

G I F T P L A N N I N G S E R V I C E S

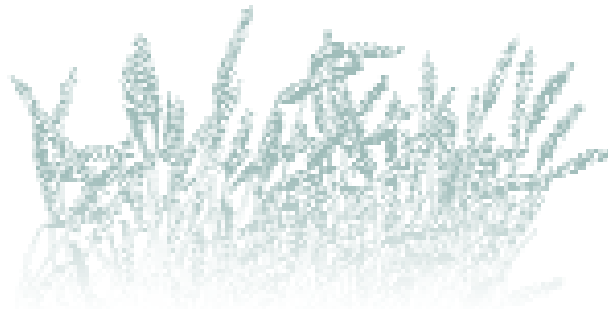
MAKING A PLANNED GIFT



EPISCOPAL
CHURCH FOUNDATION
Learn. Lead. Give.

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“THE LORD IS FAITHFUL IN ALL HIS WORDS, AND GRACIOUS IN ALL HIS DEEDS.”

PSALM 145:13

MAKING A PLANNED GIFT

INTRODUCTION

ift Planning is sometimes called the “How” of giving. It naturally follows the “Why”—the motivation or reason you want to give in the first place.

As Episcopalians we all have our own personal reasons for wanting to make a planned gift to support the organizations and ministries that are meaningful to us.

The information in this brochure describes the different ways you can accomplish this through immediate, deferred or life income gifts. It is provided to give you a basic understanding of the planned giving options, not as a complete reference for all the options available.

Be assured that you don't have to know it all! You just need to know whom to call: Gift Planning Committee members or staff in your parish, diocese, or church agency or the staff at the Episcopal Church Foundation.

IMMEDIATE GIFTS

*The assets described here may be used to fund both immediate gifts and life-income gifts.
The procedures refer only to immediate gifts.*

CASH

Gifts of cash are routinely used to pay pledges and make special (capital) gifts.

Procedures: Make a check payable to the official corporate name of the church or agency.

Example: “The Rector, Wardens and Vestry of St. John’s Church in Waterbury, CT.” In most cases, shortening it to “St. John’s Church” will be acceptable.

The date of the gift is the date of the US Postal Service postmark on the envelope in which you sent the check. If another carrier is used, it is the date on which the church or agency received the package.

APPRECIATED SECURITIES

Many donors use stocks, bonds, or mutual funds to make gifts. If they have increased in value since you obtained them, there can be significant tax advantages:

- a. your income tax deduction is usually based on the full market value of the securities on the date of the transfer
- b. you can usually avoid paying capital gains taxes that would have been due if the securities had been sold.

If you wish to donate securities that have diminished in value since you obtained them,

it is wiser to sell the stock, claim the capital loss as a tax deduction, and donate the resulting cash.

Procedures: If the securities are in “street name,” that is, held in an account at a financial institution but accounted for as belonging to you, instruct your broker by letter to transfer xxx shares of yyy stock to an account in the name of your church. Your church treasurer or bookkeeper can give you the details. If your church is not comfortable receiving a gift of securities, the Episcopal Church Foundation can act on its behalf.

The date of a gift of securities is the date on which the transfer of ownership took place.

Procedures: If you have the actual certificate for the stock, bond, or mutual fund, mail it to your church or agency in one envelope. To assure security, do **not** sign the stock certificate. In a separate envelope, enclose a signed stock power guaranteed by a bank officer. Once again, for security in shipment, do **not** complete the description of the securities.

The date of the gift is the date of the postmark on the envelope containing the stock power. If another carrier is used, it is the date on which the church or agency received the package.

Valuation: The IRS calculates the value of the gift as the average of the highest and lowest selling prices of the securities on the gift date.

REAL ESTATE

You may have a second or, even, a third home. Your primary residence may no longer be practical. Giving real estate to the church is a time-honored way of making a substantial gift with an asset, usually highly appreciated, that might otherwise be underutilized.

Procedures: To make a gift of real estate, whether or not it includes a dwelling or other buildings, the property should be free of financial encumbrances such as mortgages or liens. It should be readily marketable, and you should be aware that the church may sell the property after it is given.

The church will want to conduct an environmental assessment to insure that there are no hazardous waste conditions at the site that could become a liability to the new owner. The Episcopal Church Foundation can provide a form for such a study.

The donor usually pays for a property survey, appraisal, the environmental assessment, and the preparation of the deed transferring the property.

The gift date is the day of the closing.

PERSONAL PROPERTY

You may donate assets such as jewelry, automobiles, paintings, and antiques as immediate gifts, or they can be used to fund life income gifts. As with real estate, you will need to pay for a bona-fide appraisal of the item by a qualified appraiser.

Procedures: Your lawyer creates a deed of gift, and a closing takes place at which the item is delivered and the documents are executed.

The gift date is the date on which this closing takes place.

Valuation: For your tax deduction to be based on the appraised market value of the item, the item must have a particular usefulness to the church or church agency. That is, the item must be related to the charity's purposes. For instance, the value of a classical painting donated to an art museum is appropriate to the museum's mission. It would be deductible at fair market value. But it would be far-fetched to declare that the same painting is compatible with the mission of a symphony orchestra. The tax deduction for a gift of personal property that is not related to the charity's mission is deductible at cost basis only. You should consult with your tax advisors for the appropriate evaluation and reporting requirements.

BARGAIN SALE

A bargain sale is an arrangement by which a donor sells a portion and gives a portion of personal property or real estate to a charity.

Procedure: After a fair market value is determined based on a bona-fide appraisal by a qualified appraiser, the property is deeded to the charity. You may take a tax deduction for a contribution of any portion of the value of the property for which the charity does not compensate you. For example, you make a bargain sale of your \$100,000 house to your church for \$50,000. The church pays you \$50,000. You may take a tax deduction for the \$50,000 donated portion.

The gift date is the date the property changes hands.

RETIREMENT ASSETS

Retirement funds are an increasingly valuable asset to many people—an asset often overlooked as a source of charitable gifts. Giving from an IRA, a 401K, or 403B plan can provide you with important tax advantages.

Since the money that has accumulated in these plans has never been taxed, the IRS levies heavy taxes on any distribution, unless that distribution is to a charity.

After you die, your retirement fund could be subject to this income tax, plus estate taxes, considerably diminishing its value before being passed on to heirs. By naming the charity as beneficiary of the remaining retirement fund assets, you can avoid this pitfall. Give other assets to family members and other heirs.

Legislation is pending that will allow people to avoid retirement fund taxes almost completely if they use them to fund charitable gifts. For updates, visit our website at www.episcopalfoundation.org.

GIFTS OF LIFE INSURANCE

You may find that you have some life insurance that you no longer need. “Whole” or “universal” life insurance has cash value and can be donated to your church.

You would receive a tax deduction for the replacement cost of the paid-up policy at the time of your donation, **not** the face value of the life insurance.

If the policy requires continuing premium payments, you can continue paying those premiums and get a tax deduction for each one if it is done in the following way: the policy must be “owned” by the church, and it must pay the premiums on it. You make a contribution to the church each year in an amount that approximates the premium, and the church pays the premium.

For more information about donating life insurance to the church, contact the Episcopal Church Foundation.

DEFERRED GIFTS

WILLS AND BEQUESTS

The Episcopal Church has had an impact on many lives. Many of you grew, developed, and were nurtured in your faith by the church’s witness and work. It is only natural that you would want to help continue its work by providing a gift through your estate planning.

A bequest through a will is the simplest and most common planned gift. It can be an outright monetary bequest, a percentage of your estate, a percentage of the “rest, residue, and remainder” of your estate after a number of other bequests have been fulfilled, or a specific asset such as personal or real property. It could also be a contingent bequest, to be exercised only if some other intention is unable to be fulfilled (such as

a named heir predeceasing you). You can have charitable bequests given for general purposes or to support specific programs at your church or church agency.

Examples of bequest language are:

“I give, devise, and bequeath to the Rector, Wardens, and Vestry of St. John’s Episcopal Church, whose address is 16 Church St, Waterbury, CT, 06702, the sum of \$_____, to be used for its general purposes.”

“I give, devise, and bequeath 10% of the rest, residue, and remainder of my estate to St. John’s Episcopal Church, whose address is 16 Church St., Waterbury, CT, 06702, to be used for its music program.”

Procedures: You should always make your estate plan with the assistance of an attorney. The money spent is minimal compared to the savings in taxes and the reduction in complications and confusion.

Use the Episcopal Church Foundation’s “Planning for the End of Life” brochure, which contains instructions for planning your own funeral service, for gathering information about your assets and intentions, and for making your will.

You can also make charitable gifts through the use of a codicil to your will, or refer to an instruction letter in the will itself. The instruction letter can be changed from time to time without the trouble and expense of rewriting the will.

LIFE INCOME GIFTS

Your bequest to support your church or church agency is a living tribute to your intention to support the church’s work by giving away assets after you no longer need them. Having made that decision, you may wonder if there might be advantages to giving away assets **before** you die? But you may be worried that you need the income in your retirement.

A life income gift enables you to make the gift but keep the income for the rest of your life! Growing out of the 1969 tax act, life income gifts became a way for people to make substantial charitable gifts from their assets, yet still keep—and live on—the income.

Several types of life income gifts work the same way: assets are transferred to a charity or to a trust that will eventually benefit a charity. The

charity invests the assets and produces income, which is paid to the donor and/or spouse, or another person if desired. The income can be paid for the duration of their lives or, in some cases, for a specified number of years.

Creating a life income gift entitles you to a tax deduction for what’s called the “Present Value of the Remainder Interest.” This is the amount that the charity is expected to receive when you pass away, discounted for present-dollar value. The value of the income beneficiary’s right to receive income is called the “Present Value of the Income Interest,” sometimes needed to calculate possible gift or inheritance taxes.

Life income gifts are also called “Split-Interest” gifts, because assets are being managed by a trustee for the interests of both the income beneficiary

(whose objective is to receive income) and the charitable beneficiary (whose objective is to receive the greatest asset value at your death).

The common types of life income gifts include Pooled Income Funds, Charitable Gift Annuities, and Charitable Remainder Trusts. There is also the Life Estate Reserved and Charitable Lead Trust. At the end of this brochure, we have presented, in table-form, the most common options, so you can compare them.

POOLED INCOME FUND

This is the simplest life income gift. A charity manages a trust fund as if it were a mutual fund. By making a contribution into a pooled income fund, you purchase “units” of the fund. You receive a tax deduction for the “Present Value of the Remainder Interest,” which is the discounted amount expected to remain in the fund for the charity’s benefit at the end of the income recipient’s actuarial life expectancy.

The fund pays out income each quarter, and you, or the income beneficiary designated by you, receive that income payment each quarter for the rest of your life or the beneficiary’s life. The amount paid out depends on how the trust fund is invested.

The Episcopal Church Foundation’s Pooled Income Fund, which is available to participants who want to support any Episcopal Church entity, is invested to maximize income commensurate with safety of principal. At the death of the last income beneficiary, the portion of the pooled income fund that belonged to that account is released to the church or Episcopal charity named as the charitable beneficiary.

Note that the income payments from a pooled income fund can vary in amount, according to the investment strategy of the trustee and prevailing interest rate climate. If interest rates in the general economy rise, the payout from the fund is likely to rise. If they fall, the payout is likely to fall.

The Episcopal Church Foundation’s Pooled Income Fund allows accounts to be set up for as little as \$2,500. Additional contributions can be made in increments as small as \$1,000. Donors wishing to support their churches with pooled income fund gifts should obtain the Foundation’s Pooled Income Fund brochure, which contains disclosure statements, application forms, and transfer instructions.

The most advantageous assets to use when participating in a pooled income fund are appreciated securities. You can generally avoid capital gains taxes that might have been due had the securities been sold, and the higher income payout from the pooled fund can usually increase the income you might have been getting from the security’s dividends.

CHARITABLE GIFT ANNUITIES

This is a popular life income gift vehicle if you want guaranteed income for life. A gift annuity is a contract between you and the Episcopal Church Foundation through which the Foundation promises to pay a fixed annuity income to you for the rest of your life. To preserve the principal of the annuity, its payout rate is based on your age (older donors receive a higher payout than younger donors) and life expectancy. Rates are determined by a set of tables calculated by the American Council on Gift Annuities. The assets of the Episcopal Church Foundation are pledged against the obligation to make the annuity payments.

You receive a tax deduction for the present value of the remainder interest. You receive the same annuity payment each quarter for the rest of your life, regardless of interest rates, investment strategy, or economic trends. When the income beneficiary dies, the Foundation releases the remaining funds in the account to the church or Episcopal entity that you designated.

You may not add to an existing gift annuity, as the contract is based on a specific start date and a specific amount of money. But you may create additional gift annuity contracts. A minimum of \$5,000 can create an Episcopal Church Foundation Gift Annuity.

The Foundation has taken a considerable risk in pledging its assets against the obligation to make the income payments regardless of whether the donor outlives his or her life expectancy. In recognition of this, its Board of Directors has asked that at least 10 percent of the charitable benefit be left to the Foundation itself. Please refer to the Gift Annuity brochure available from the Episcopal Church Foundation, which contains disclosure statements, application forms, and instructions.

Again, appreciated securities are a good asset for funding a gift annuity. Capital gain considerations are spread over the life expectancy of the donor.

CHARITABLE REMAINDER TRUSTS

For contributions of \$100,000 or more, the charitable remainder trust is a flexible and creative life income gift vehicle. It can provide you and your family a number of benefits, while providing a substantial gift to support the Church. A trust is created by a written agreement that designates a trustee and provides for income

payments to named income beneficiaries (usually you and/or your spouse).

Assets are transferred to fund the trust, and you receive a tax deduction equivalent to the present value of the remainder interest. Trust income amounts are paid quarterly to the income beneficiaries, in an amount equal to the unitrust or annuity amount that is determined when the trust is set up. At the death of the last income beneficiary, the trustee releases the funds to the charitable organization(s) named in the trust.

Income from a charitable remainder trust is taxed advantageously, through a tiered process that is explained in the disclosure statements available in the Foundation's Charitable Remainder Trust brochure. Appreciated securities, real estate, or cash can be used to fund charitable remainder trusts. Also in the brochure, you can find forms which, when completed, give the Foundation enough information to run a hypothetical analysis of a gift that you might be considering. Draft trust documents and language can be drawn up by the Foundation's attorney for review by your attorney.

There are two forms of the charitable remainder trust: the charitable remainder unitrust and the charitable remainder annuity trust.

A charitable remainder unitrust has a stated payout rate, say 5% or 6%, which is applied against the market value of the trusts assets, as valued annually. If the assets have increased in value during the preceding year, the payout will be higher, still at the same percentage, but now of a larger value.

A charitable remainder annuity trust also has a stated payout rate, but it is based on the initial value of the trust assets. Its quarterly payments do not change, whether the underlying assets of the trust increase or decrease in value.

The Episcopal Church Foundation, along with its financial partner, State Street Bank and Trust Company, can be trustees of charitable remainder trusts for the lifetime of the trust. The Trustee calculates values, makes the income payments, manages the investments, handles custody of the securities, files tax returns, and makes reports, all at no expense to the donor. The Foundation subsidizes the fees for those services.

CHARITABLE LEAD TRUSTS

For contributions of \$1 million or more, you can establish a charitable lead trust through the Episcopal Church Foundation. A lead trust is constructed for a specified term of years and pays a unitrust or annuity amount from the assets to the church or churches you choose. At the end of the term, the Foundation returns the assets (which might well have grown substantially) to you or your heirs. The Foundation's representatives can provide more details about this highly advantageous device.

GIFT OF REAL ESTATE WITH LIFE ESTATE RESERVED

If you have decided to leave your home or farm to the church in your will, through a Life Estate Gift you can make the gift now, realize an immediate substantial income tax deduction, yet continue to live in your home for as long as you wish. The property is appraised to determine a current value, then deeded to the Episcopal Church. You are entitled to a tax deduction calculated on the basis of your life expectancy. In life estate arrangements, you continue to be responsible for real estate taxes, insurance, maintenance, and upkeep.

HOW THE EPISCOPAL CHURCH FOUNDATION CAN HELP

If you would like to discuss the various gift options or would like to see a personalized illustration of what your gift would look like, showing quarterly payments, the charitable deduction, and tax benefits, please call the Foundation's Development Associate at (800) 697-2858. The Foundation also has regional staff who are available to meet one on one, at no cost to you. For an additional description of life income gifts and to model a hypothetical gift, please visit our Website at www.episcopal.foundation.org/philanthropy.html and go to "planned gift vehicles."

COMPARISON SUMMARY OF LIFE INCOME GIFTS

Managed by The Episcopal Church Foundation

Pooled Income Fund	Charitable Gift Annuity	Charitable Remainder Unitrust
<i>Minimum contribution is \$2,500</i>	<i>Minimum contribution is \$5,000</i>	<i>Minimum contribution is \$100,000</i>
(1) The donor receives an income tax deduction in the year of the gift.	(1) The donor receives an income tax deduction in the year of the gift.	(1) The donor receives an income tax deduction in the year of the gift.
(2) Quarterly income payments fluctuate. The Fund is invested primarily for income; participants receive quarterly income payments that represent the Fund's earnings.	(2) Quarterly income payments are a fixed amount. If interest rates increase or decrease, payments remain the same. The payout rate is based on life expectancy(ies) and is guided by a set of tables created by the American Council on Gift Annuities.	(2a) Unitrust Quarterly income payments fluctuate. The donor establishes the payout rate percentage when the trust is created. Quarterly income payments are based on the annual re-evaluation of the trust's corpus.
(3) The entire income payment is taxed as ordinary income.	(3) Depending on how the gift is funded, a portion of the income payment can be tax free.	(2b) Annuity Trust Quarterly payments are fixed based on the initial value.
(4) The donor may make additions to the Fund in increments of \$1,000 or more.	(4) The donor may not make additions to a charitable gift annuity. However, additions can be made to a deferred gift annuity until the requested payout date.	(3) The investments held in the trust account determine how the income payments are taxed.
(5) Donors are invited to designate a portion of the final gift to the Episcopal Church Foundation.	(5) The Foundation must be designated for at least 10% of the final gift. This is because the Foundation pledges its own unrestricted assets against the lifetime income payments.	(4a) The donor may make additions to their trust in increments of \$10,000 or more.
(6) The entire gift must be designated for an Episcopal entity(ies).	(6) The entire gift must be designated for an Episcopal entity(ies).	(4b) The donor may not make additions to an Annuity Trust.
		(5) Donors are invited to designate a portion of the final gift to the Episcopal Church Foundation.
		(6) At least 50% of the final gift must be designated for an Episcopal entity(ies).



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