



BUILDING
— A —
Legacy

The Essentials of Endowments

The Endowment Cycle

In the simplest terms, an endowment is like a permanent savings account: a pool of money that a church and its donors have set aside and invested for the really long term. Unlike personal savings, however, an endowment is an institutional fund that anticipates no end date — a fund intended to be held and managed in a perpetual cycle of building, investing, spending and promoting to create a return that supports ministry for generations.

To build the confidence of donors and ensure appropriate spending from the endowment, a church must develop a written endowment policy that describes how gifts will be accepted, invested and spent. Need help getting started? Contact United Church Funds!

Building



Most endowments are funded and built by bequests, direct gifts to the endowment from members, memorial and planned gifts like Charitable Gift Annuities or life insurance, and even by special capital campaigns.

A **Gift Acceptance Policy** establishes the guidelines for receiving gifts to the endowment and describes how unrestricted gifts will be handled and managed.

Promoting



A well-managed endowment inspires donors and encourages gifts — and a consistent program of promotion regularly reminds potential donors that they can build the legacy of their church for generations to come.

Hosting workshops on wills or planned giving helps members think ahead and encourages endowment giving.

Investing



The pool of endowment funds must be invested for the long term, primarily in a combination of stocks and bonds, to ensure the long-term growth of the endowment as the years go by. A wisely invested endowment will provide the church a consistent source of revenue for generations to come.

An **Investment Policy** identifies acceptable types of investments based on the church's risk tolerance, diversification goals and performance expectations.

Spending



A spending policy based on total return permits a church to take advantage of the gain in value of endowment assets. This standard policy permits a church to regularly withdraw an established percentage of its endowment (usually 3% to 5%) to fund mission, outreach and other ministry programs.

A **Spending Policy** defines how spending will be calculated, the amount which may be withdrawn, and the acceptable uses for endowment proceeds.



Endowment Essentials

Inspiring generosity & building a legacy

For many, talk of endowments can be confusing — but the better a church prepares to accept and manage long-term gifts, the greater the generosity the church will inspire among members. And gifts to an endowment can help strengthen and broaden ministry for decades to come. To be well prepared for bequests and the happy surprise of unexpected gifts, every church — large or small — needs a basic understanding of how endowments work, and needs policies in place to ensure that when gifts do arrive, the church is prepared to manage those gifts effectively.

Endowments Need Good Policies

Given and maintained to build a permanent fund to strengthen ministry, an endowment exists to accomplish a specific set of goals — like funding seed money for new ministries or staff positions, developing outreach programs to the local community, engaging in special mission programs, or even maintaining an historic building. While many churches use a portion of their endowment proceeds to support day-to-day operations, most donors to endowments expect current church members will support ongoing programs and leave endowment gifts to widen ministry in new directions.

An endowment policy establishes the guidelines for management and use of the fund. A well-considered policy is really a set of policies, all of which work together to support a church as it makes decisions about its assets —

- a gift acceptance policy describes how and when gifts will be accepted or declined, and how unrestricted or undesignated gifts will be handled when received
- an investment policy guides the choice of investments and managers, and sets out performance expectations
- a spending policy determines how the amount to be spent from the endowment will be determined, and how funds will be used

The development of a clear and complete endowment policy often inspires church members to remember the church in their wills. A good policy can also prevent conflict in the event of a happy surprise like an unexpected and unrestricted gift. United Church Funds offers an endowment policy handbook that gives churches the information they need to develop a comprehensive endowment policy that can serve the church for generations to come.

United Church Funds Can Help

For many churches, investing with United Church Funds simplifies endowment management and helps a church meet its fiduciary responsibility. United Church Funds offers —

- a family of equity, fixed income and alternatives funds to achieve asset allocation goals
- well-diversified funds that are actively managed and continuously monitored by investment professionals
- expert management with a solid track record
- competitive fees in a not-for-profit structure
- an active program of socially responsible investing and shareholder engagement

In addition, United Church Funds offers trust services to individuals and churches who prefer professional management of all aspects of their funds. Individuals can establish a trust to benefit their favorite ministries, and churches can release members from the burden of active endowment management while retaining a measure of control over spending decisions. For a church coming to the end of its ministry, a trust established with the church's assets ensures the legacy of the church lives on through ministries selected and funded by the trust and fully managed by United Church Funds.

For more information on the funds and services offered by United Church Funds, give us a call or visit us online.

