

Leave behind more than an empty pew . . .

## **A Conversation about Planned Giving**

**Don Hill**

# Estate Planning and Planned Giving Basics

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## Building a Planned Giving Program

# Estate Planning Basics

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Choose guardians for minor children

Choose plan for distribution of assets

Protect beneficiaries and the assets you leave them

Plan for disability / incapacity

Minimize taxes and administrative costs

Make charitable gifts

# Essential Estate Planning Documents

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**Will** – Your plan for the disposal of assets

**Revocable or Living Trust** – Assets remain in estate for tax purposes, but avoid probate

**Durable Power of Attorney** – Appoints agent in case of incapacity

**Health Care Proxy** – Appoints agent for health care decisions in case of incapacity

**HIPPA Forms** – Authorizes sharing of medical records

**Living Will** – Instructions in case of terminal illness

**Financial Records** – “Doomsday Book” – Comprehensive record of financial and other documents related to estate

# Legacy Giving Definitions

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## Planned Gifts

Planned gifts are transfers of assets that, in addition to having a charitable dimension, have financial planning and/or estate planning impacts and are for long-term support of an institution.

## Deferred Gifts

Deferred gifts are those whose impact are not fully realized until some future date, generally at the death of the donor(s).

## Life Income Gifts

Life Income Gifts are irrevocable transfers of assets creating vehicles whereby donors receive income for themselves or their designees, favorable tax treatment, and provide support from their assets to a charity of their choice.

# Why Planned And Deferred Gifts?

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Meeting the stewardship imperative

Support for the mission and ministry of the Church into the future

Income for life for the donor or their designee

Increase in gift giving capacity

Favorable tax treatment

Professional, values-based investment management

## Types of Deferred Gifts

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Bequests

Retirement Assets

Retained Life Estates

Life Insurance

Life Income Gifts

## Gifts of Life Insurance

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Whole Life Insurance

*Assignment of Ownership*  
*Beneficiary Designation*

Term and Group Life Insurance

*Less than \$50,000*

*More than \$50,000*

Wealth Replacement

## Gifts of Real Estate

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Retained Life Estate

# Life Income Gifts

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Charitable Gift Annuities

Charitable Remainder Trusts

Pooled Income Funds

Other Vehicles for Giving



## Charitable Gift Annuities

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Combination of annuity and charitable gift

A pooled fund, so the “risk” is shared among a group of individuals

Income dependent on age of income recipient

Contract between non-profit and individual(s) to provide income for life

Gift portion must represent at least 10%

Income beneficiaries must be individuals; remainder beneficiaries must be non-profits

The charity determines payout rates, but many use rates recommended by American Council on Gift Annuities

## Deferred Payment Gift Annuity

Donor chooses to delay income payments to some future date

**ASSUMPTIONS:**

<b>Annuitant</b>	<b>65</b>
<b>Date of Gift</b>	<b>9/17/2012</b>
<b>Principal Donated</b>	<b>\$20,000.00</b>
<b>Cost Basis</b>	<b>\$20,000.00</b>
<b>Annuity Rate</b>	<b>4.7%</b>
<b>Payment Schedule</b>	<b>quarterly at end</b>

**CALCULATIONS:**

<b>Charitable Deduction</b>	<b>\$5,322.20</b>
<b>Number of Payments in First Year</b>	<b>1</b>
<b>Annuity</b>	<b>\$940.00</b>
<b>Quarterly Payment</b>	<b>\$235.00</b>

**BREAKDOWN OF ANNUITY:**

	<b>Tax-free Portion</b>	<b>Ordinary Income</b>	<b>Total Annuity</b>
2012 to 2012	184.48	50.52	235.00
2013 to 2031	737.90	202.10	940.00
2032 to 2032	473.22	466.78	940.00
2033 onward	0.00	940.00	940.00

After 19.9 years, the entire annuity becomes ordinary income.

**ASSUMPTIONS:**

<b>Annuitants</b>	<b>80</b>
	<b>80</b>
<b>Date of Gift</b>	<b>9/17/2012</b>
<b>Principal Donated</b>	<b>\$100,000.00</b>
<b>Cost Basis</b>	<b>\$100,000.00</b>
<b>Annuity Rate</b>	<b>5.7%</b>
<b>Payment Schedule</b>	<b>quarterly at end</b>

**CALCULATIONS:**

<b>Charitable Deduction</b>	<b>\$39,453.00</b>
<b>Number of Payments in First Year</b>	<b>2</b>
<b>Annuity</b>	<b>\$5,700.00</b>
<b>Quarterly Payment</b>	<b>\$1,425.00</b>

**BREAKDOWN OF ANNUITY:**

	<b>Tax-free Portion</b>	<b>Ordinary Income</b>	<b>Total Annuity</b>
<b>2012 to 2012</b>	<b>1,191.30</b>	<b>233.70</b>	<b>1,425.00</b>
<b>2013 to 2024</b>	<b>4,765.20</b>	<b>934.80</b>	<b>5,700.00</b>
<b>2025 to 2025</b>	<b>2,173.30</b>	<b>3,526.70</b>	<b>5,700.00</b>
<b>2026 onward</b>	<b>0.00</b>	<b>5,700.00</b>	<b>5,700.00</b>

After 12.7 years, the entire annuity becomes ordinary income.

**ASSUMPTIONS:**

<b>Annuitant</b>	<b>80</b>
<b>Date of Gift</b>	<b>9/17/2012</b>
<b>Principal Donated</b>	<b>\$50,000.00</b>
<b>Cost Basis</b>	<b>\$25,000.00</b>
<b>Annuity Rate</b>	<b>6.8%</b>
<b>Payment Schedule</b>	<b>quarterly at end</b>

**CALCULATIONS:**

<b>Charitable Deduction</b>	<b>\$23,346.50</b>
<b>Number of Payments in First Year</b>	<b>1</b>
<b>Annuity</b>	<b>\$3,400.00</b>
<b>Quarterly Payment</b>	<b>\$850.00</b>

**BREAKDOWN OF ANNUITY:**

	<b>Capital Gain</b>	<b>Tax-free Portion</b>	<b>Ordinary Income</b>	<b>Total Annuity</b>
2012 to 2012	354.45	354.45	141.10	850.00
2013 to 2021	1,417.80	1,417.80	564.40	3,400.00
2022 to 2022	212.10	212.10	2,975.80	3,400.00
2023 onward	0.00	0.00	3,400.00	3,400.00

Total reportable capital gain of \$13,022.25 must be reported over 9.4 years, the expected lifetime of the donor age 80.

After 9.4 years, the entire annuity becomes ordinary income.

**ASSUMPTIONS:**

<b>Annuitant</b>	65
<b>Date of Gift</b>	9/17/2012
<b>Age at Date of First Payment</b>	70
<b>Principal Donated</b>	\$20,000.00
<b>Cost Basis</b>	\$20,000.00
<b>Annuity Rate</b>	5.9%
<b>Payment Schedule</b>	quarterly at end

**CALCULATIONS:**

<b>Charitable Deduction</b>	\$7,051.00
<b>Number of Payments in First Year</b>	2
<b>Annuity</b>	\$1,180.00
<b>Quarterly Payment</b>	\$295.00

**BREAKDOWN OF ANNUITY:**

	<b>Tax-free Portion</b>	<b>Ordinary Income</b>	<b>Total Annuity</b>
2017 to 2017	407.10	182.90	590.00
2018 to 2032	814.20	365.80	1,180.00
2033 to 2033	328.90	851.10	1,180.00
2034 onward	0.00	1,180.00	1,180.00

After 15.9 years, the entire annuity becomes ordinary income.

# American Council on Gift Annuity Rates

As of January, 2012

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Age	Rate (%)	Age	Rate (%)
54	3.9	73	5.5
55	4.0	74	5.7
56	4.1	75	5.8
57	4.1	76	6.0
58	4.2	77	6.2
59	4.3	78	6.4
60	4.4	79	6.6
61	4.4	80	6.8
62	4.5	81	7.0
63	4.5	82	7.2
64	4.6	83	7.4
65	4.7	84	7.6
66	4.8	85	7.8
67	4.8	86	8.0
68	4.9	87	8.2
69	5.0	88	8.4
70	5.1	89	8.7
71	5.3	90 and over	9.0
72	5.4		

## Charitable Remainder Trusts

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Charitable Remainder *Unitrust* - variable lifetime annual payments equal to a percentage of the fair market value of trust assets, determined annually

Charitable Remainder *Annuity* Trust - fixed annual income for life that is equal to at least 5 percent of the initial net fair market value of the trust at the time the assets were delivered to the trustee

Resources may be exhausted

## Pooled Income Fund

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Through a Pooled Income Gift, assets from the donor are invested together with the assets of all other Fund donors.

The donor's proportional share of the Fund's income is distributed to the one or two people whom the donor named to receive life income.

At the death of the life beneficiaries, a charitable institution receives the funds.

At least original gift amount goes to charity

# IRA Charitable Rollover – A Renewed Opportunity for Giving

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Prior law extended to 2012 and 2013 as part of the American Taxpayer Relief Act of 2012

## Requirements:

- Donor must be 70 ½ years of age or older
- Donor can gift up to and including \$100,000 to a Public Charity
- Donor must instruct the IRA Plan Administrator to distribute the funds directly to the Public Charity
- The contribution to the Public Charity can count towards the Donor's Required Minimum Distribution

## Tax Consequences of an IRA Charitable Rollover:

- Although the Donor cannot claim a charitable contribution deduction for the distribution to the Public Charity, the distribution is likewise not included as income to the Donor. The Donor enjoys the equivalent of a charitable deduction by avoiding the tax that would be due on a Required Minimum Distribution.
- Allows non-itemizers to benefit from a charitable gift
- Allows those who have exceeded their charitable deduction limits to make an additional gift and claim a quasi-deduction

## Limited Opportunity for the 2012 Tax Year:

- Any IRA Charitable Rollover made before February 1, 2013 can be counted as a 2012 Rollover
- If a Donor received a Required Minimum Distribution on the month of December, 2012, the Donor can transfer any amount of that distribution (up to and including \$100,000), in cash, to a Public Charity before February 1, 2013 and have that count as a 2012 Rollover



## Life Income Gift Process

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Discussion with attorney or financial advisor

Discussion with beneficiary about gift

Gift proposal, application form and asset transfer instructions are provided to prospect

Prospect returns application form with a check or informs us of other asset transfer

Contract is prepared and transmitted to donor; Contract executed

Funds are invested through fiscal agent

Donor begins to receive income payments

The donor receives yearly tax documents

Upon the donor's death, other charitable beneficiaries receive the benefit

# Building A Planned Giving Program

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## Infrastructure

Planned Giving and Endowment Policies  
Accountability and Leadership

## Education

Seminars  
Written and Electronic Resources

## Fundraising

Leadership  
Prospecting  
Making the Case  
Asking

# Best Practices in Financial Development

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Teach, preach and live stewardship

Make the case in terms of impact and outcomes

Assume diversity in motivation, interest and capacity

Provide opportunities for personal, substantive involvement in and influence on ministry

# Best Practices in Financial Development

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Communicate well and often

Establish accountability for all aspects of the work

Educate and empower leaders to do the work of fundraising ministry

Create an infrastructure that leverages your assets

# **“Best Minds” Conversation on Stewardship and Development**

**September, 2012**

## ***Principles and Recommendations***

- Create and communicate a mission statement and strategic plan that is succinct, bold and widely known and understood
- Aggressively engage individual members of the United Church of Christ in supporting ministry beyond their local community
- Revitalize congregational support by inviting both unrestricted and directed support
- Place engagement through technology at the center of our efforts with donors who are members of UCC faith communities and prospects outside the church

# *Principles and Recommendations*

- Develop and implement a multifaceted funding strategy that accounts for differences in generation, social location, economic means and theological understandings of stewardship and giving
- Make financial development and stewardship a top budgetary and programmatic priority to create a robust fundraising program for congregational and individual support
- Create educational and formation programs for clergy and lay leadership that cultivate theological understandings and practical applications related to money in our societal context

## ***Principles and Recommendations***

- Fund and implement a communications strategy that emphasizes impact, covenant, identity and vision
- Move our financial development programs from a transactional (institutionally and need focused) posture to relational (responsive and donor centered) one
- Develop mutually beneficial partnerships with congregations doing extraordinary philanthropic work

## Endowment Definitions

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**“True” Endowment** - Permanent restriction by donor with designation as to purpose, usage, and/or definition and distribution of return.

**Quasi-Endowment** - Unrestricted funds that are designated as endowment by Board policy. Unrestricted as to usage; may be restricted or unrestricted as to purpose.

**Temporary Endowment** - Monies that are restricted by time or purpose by board policy or donor designation.



# Endowment Policy

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## Administration

What gifts will be accepted, and which will be declined?

Who makes gift acceptance decisions?

Who is responsible for communication with donors and prospects?

Is there a minimum level for creating named endowments?

## Accounting

What are the procedures for ensuring financial transparency?

Who is responsible for insuring the integrity of the endowment?

## Investment

How are the funds to be invested?

Who is responsible for making investment decisions?

## Spending

What are the policies for how funds will be spent?

# Investment Policy Development

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Time Horizon

Risk tolerance

Return expectations

Asset allocation guidelines

Values-oriented investment guidelines

Roles and responsibilities

## Contact Information

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