax and estate tax advantages. The income can be fixed or variable, depending on the needs and desire of the donor. Examples of life income gift plans are:

- Charitable Gift Annuities
- Deferred Payment Gift Annuities
- Charitable Remainder Unitrusts
- Charitable Remainder Annuity Trusts
- Pooled Income Funds

The UMFNIC can assist donors with life income gift plans. It may serve as trustee and administer such plans which benefit local churches and other ministries which the donors have designated, or if it does not serve as trustee it may assist the donor in securing a trustee. They have expertise and technical support to work together with the local church and the donor to accomplish the needs and wishes of both the donor and the church.



## **GIVING INCOME GIFTS**

The charitable lead trust has been called the reverse of a life income trust. The donor, through this gift plan, assigns the income to the church with the remainder (at a specified time) being returned to the donor or passed on to other family members. There can be significant tax benefits to the donor since a charitable tax deduction is available up front when the charitable lead trust is created.

## **GIVING THROUGH RETIREMENT PLANS**

Donors can oftentimes include the church as a beneficiary of their \*IRAs, profit sharing plan, Keogh Plan, tax sheltered annuity, or other pension plans. The charitable gift thus comes from the remainder in the plan following the death of the donor and/or all other named beneficiaries. Not all retirement plans allow this to be done; but with plans that do, donors will need to discuss this with their plan administrator and complete the necessary documents to name their church as a beneficiary:

- to receive part or all of the remainder
- as a secondary beneficiary of the remainder in the plan, only after the death of the donor and spouse
- as the final beneficiary to receive any remainder in the plan when all other beneficiaries are deceased

## **GIVING GOVERNMENT BONDS**

“E”, “EE”, and “H” bonds may be used to make outright gifts. They may also make very meaningful gifts through one’s will. These bonds are also useful in funding life income plans with some distinct advantages for the donor. Unlike other types of gifts which have increased in value, government bonds must be cashed by the owner; but through careful planning a large portion, if not all, of the taxes on the earnings of the bonds may be offset. When government bonds are transferred to the Church through one’s will, all of the income and estate taxes can be avoided.



**NOTE !**  
**SOME FACTS THAT NEED TO BE CONSIDERED**

1. While the UMFNIC can provide assistance in consultation and planning with donors and in the administration and management of the gift plan options discussed in this chapter; the donor should always be advised to consult his or her own legal and financial advisors.
2. AN IMPORTANT NOTE TO CHURCHES: Churches (and all other charitable organizations) are advised to make an intentional effort to fully understand all facts and implications as to gifts which are offered and should take prompt and appropriate action to accept or reject those gifts to avoid potential problems. (For example: Present state and federal environmental regulations and laws make it absolutely critical that a church investigate thoroughly any real property for environmental concerns before the property is accepted. Once it has been accepted by the church the environmental liabilities pertaining to that property rest with the church. Always consult with your attorney and other professional advisors before real property gifts are accepted.)
3. The purpose of this publication is to provide accurate and authoritative information of a general character only. The United Methodist Foundation of the Northern Illinois Conference, Inc. is not engaged in rendering legal or tax advisory services. For advice or assistance in specific cases, the services of an attorney or other professional advisor should be obtained.

## Planned Giving Guide

Giving to the United Methodist Foundation and your church can take many forms. The Foundation encourages donors to consider the possibilities. Options available through planned giving offer creative alternatives that often benefit both donor and recipient. Before making a final decision, please consult with your professional financial advisor and contact the United Methodist Foundation.

(see other side for contact info)

<b>GIFTS YOU CAN MAKE NOW</b>			
<b>Your Goal</b>	<b>Type of Gift</b>	<b>How to Give</b>	<b>Benefits</b>
Make a quick and simple gift.	Appreciated securities	Transfer stock or mutual funds to your church or the Foundation. If your church does not have a brokerage account, donations can be made to the Foundation for pass-through to your church.	Donor avoids capital gains taxes and receives an income tax deduction; church or Foundation sells shares tax-free.
Avoid capital gains tax on the sale of a home or other real estate.	Appreciated Real Estate	Donate property to the Foundation.	An immediate income tax deduction and avoidance of capital gains tax.
Make a gift that allows flexibility and your input on how funds will be distributed.	Donor Advised Fund	Create an agreement whereby the Foundation manages your assets; you and/or family members advise the Foundation regarding charitable disbursements.	An immediate income tax deduction, flexibility, and an opportunity to practice philanthropy on a regular basis.
Make a significant gift with little cost to yourself.	Life insurance	Designate the Foundation as a beneficiary.	Provide a future gift to ministry.
Give your personal residence or farm and continue to live there.	Retained Life Estate	Designate ownership of your home to the Foundation but retain occupancy.	Charitable income tax deduction and lifetime use of your home.
Avoid taxation on retirement plan assets.	Retirement Plan	Name the Foundation as beneficiary of the remainder of your assets after your lifetime.	Avoidance of heavily taxed gift to heirs.

See the other side for information on **“Gifts You Can Defer”** and **“Life Income Arrangements”**

## Planned Giving Guide

<b>GIFTS YOU CAN DEFER</b>			
<b>Your Goal</b>	<b>Type of Gift</b>	<b>How to Give</b>	<b>Benefits</b>
Defer a gift until after your lifetime.	Bequest in Will	Provide a witness to your faith through your will. A bequest can be for a specific amount or asset, a percentage of your estate and can be residual or contingent.	Your estate receives a tax deduction. The Foundation receives your gift when the estate is settled.
Make a deferred gift, maintain access to assets, avoid probate.	Living Trust	Place assets into a trust, retain control during your lifetime. The Foundation becomes trustee upon your death and makes distributions as you directed.	Privacy, flexibility, control of trust for lifetime, possible estate tax savings.
<b>LIFE INCOME ARRANGEMENTS</b>			
<b>Your Goal</b>	<b>Type of Gift</b>	<b>How to Give</b>	<b>Benefits</b>
Supplement income with fixed annual payments.	Charitable Gift Annuity	Enter into a contract with the Foundation. The Foundation pays you fixed payments for life and distributes remainder to the ministry of your choice.	Charitable income tax deductions, fixed annuity payments for life (portion tax-free), future gift to ministry.
Supplement income with fixed annual payments.	Charitable Remainder Annuity Trust	Create a charitable trust that pays you a fixed income.	Charitable income tax deduction, fixed income for life, future gift to ministry.
Create a hedge against inflation over the long term.	Charitable Remainder Unitrust	Create a trust that pays you a percentage of the trust's assets, valued annually.	Immediate income tax deduction, annual income for life that has potential to increase.
Reduce gift and estate taxes on assets passing on to heirs.	Charitable Lead Trust	Create a trust that pays a fixed or variable income to church / charity for a set period of time, then passes to heirs.	Reduces size of taxable estate; keeps property in family, often with reduced gift taxes.

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Neither the author, the publisher, nor this organization is engaged in rendering legal or tax advisory service. For advice and assistance in specific cases, the services of an attorney or other professional advisor should be obtained. The purpose of this publication is to provide general gift, estate and financial planning information. State laws govern wills, trusts, and charitable gifts made in a contractual agreement. Advice from legal counsel should be sought when considering these types of gifts. Watch for tax revisions. Some types of gifts may not be available in all states. Check with your professional advisor.

## Copy for Bulletins and Newsletters

Selected statements printed in church bulletins and newsletters can be an effective way of communicating ideas which can in turn prompt decisions and action on the part of members of the local church.

### ESTATE PLANNING

- Preparing an estate plan is good Christian stewardship - saying thanks to God, expressing your love and concern for family, and showing charity toward others.
- Did you know that, for purposes of estate taxation, there is no limitation on the size of a charitable gift that you may give to your church at the end of your earthly life? No matter how large, the gift is deductible for estate tax purposes.
- Think about the part you want to play in your church's future. Naming your church as a beneficiary in your estate plan to create an endowment can assure your continued participation in the life and mission of your church far into the future.
- Remember, if you have no will or trust, state laws will determine who will inherit your property at the end of your earthly life. State laws do not include your church or any other charity as a beneficiary.
- Consider naming your church as a beneficiary in your will or living trust. The gift could be a set dollar amount, a percentage of your estate, the remainder after other gifts are made, or a gift of that part of the estate left if designated heirs are deceased.
- Giving to your church through your will is a good way to continue your support of your church beyond your lifetime. When your estate plan is prepared, consider including plans for a gift to your church.
- Did you know that the laws of the state where you are living at the end of your earthly life will determine how your estate is settled if you have no will of your own? These laws might not give your property to the people you want to receive it. And these laws definitely don't donate any gift to your church or any other charity. Would you not rather make these decisions yourself?
- How long has it been since you updated your will? Does it still express your wishes? Does it donate a gift to your church to carry on its ministry after your earthly life?
- You can share your faith beyond your lifetime by careful estate planning which includes your church in your will. During your lifetime you will have the joy of knowing that whatever you do not use in this life will continue in ministry through your church after your earthly life.
- When your estate planning documents are prepared by your attorney, you can include your church as the final beneficiary to receive any benefits that remain after other beneficiaries are remembered.

- There are many reasons to update your estate planning documents. One is to include a gift to your church.
- Have circumstances changed since you last updated your estate plan? Do your current estate planning documents carry out your commitments to your church? If not, amend your documents now.
- Did you know that over 50% of all people at the time of their death do not have a will or living trust?
- Do you know who your heirs will be? Is your church included in your will? Without a will, state laws will determine who receives your estate and no charity will receive a gift from your estate. Be sure your estate planning is up-to-date and expresses your wishes.
- Proper estate planning can reduce administrative time, expense and inconvenience. Careful estate planning can also be one of the best gifts you give your family.
- Remember your church in your will and living trust.
- Who needs estate planning? Every adult who is legally competent, who owns anything and cares about who receives it at the time of their disability or death. In addition, estate planning is necessary for anyone who wants to give a bequest for their church.
- Have you moved to another state since signing your estate planning documents? If so, consider having the documents checked by an attorney in the new state. In addition, this might be a good time to consider naming your church to receive a gift through your estate plans.
- Your will is the proper place to name the guardians for your children should both parents die while the children are still minors. Pick their guardians yourself, rather than leaving this decision to the courts (as will happen if you do not have properly drawn legal documents).
- Good stewardship requires us to think of the future. Have your estate plan prepared now and express your good stewardship in ways that will bless your family and your church.
- “Later” can be too late. Don’t delay having your will drawn. Make sure your estate plans are in place so that your wishes will be carried out to benefit your family. Gifts you plan for your church through your will can help your church continue to minister and serve.
- Be sure that your estate planning documents are properly prepared. A homemade will “might” work, but unless it is properly written it might cause unnecessary expenses and delays -- and worst of all, it might not accomplish what you want to happen. The writing of your will is a job for which you need your attorney’s assistance.
- The costs of having your will drawn by an attorney can be a terrific bargain. It may save many times its cost in taxes and administrative expenses to your heirs.

Make sure your attorney also knows of your desire to include your church in your estate plans.

- Did you know that you can name the church a beneficiary of your estate in several ways? Consider gifting the church a specific amount, a percentage of your estate, the remainder of the estate after other gifts are made, or portions of your estate whose beneficiaries predecease you.
- Is your current will keeping up with you? Does it reflect your Christian commitments? Make sure your will is up-to-date.
- Have you ever heard that “wills are for rich people?” That’s right! But they are also “for poor people” and for everyone in between. Your will relates to everything God has entrusted with you, and it can be a powerful statement of your Christian stewardship.
- Who needs a will? Every adult who owns anything and who care about what happens to it, everyone who cares about their family, and everyone who wants to include their church’s future in their estate planning needs a will.
- When was the last time your will had a check-up? Does it express your desires? Does it include your church which means so much to you?
- Have you named a residual beneficiary in your will (to receive what remains when all other bequests are fulfilled)? Have you considered including your church as the residual beneficiary?
- When you need a will, it’s too late to have one drawn. Don’t wait. And, don’t forget your church.
- Are you leaving a legacy of “red tape” for your heirs? A legal will drawn by your attorney will cut out the “red tape” and accomplish what you want to happen following your earthly life.

## TRUSTS AND ENDOWMENTS

- Permanent endowments are gifts that keep on giving. If the endowment agreement states that the principal shall never be invaded and that income is paid out to support a designated cause through your church, then your gift is “forever.”
- Trusts allow you to make a gift to your church in the future. You may set up the trust now and keep the income for yourself or other beneficiaries as long as you choose, or for life. The church will receive the property after that. There are special tax benefits for these kinds of trusts.
- Charitable Remainder Trusts allow you to make a gift to your church while retaining income from the gifted asset during your lifetime (and that of your spouse). If the trust is funded with appreciated property, capital gains taxes may be avoided. There will also be a significant current income tax deduction at the time the trust is created.

- Consider making a gift to your church to fund an endowment in memory of a family member or special friend. Feel free to discuss with your pastor or other appropriate church leader any special programs or projects you would like to be supported by this endowment.
- What about an endowment established in the name of your family? Your family name will live on in the life of your church. Other family members might also consider contributing. The endowment could support a special ministry of your church that has been especially meaningful for your family.

## **LIFE INSURANCE GIFTS**

- Life insurance is a way to make a larger gift to your church than you might otherwise be able to afford. Consider naming your church as a beneficiary of any life insurance policy.
- If the needs of other beneficiaries will be met in other ways, why not make your church the owner and beneficiary of one of your life insurance policies? If you do this, you may receive a significant income tax deduction and future premiums you pay may also qualify for an income tax deduction.
- Consider naming the church as a secondary or back-up beneficiary of a life insurance policy or even your retirement plans in case other beneficiaries named are deceased at the end of your earthly life.
- Consider taking out a new life insurance policy to benefit your church. When you name your church as owner and beneficiary, all premiums you pay will be considered tax deductible contributions. The death benefit will be paid to your church and could create a significant endowment for a cause of your church you have selected.

## **GIFTS OF STOCK, BONDS, MUTUAL FUNDS AND REAL ESTATE**

- Under current laws, gifts of appreciated securities and real estate may be deductible for income tax purposes at their current fair market value. In most cases, the appreciation is not taxed to you at all. Consider using these gifts to fulfill your pledge, to make a special gift, or to establish an endowment.
- If you plan to give your home to the church following your earthly life, you can transfer the property now and still maintain use of it as long as you live. A current income tax deduction is available for the value of such gifts to the church.
- Stocks and bonds make excellent gifts to your church. You may be entitled to special tax considerations if you give these securities to the church during your lifetime.
- If you are a stockholder in a closely-held corporation, consider having the corporation make a gift to your church. Like individuals, corporations qualify for tax deductions for charitable gifts.



- Some corporations have programs to match gifts (dollar for dollar) that are made to charities by their employees and retirees. This is a way of greatly increasing your gift to the charity.
- Real estate offers excellent opportunities for giving to your church. Consider a gift of land, a condominium, commercial property, home, farm, or other types of real estate. You may be able to avoid capital gains taxes and also be entitled to an income tax deduction for the fair market value of the property at the time the gift is made.
- Consider making a gift of your personal residence or family farm now while continuing to live there until the end of your earthly life. An immediate income tax deduction may be available for this arrangement. The property would then be available for church use or sold to benefit ministries of your church.
- Consider giving the use of your property to your heirs for the duration of their lives, but having the property pass to the church as a family memorial at end of their earthly life. After the property has met family needs, it will then support the mission and ministry of your church.

## OTHER KINDS OF GIFTS

- You may specify that your bank accounts are “in trust” for your church. You retain total control over the account during your lifetime. The funds which remain in the account for your lifetime and then pass to your church without estate taxes.
- Some persons have given jewelry, art, coin and stamp collections, antiques, mineral rights and other personal property to their church. These gifts can be made during lifetime or at the end of earthly life. There are certain tax advantages to making these kinds of gifts. When the gifted property is sold by the church, it can support various causes of the church determined by the donor.
- Retirement funds present new opportunities for giving to your church. You may want to name your church as the final beneficiary of your individual retirement account (IRA) or other retirement funds, in the event that you and other named beneficiaries die before receiving all of the funds.
- Memorial gifts to your church meet two important needs at once. (A) They allow you to express your feelings at the loss of a loved one. (B) Your gift to your church helps support its mission and ministry. Appropriate notices are sent to the bereaved family indicating the fact that your memorial gift was made. (The amount of your gift is not disclosed in this notice.)
- If you are interested in making any special gifts to your church, feel free to discuss this with your pastor. The pastor will help put you in touch with appropriate advisors.
- Have you received an inheritance? If so, consider gifting part of the inheritance to your church in memory of the loved one who remembered you. You can make this gift now or in your estate plan.



- At the death of a special friend or relative you might like to remember that person through a memorial gift to your church. This will show your appreciation for this treasured relationship and help others through the church. An acknowledgment card will be sent to the surviving family, letting them know of your gift, without disclosing the amount.
- Your gifts to your church are a testimony to your faith and the confidence you have in your church. Both lifetime gifts and testamentary (given through your will) gifts express your feelings in a meaningful way.

## Memorial and Honor Giving

### DEEP GLADNESS

People have both a need and a desire to give. Some want to give now and see the effects of their gift. Others want to give so that their gift will keep on giving long after they are gone. In either case, the church has an opportunity to assist them in responding to their need and desire to give.

Most information about giving to and through the church focuses on "funding the budget" through commitment programs, but there are other ways and times where giving opportunities are present. Memorial and honor gifts are good examples of these "other" opportunities to give, and they afford meaningful ways for family, friends, and the congregation to remember persons of faith and special events in their life's journey.

The basic purpose of memorial giving is to remember a deceased person or past event. There may be times when persons choose to make a memorial contribution in lieu of flowers at the time of a funeral. There may be a desire to remember someone who died some time ago. There may even be a desire to make a memorial contribution on the anniversary of the birth or death of a family member or friend. These and other occasions offer opportunities to make meaningful memorial gifts.

Honor giving, on the other hand, is to honor a living friend or loved one or to celebrate a special occasion. There may be a person for whom you have wanted to do something special. There may be someone who doesn't need anything, who "has everything," yet you want to do something for him or her. These "living memorials" or honor gift opportunities may provide ways to remember a birthday or anniversary, other special events, or they may offer a good way to say "thank you." What better way to express such deep feelings of gratitude, remembrance, and celebration than through the Church which shall for all times be involved in spreading the Good News of Jesus Christ throughout the world.

### ORGANIZATION

Memorial and honor gifts are best handled through the structure of the Permanent Endowment and Planned Giving Ministry Committee which may be established by the Charge Conference. You may choose to have a sub-committee of the Permanent Endowment and Planned Giving Ministry Committee for memorial and honor gifts. This sub-committee will be helpful in recommending ways to promote, receive, record, acknowledge, and direct memorial and honor gifts.

In many churches memorial and honor gift funds have been allowed to accumulate, sometimes into the thousands of dollars. Sometimes these funds are not even invested in interest bearing accounts. People give memorial and honor gifts to be used either to meet current needs or to provide funding for future needs. When the gifted funds are not used or wisely invested to fund future needs, donors are not only discouraged from making future gifts, but they oftentimes look elsewhere for causes to which they will make future memorial gifts.

It is essential to have guidelines for memorial and honor gifts. These guidelines outline ways prospective donors can give and the proper procedure to follow in making their gifts. They also provide guidance for the church in the use of the gifts. Having to gain consensus of numerous members of a family and certain leaders of the church as to the use of certain memorial funds can be a difficult experience. It is much better to have guidelines in place before the gifts are given than to face the need to make decisions after the gifts are in place. In this way the donor knows when making his or her gift how the gift will be used.

Many churches have encountered difficulties when guidelines are not in place. For example, in one church memorial contributions were given at the death of a member of the choir. Many of those who contributed stated that they would like their gifts used to purchase new choir robes. But only \$500 was contributed toward a project that would cost \$1,500; thus the money sat idle in a checking account (bearing no interest). Two years later, donors began to ask "What happened to my memorial gift? Where are the new choir robes?" Some members were quite disappointed and said, "That's the last time I will give a memorial gift to the church." Clearly drawn and publicized guidelines could have avoided this problem. For example, had there been guidelines in place which addressed how memorial gifts would be handled which were not of adequate size to accomplish the purpose stated by the donor(s), considerable disagreement and disappointment might have been avoided. What became "an excuse to not give again" could have become "a good reason to make another memorial contribution."

## **DONOR RECOGNITION**

Every donor has a need for recognition. This may not be a formal expression such as the placement of a plaque in an appropriate place in the church (or it may be). It may be simply saying "thank you" in the most appropriate way. The Permanent Endowment and Planned Giving Ministry Committee (and the sub-committee on Memorials and Honor Giving) needs to develop the art of saying "thank you" so that every donor receives that level of recognition and thanks which reinforces good feelings and makes the donor glad he or she gave this special gift.

In less than 24 hours after a memorial or honor gift is received, a notice should be sent to the family or next-of-kin (in the case of memorial gifts) or to the honoree (in the case of honor gifts) informing them of the gift, the donor, and the cause for which the gift was given. At the same time an acknowledgment should be sent to the donor and should include (1) the amount of the gift, (2) the name of the person(s) remembered or honored, (3) how the gift will be used, and (4) an expression of thanks for the gift.

Where a number of gifts were given by several persons, you might consider informing the family or honoree the total of all gifts; but never disclose the amount of individual gifts to the family of the person memorialized or to the person honored unless the donor has specifically asked that this be done.

Use your church bulletin and newsletter to announce memorial and honor gifts that

have been received and the persons remembered or honored by these gifts. (Again, never indicate the amount of individual gifts.) Seek out appropriate ways to say "thank you" and to recognize gifts, and the donors will look for additional opportunities to make memorial and honor gifts to the church.

**"The first step in asking for a new gift is the acknowledgment and thank you for the last gift."** It is extremely important to the success of the Memorial and Honor Gifts Program that every gift is properly acknowledged and that the appropriate "thank you" be expressed.

## ENCOURAGING MEMORIAL AND HONOR GIFTS

The Permanent Endowment and Planned Giving Ministry Committee should report regularly to the Administrative Board/Council on all of its activities. This reporting process might include a quarterly report on memorial and honor gifts which have been received. The more information given to leaders and members of the church, the more encouraged they will be to make gifts. A false assumption in many churches is that everyone knows everything that is going on in the church. This is not the case. We all need reminders, at appropriate times, lest we forget.

Church leaders often ask why members make so many significant memorial and honor gifts to other institutions and so few to their church? The answer is simply that many churches do not ask their members to consider memorial and honor gifts to the church, they do not have a plan in place to receive and administer such funds, and they have not helped members and friends learn how to make such gifts.

Special gifts like memorial and honor gifts need promotion. These kinds of gifts do not "just come in." People need to be reminded how to make memorial and honor gifts at the death of loved ones and friends, at times of celebration, or when they think about someone they intended to remember or honor but have overlooked. Reminding people once each year is not enough. Keep the message before your church membership with one-liners in the church bulletin and newsletter -- such as:

- "Do you know that when you give a memorial gift to your church that a notice of your thoughtful gift will be promptly sent from the church to the family of the deceased?"
- "Someone gave an honor gift on the occasion of his wife's birthday. Is there something you have to celebrate?"

Every time your church acknowledges a gift or announces that a gift has been made in memory or in honor of someone, other persons are encouraged to make similar gifts.

An attractively designed brochure can be used to inform members and friends how they can make memorial and honor gifts. This brochure should inform prospective donors about the guidelines your church has for these kinds of gifts while offering assistance to them in making their gifts. A "dream list" (as some churches have called it) can offer ideas of needs the church has as well as offer gift-giving options. While the list need not be exhaustive or limiting, it can be useful in guiding donors to choose useful and needed gift ideas over those which may not be as useful or needed by the church. This

list will change as new needs arise and as ideas on the list have been funded. Keep it up-to-date.

Be creative with the "dream list" so that it will speak to large as well as small gift prospects and to permanent and long-range needs as well as current needs. Do not be afraid to include large gifts as well as small ones on your list. For example:

- A gift to endow a missionary's salary
- A gift to endow scholarships
- A gift to endow maintenance and upgrade of the church organ
- A gift to endow care and upkeep of church buildings and grounds
- A new building
- A new organ
- Audio-visual equipment
- Hymnals or pew Bibles
- Altar flowers for Sunday worship
- Appropriate art for the church buildings
- Landscaping for the church grounds
- New choir robes
- Fund radio or TV broadcasts of worship services

The brochure should also have a tear-off form that provides space for the donor to indicate:

- Name and mailing address of donor
- Name of person to be remembered or honored
- Address of family (memorial gift) or honoree (honor gift)
- The amount of the gift
- Designation of the gift (if it is to be designated) or
- Indication that it is an undesignated gift.

A special Memorial/Honor Gift envelope is extremely helpful in encouraging persons to make memorial and honor gifts. A very few such gifts will more than offset the cost of printing these envelopes. The format of the envelope should be at least 3 1/2" x 5 1/2" and have a full flap. This format will give adequate space to print the Guidelines for Memorial/Honor Gifts on the outside of the flap. On the inside there is adequate space for the same information suggested above for the brochure.

Memorial/Honor Gift envelopes should be kept in the pews racks in the church at all times. Some churches have a custom of placing these envelopes in the worship bulletin where such is used for funerals or memorial services (when the family has been consulted). Some funeral homes permit these envelopes to be distributed with memorial bulletins or folders which are distributed at services held in the chapel of the funeral home. Again, this should be done when the family has indicated that memorials may be made and has given approval for the envelopes to be distributed in this way.

A letter from the pastor, the chairperson of the Permanent Endowment and Planned Giving Ministry Committee or Memorial/Honor Gift Sub-Committee, or another church

leader to each family in the church can provide an effective introduction to memorial and honor gift opportunities. Two or three brochures with a tear-off coupon or special memorial/honor gift envelopes should be enclosed with an explanation that these are being provided for them to use throughout the year when they want to make these kinds of gifts. Also tell them how to secure additional brochures -- a positive note that says "we know you will be using these -- and more."

Place brochures and envelopes in other highly visible places throughout the church buildings. When the brochure is up-dated and reprinted, be sure to replace old brochures/envelopes with the new ones. Remember, the more people see these brochures or envelopes, the more they will think about memorial and honor gift opportunities.

When the thank you and acknowledgment is sent to the donor who has made a memorial or honor gift, be sure to enclose a new Memorial/Honor Gift brochure or envelope. Perhaps a "P.S.," if the acknowledgment is in the form of a letter, would be appropriate: "P.S. We have enclosed a Memorial / Honor Gift Envelope should you choose to make future memorial/honor gifts." Use every opportunity to remind persons of memorial / honor giving and how they can make such gifts.

## **OBSERVANCES**

At least once each year plan a "Service of Remembrance" on Sunday morning. Let the focus of this worship experience be "remembering the saints" -- those who have died during the year. This can become one of the congregation's most meaningful worship experiences. Two particular times for such a service are Memorial Day Sunday and All Saints Day even though both of these days may create timing problems in your church for this celebration. (On Memorial Day weekend many families may be out-of-town and not present at worship. All Saints Day comes in the fall when your church may be involved with your annual budget campaign.) The church might therefore consider another Sunday such as "Homecoming Sunday" (if that is observed), "Heritage Sunday," or "Anniversary Sunday." The church can choose its own day, but make it a high moment in the life of the congregation.

This service offers a good opportunity to lift up the names of those who have died since the last annual celebration. It also provides a prime opportunity to dedicate memorials and honor gifts. Be sure to invite the families of those you will be remembering and honoring. You may want to have some of them participate as worship leaders. The special memorial brochures and/or special memorial gift envelopes (discussed earlier) should be inserted in the bulletin and perhaps mailed out the week before in the newsletter. This service will be a reminder to many of the memorial or honor gift they had planned to make but have not gotten around to making.

The pastor is usually the first contact from the church with families when someone dies. The planning of the funeral oftentimes involves wishes of the family regarding memorial contributions. The pastor should be prepared to offer suggestions as to how this can best be handled. Brochures can be placed in the narthex of the church prior to the funeral or if permissible on the registration stand at the funeral home. This is not a

fund-raising effort on the part of the pastor or church. Instead, it is an effort at providing answers and guidance for those who wish to honor the memory of their loved one or friend by giving a gift that in turn will help and serve others.

Remember, if the idea of making memorial gifts to the Church is not intentionally lifted up and the opportunity to give such a gift is not made convenient, these gifts will in all probability be given to other institutions and causes -- or perhaps not given to any cause. Many of us have good intentions of making these kinds of gifts; but unless the church makes it convenient, we may forget to do so.

Memorial and honor gift opportunities give us meaningful ways to express some of our deepest feelings. They offer unique ways for us to express our Christian stewardship as faithful disciples of Jesus Christ. When we make these special gifts we are blessed with good thoughts and warm feelings. We have remembered and honored those dear to us and at the same time made possible a special ministry in the name of Christ through the Church.



## Charitable Gift Annuities

### What is a Charitable Gift Annuity?

A charitable gift annuity is a planned giving tool that allows the donor to make a gift while at the same time receiving a constant stream of income for life.

### How does it work?

The donor makes a gift to the United Methodist Foundation and designates a church or ministry as the remainder beneficiary. The donor then receives an annual guaranteed annuity at a rate that is based on his or her age at the time the gift was made. The rate schedule is determined by the American Council on Gift Annuities.

Payments continue for the life of the donor. The remainder of the gift goes to the church or ministry of the donor's choice upon the end of their earthly life.

A charitable gift annuity can be established for one or two lives. In a two life charitable gift annuity, the life income is paid through the lifetime of the surviving donor.

### What are the benefits of a Charitable Gift Annuity?

- There can be tax benefits of a charitable gift annuity. The donor is eligible for a tax deduction during the year of the gift. A portion of the yearly income paid to the donor is tax-free income during the life expectancy of the donor. If the gift is made using securities, there may be favorable tax treatment of capital gains.
- A charitable gift annuity can enable a donor to make a gift to the church that is larger than he or she ever anticipated because the gift provides income.
- The rates are generally favorable for donors. The annuity payments are constant and do not fluctuate with the market.
- Gift annuity rates are based upon the age of the donor at the time of the gift. Potential tax benefits increase with age of the donor.
- A Charitable Gift Annuity can also offer the flexibility of a deferment of payments until a time in the future, such as anticipated retirement.

### Contact the United Methodist Foundation for help:

United Methodist Foundation of the Northern Illinois Conference, Inc.  
Rev. Chris Walters, President  
Phone: 312-803-4801 • Email: [cwalters@umfnc.org](mailto:cwalters@umfnc.org) • Website: [umfnc.org](http://umfnc.org)



## Creating a Legacy

### Why have an endowment?

- Perpetual Resources — Members can have the confidence that they are establishing a resource that will enhance ministry into the future.
- More ministry — Resources are freed up to expand and enhance current programs and ministries.
- New ministry — Imagine the possibilities for new programming.

### Who can help?

Everyone! There are ways for anyone who dreams about the future of our church to participate.

- Add any amount to any of the existing Trusts. Do it in honor or memory of a loved one. Send your gift to the United Methodist Foundation.
- Create a new Trust either with an outright gift or using one of the planned gift options listed below. Your new Trust can support the general ministry of the church or the particular ministry which is close to your heart. Want to support more than just our church? Trusts can always have more than one charitable beneficiary. Contact the Foundation for information and for help as you consider options.

### Planned Giving Tools

- **Cash Gifts** — Most common form of charitable gifts, often made in honor or memory of a loved one.
- **Bequests** — Give a specific dollar amount or a percentage of your remainder estate through a will.
- **Life Income Gifts** — Make a gift that will provide you with a lifetime income.
- **Life Estate** — Transfer title to property and retain the right to live there for your lifetime.
- **Donor-Advised Funds** — Create an irrevocable account out of which you can recommend the United Methodist causes that should receive the income.
- **Beneficiary Designations** — Name the Foundation or our church as the beneficiary of your life insurance policy, retirement plan, IRA or pension plan.

### Contact the United Methodist Foundation for help:

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## Fund for a Rainy Day

### **Why have a reserve account?**

We can always expect that the unexpected will happen. When a church has a Reserve Fund in place and the unexpected does happen, funds are available to meet the emergency need without impacting the ministry of the church.

### **Who can help?**

Everyone! Any amount of money can be contributed to the Fund at any time. Just like families save money for the unexpected, our church family can do the same thing.

### **How else can church members help?**

Consider planning for the future of ministry at our church by contributing to an existing trust or starting a new Trust at the Foundation. Contributions can be made to existing Trust accounts in any amount at any time. The Foundation offers several different planned giving tools which can help you to start your own ministry of generosity.

### **Contact the United Methodist Foundation for help:**

United Methodist Foundation of the Northern Illinois Conference, Inc.  
Rev. Chris Walters, President  
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## Legacy Giving Through a Will

### **Your last witness to your faith.**

A Last Will and Testament offers an opportunity to express your Christian faith after the end of your earthly life. It is a vehicle through which you can witness to your faith in actions and words. A will is a simple tool to use to create a lasting and transformational gift to the Church.

### **Benefits of Leaving a Gift Through a Bequest.**

- It is often the easiest way to give the largest gift.
- It is revocable. You can always change your mind as circumstances change.
- It is flexible, allowing you to provide for your family, loved ones, and charitable concerns (including the church) in one document.

### **Options to Consider**

- A bequest can be for a specific amount or a percentage of your estate.
- A bequest can be contingent. For example, “If my husband predeceases me, then I devise and bequeath [a portion] of my estate to my church.”
- A bequest can be residual. Use this option to donate the remainder of your estate to the church after family and friends have been remembered.
- A bequest can be a percentage of your estate.
- A bequest can be a particular piece of personal property or real estate.

### **How can the Foundation help?**

Contact the United Methodist Foundation. with any questions or concerns that you might have. The Foundation can provide literature which will help as you consider bequest options. The staff at the Foundation can also help if you would like to establish a Trust with your bequest to create a perpetual financial resource for the church.

There are also other ways to donate a transformational gift for the church. The Foundation can explain how you can receive a constant income from your gift, can discuss the possible tax benefits of certain gifts, and the Foundation can help with the donation of securities.

### **Contact the United Methodist Foundation for help:**

United Methodist Foundation of the Northern Illinois Conference, Inc.  
Rev. Chris Walters, President  
Phone: 312-803-4801 • Email: [cwalters@umfnic.org](mailto:cwalters@umfnic.org) • Website: [umfnic.org](http://umfnic.org)

## **Glossary**

### **Estate Planning and Planned Giving Terms**

**ADJUSTED GROSS INCOME** - Amount of income remaining after the expenses of earning that income have been deducted.

**ADMINISTRATOR** - The personal representative appointed by the probate court to settle the estate of a person who dies without a will.

**ANNUITANT** - The person receiving annual or more frequent payments from a gift annuity.

**ANNUITY PAYMENTS** - The annual or more frequent payment of principal and interest to an annuitant or to his or her beneficiary.

**APPRECIATED PROPERTY** - Property with a value greater than the cost basis (the value at the time it was acquired plus improvements and other expenses).

**CHARITABLE ESTATE PLANNING** - Estate planning which includes a provision for a charitable organization or institution to receive a portion of the person's assets.

**CHARITABLE INCOME TAX DEDUCTION** - The amount a donor can deduct from a federal income tax return for a gift to a qualified charity.

**CHARITABLE LIFE INSURANCE** - Any type of life insurance policy which pays death proceeds or living benefits to a qualified charity.

**CHARITABLE REMAINDER ANNUITY TRUST** - A trust which provides for a donor to transfer property to a trustee subject to the donor's right to receive a fixed percentage of the initial fair market value of the property for as long as he or she lives. Whatever remains in the trust at his or her death becomes the property of the beneficiary charity.

**CHARITABLE REMAINDER INTEREST** - The amount expected to be received by a charity from a charitable remainder trust at the death of the trustor.

**CHARITABLE REMAINDER UNITRUST** - A trust with the same basic components of a charitable remainder annuity trust except that the income to the donor is a percentage of the fair market value of the property determined annually rather than a fixed amount.

**CODICIL** - An addition or amendment to a person's will. **CORPUS** - The amount of principal in a trust.

**COST BASIS** - The original cost of property plus improvements and other expenses paid by the owner during the period of ownership.

**DEATH BENEFIT** - Proceeds of a life insurance policy paid to a beneficiary of the policy at the death of the policy-holder.

**DEFERRED GIFT** - A gift that is made now whereby the recipient does not benefit until sometime in the future according to conditions stated in a contract.

**DEFERRED PAYMENT GIFT ANNUITY** - A gift annuity agreement issued by a qualified charity providing for payments to the beneficiary to commence at a future date and to continue for life.

**DIVIDENDS** - The amount of money paid each year on a life insurance policy, share of stock, or other investment paid to the policy-holder or the shareholder.

**ENDOWMENT POLICY** - A life insurance policy which provides a death benefit of the face amount should the insured die during the premium paying period. If the policy-holder lives to the end of the premium paying period he or she receives the face amount of the policy.

**ENDOWMENT** - Assets which are held and invested to provide an income or source of funding.

**ESTATE PLANNING** - Planning for the management of all of an individual's assets for the benefit of this person and his or her heirs or other distributees.

**EXECUTOR** - The personal representative (male) named in a will to settle the testator's estate. **EXECUTRIX** - The personal representative (female) named in a will to settle the testator's estate. **FAIR MARKET VALUE** - Amount of money a willing buyer will pay a willing seller for property. **FEDERAL ESTATE TAX** - The federal tax imposed on the transfer of property to others at death.

**FEDERAL GIFT TAX** - The federal tax imposed on the transfer of property during the lifetime of the donor. This tax is paid by the donor.

**FEDERAL INCOME TAX** - The federal tax on an individual's income.

**FIVE-YEAR CARRY-OVER RULE** - A federal income tax provision which permits a donor to carry over into the five succeeding tax years any amount of a charitable deduction which exceeds the deductible amount which can be used in the year the gift is made.

**GIFT ANNUITY AGREEMENT** - An agreement in which a donor makes a gift to a charity which in turn provides stipulated annual payments for the life of one or two persons.

IN PERPETUITY - To be held in the same form forever. INTESTATE - Dying without a will.

IRREVOCABLE LIVING TRUST - A trust which cannot be revoked by the trustor.

LAWS OF DESCENT AND DISTRIBUTION - State laws controlling distribution of property when a person dies without a will.

LIFE ESTATE AGREEMENT - An agreement between a donor and a charity in which the donor deeds real estate to the charity but reserves the right to use or reside on the property for life.

LIFE EXPECTANCY - The actuarial estimate of the number of years a person will live from any given age.

LONG-TERM CAPITAL GAINS - The capital appreciation realized from the sale of property (stocks, bonds, land, etc.) which the seller has owned more than one year. (Note: The long-term holding period is set by federal law and is subject to change. If in doubt, check with a tax advisor.)

MARITAL DEDUCTION - According to federal law, the amount of assets that an individual can transfer tax-free to a surviving spouse through his or her will without estate taxes having to be paid on those assets. Currently, the marital deduction is unlimited.

MATURED BEQUEST - A bequest is considered "matured" when the gift is actually received.

MATURED CHARITABLE REMAINDER TRUST - A charitable remainder trust is matured when the trust assets are finally delivered to the charity after the death of the final income beneficiary.

MEMORIAL GIFT - A gift to a charity in memory of a deceased person.

ORDINARY INCOME PROPERTY - Property which produces income taxed at the owner's regular income tax rate.

POOLED INCOME FUND - A trust funded by a number of donors, each retaining an income for life. Each donor is paid a pro-rata share of the fund's earnings. Each donor's portion of the principal becomes the property of the charity at the death of the donor.

PROBATE - The "proving" of a will. When a person dies, the will is taken to the probate court to prove that the will is indeed that person's last will and testament.

REMAINDERMAN - The person, institution, or charity receiving the assets of a trust upon the death of the trustor.

**RESIDUARY CLAUSE** - A clause in the will which bequeaths or devises property which is not specifically bequeathed or devised earlier in the will.

**RESIDUE** - Property left for the final beneficiaries named in a will after all other bequests have been paid.

**REVOCABLE LIVING TRUST** - A trust which may be revoked by the trustor.

**TESTAMENTARY GIFT** - A gift made through a will.

**TESTAMENTARY TRUST** - A trust created by a provision in a person's will.

**TESTATOR** - The person (male) making the will and **TESTATRIX** - The person (female) making the will.

**TRUSTEE** - The person or institution responsible for the administration of a trust.

**TRUST INSTRUMENT** - The legal document which provides operating instructions for a trustee in carrying out the terms of a trust.

**TRUST CORPUS** - The assets held in a trust.

**WILL** - A person's legal statement regarding the disposition of his or her property following death.

## Appendix

### References to The Book of Discipline<sup>1</sup>

The following paragraphs of *The Book of Discipline of The United Methodist Church (2016)* pertain to the subjects covered in these Planned Giving Modules:

**¶2513. *United Methodist Foundations***—An annual conference or conferences may establish a United Methodist Foundation. The purposes for establishing such a foundation may include:

1. Providing the services described in ¶2512.3 as designated by the donor or upon delegation from the conference board of trustees;
2. The promotion of planned-giving programs on behalf of local churches, conferences, and general Church boards and agencies;
3. Furnishing counsel and guidance to local churches with regard to promotion and management of permanent funds; and
4. Other responsibilities as requested by the annual conference. The United Methodist Foundation shall have an independent governing board as determined by the incorporating documents approved by the annual conference. The governing board will establish all policies and procedures upon which the foundation will operate. Due care will be exercised to maintain prudent organizational separation from beneficiary organizations while striving to maintain missional purpose and connection.

#### **¶2533.5 *Board of Trustees' Powers and Limitations***

5. Subject to the direction of the charge conference...the board of trustees shall receive and administer all bequests made to the local church; shall receive and administer all trusts; and shall invest all trust funds of the local church in conformity with the laws of the country, state, or like political unit in which the local church is located. Nevertheless, upon notice to the board of trustees, the charge conference may delegate the power, duty, and authority to receive, administer, and invest bequests, trusts, and trust funds to the permanent endowment committee or to a local church foundation and shall do so in the case of bequests, trusts, or trust funds for which the donor has designated the committee or the local church foundation to receive, administer, or invest the same.

The board of trustees is encouraged to invest in institutions, companies, corporations, or funds that make a positive contribution toward the realization of the goals outlined in the Social Principles of our Church. The board of trustees is

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<sup>1</sup> *The Book of Discipline of The United Methodist Church—2016*. © 2016 by The United Methodist Publishing House. Used by Permission.



to act as a socially responsible investor and to report annually to the charge conference regarding the carrying out of this responsibility. When such property is in the form of investable funds, the board of trustees shall consider placement for investment and administration with the United Methodist foundation serving that conference...

**¶2534 *Permanent Endowment and Planned Giving Ministry Committee*** A charge conference may establish a **local church permanent endowment fund committee**.

The purposes for establishing such a committee include the responsibilities to:

1. Provide the services described in ¶2533.5 as designated by the donor or at the direction of the charge conference upon notice to the board of trustees. When such property is in the form of investable funds, the permanent endowment committee may consider placement for investment and administration with the United Methodist foundation serving that conference...A conscious effort shall be made to invest in a manner consistent with the Social Principles and the creation of an investment policy. When the charge conference has designated the committee to provide the services described in ¶2533.5, the committee shall have the same investment and reporting duties as are imposed on the board of trustees in that paragraph.
2. The charge conference shall adopt guidelines for endowment and planned giving as developed by the permanent endowment and planned giving ministry committee. Subject to the direction and supervision of the charge conference, the committee shall fulfill its responsibilities in administering the planned giving and/or permanent endowment fund. Following each General Conference, the charge conference shall update any required changes in the planned giving and/or permanent endowment fund documents.
3. Emphasize the need for adults of all ages to have a will and an estate plan and provide information on the preparation of these to the members of the congregation.
4. Stress the opportunities for church members and constituents to make provisions for giving through United Methodist churches, institutions, agencies, and causes by means of wills, annuities, trusts, life insurance, memorials, and various types of property.
5. Arrange for the dissemination of information that will be helpful in preretirement planning, including such considerations as establishing a living will, a living trust, and the need for each person to designate someone to serve as a responsible advocate should independent decision-making ability be lost.
6. Permanent endowment and planned giving ministry committee trustees are directed by the charge conference to follow the guidelines and actions initiated by the charge conference, overturn any transaction that the charge conference may

deem excessive, and remove any trustee who does not carry out the directions of the charge conference. Careful attention will be given to the election of trustees to ensure that there is no conflict of interest. Following each General Conference, the permanent endowment document shall be brought into line with any changes in the *Discipline*.

7. Other responsibilities as determined by the charge conference.
8. Resources for these tasks may be secured from conference and/or area United Methodist foundations and development offices, the National Association of United Methodist Foundations, the General Board of Discipleship, the General Council on Finance and Administration, and other appropriate sources for program assistance and direction.