

Building a Lasting Legacy: Planned Giving in Uncertain Times

Church Leaders Event 2016

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Estate Planning Fundamentals

- 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 other costs
- Make charitable gifts



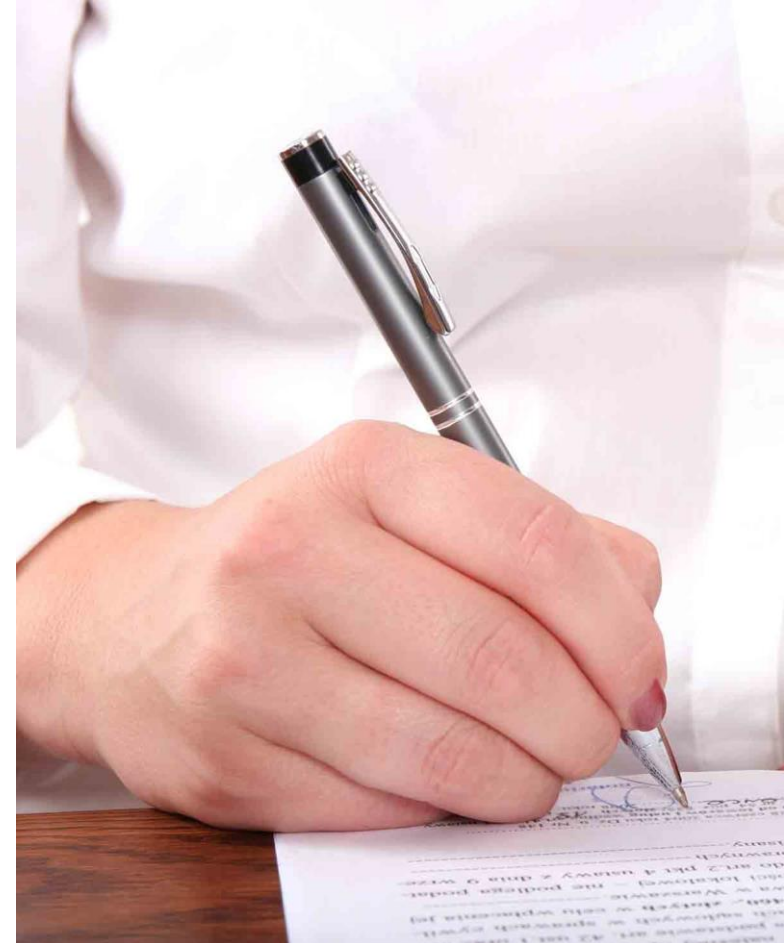
Estate Planning Fundamentals — Essential Documents

- 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
- Financial Records
Your comprehensive record of financial
and other documents



Estate Planning Fundamentals — Essential Documents

- 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



Estate Planning Fundamentals — Questions

- When you consider your children and grandchildren, what principles would you like to communicate to them?
- How does your charitable giving represent what is important to you and your family?
- What institutions, organizations, and people have been most important in your life?
- What values do you hope that your money will promote in your family and your community?
- Which of our past gives have given us the most satisfaction?



Planned Giving Essentials



Planned Giving Definitions

Planned Gifts

Transfers of assets that, in addition to having a charitable dimension, have financial planning and/or estate planning impacts.

Deferred Gifts

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

Life Income Gifts

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.



Planned Giving and Taxes

- Estate Tax
Tax on right to transfer assets at death
- Gift Tax
Tax on transfers between individuals at no exchange of value or less than full value
- Capital Gains Tax
Tax on increase in value of asset
- Income Tax



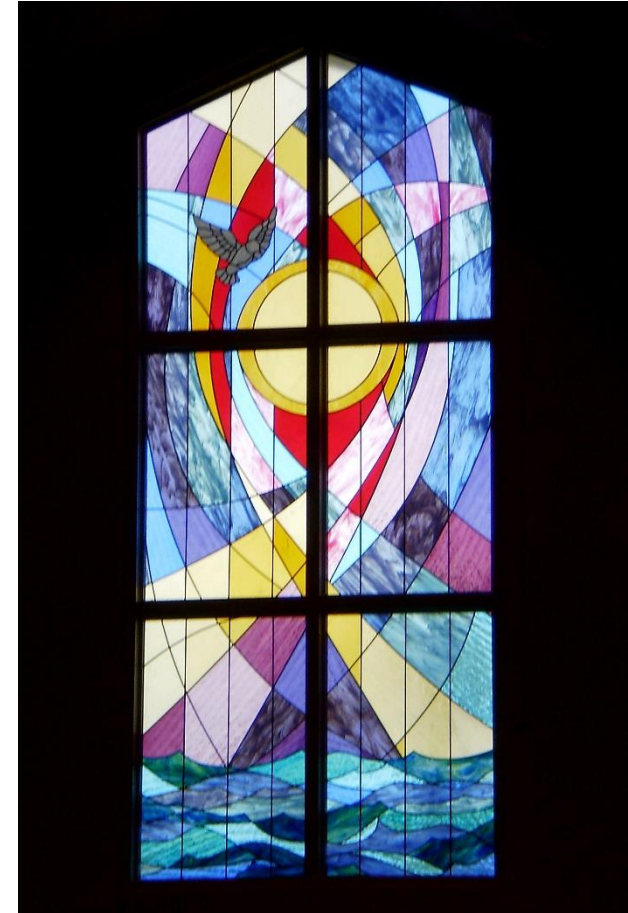
Bequests

- Wills and Giving
- The Probate Process
 - Appointment of administrator
 - Inventory and appraisal
 - Settlement of debts and expenses (including taxes)
 - Distribution of assets



Life Insurance and Retirement Assets

- Whole Life Insurance
- Term and Group Life Insurance
 - Less than \$50,000
 - More than \$50,000
- Retirement Assets
 - Yearly Outright Gifts of Retirement Assets



Charitable Gift Annuities

- A contract under which a charity, in return for a transfer assets, agrees to pay a fixed payment to one or two individuals, for their lifetime.
- A pooled fund, so risk is shared among a group of people
- Income dependent on age of income recipient
- Contract between not-for-profit and individual(s) to provide income for life
- 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

American Council on Gift Annuity Rates — Single Life

Age	Rate	Age	Rate
50	3.7	73	5.5
51-52	3.8	74	5.7
53-54	3.9	75	5.8
55	4.0	76	6.0
56-57	4.1	77	6.2
58	4.2	78	6.4
59	4.3	79	6.6
60-61	4.4	80	6.8
62-63	4.5	81	7.0
64	4.6	82	7.2
65	4.7	83	7.4
66-67	4.8	84	7.6
68	4.9	85	7.8
69	5.0	86	8.0
70	5.1	87	8.2
71	5.3	88	8.4
72	5.4	89	8.7
		90+	9.0



Charitable Gift Annuity Illustration

Annuitant	70
Date of Gift	2/1/2016
Cash Donated	\$20,000.00
Payout Rate from ACGA2012 Table	5.1%
Charitable Deduction	\$8,003.40
Number of Payments in First Year	3
Annuity	\$1,020.00
Quarterly Payment	\$255.00

BREAKDOWN OF ANNUITY:

	Tax-free Portion	Ordinary Income	Total Annuity
2016 to 2016	566.10	198.90	765.00
2017 to 2031	754.80	265.20	1,020.00
2032 to 2032	108.50	911.50	1,020.00
2033 onward	0.00	1,020.00	1,020.00

After 15.9 years, the entire annuity becomes ordinary income.



Donor Advised Funds

- Donors make an outright gift to a qualified charity and receive a charitable deduction. In a formal gift agreement, the charity agrees to take into account the donors' — or their designees' — recommendations in making final disposition of the funds.
- Recipients of funds — originally and eventually — must be tax-exempt organizations
- Granting organization must demonstrate some degree of independence in making dispositions
- Donors must relinquish control of funds



Pooled Income Fund

- 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.
 - Income includes short-term capital gains
 - May not invest in utility stocks or tax-free instruments
 - All income is taxable to recipient
 - Original corpus is never invaded
 - Not all organizations may offer pooled income funds
 - Additions may not be made



Charitable Remainder Trusts

- UNITRUST

An instrument into which a donor places assets and which then makes variable lifetime annual payments equal to a percentage of the fair market value of trust assets, determined annually. At death, a charitable institution receives the remainder.

- ANNUITY TRUST

Designed to receive a person's assets subject to the trustee paying fixed annual income for life that is equal to at least 5% of the initial net fair market value of the trust at the time the assets were delivered to the trustee.

Charitable Lead Trusts

NON-GRANTOR LEAD UNITRUST

- Donor transfers assets to a trustee, the trustee invests the assets and pays a fixed percentage of the current value to the charity.
- When the trusts terms end, the charitable payments cease and the trust transfers all assets to family members or other individual (not charitable beneficiaries).
- Term may be for one or more lifetimes or a specific number of
- Donor receives GIFT TAX deduction equal to the value of the income stream to the charity (not subject to limitations)
- If trust income exceeds that paid to the charity, the trust pays income tax on the excess
- Additions may be made



Charitable Lead Trusts

GRANTOR LEAD UNITRUST

- Donor transfers assets to a trustee, the trustee invests the assets and pays a fixed percentage of the current value to the charity.
- When the trusts terms end, the charitable payments cease and the trust returns all accumulated assets to the donor.
- Term may be for one or more lifetimes or a specific number of years (most commonly 10–20 years)
- Donor receives income tax deduction equal to the value of the income stream to the charity (subject to IRS limitations)
- Because donor retains ultimate possession of assets, all income is taxable to the donor
- Additions may be made



Charitable Lead Trusts

GRANTOR LEAD ANNUITY TRUST

- Donor transfers assets to a trustee, the trustee invests the assets and pays a fixed amount to the charity.
- When the trust's terms end, the charitable payments cease and the trust returns all accumulated assets to the donor (Grantor) or other non-charitable beneficiaries (Non-Grantor).
- Term may be for one or more lifetimes or a specific number of years (most commonly 10–20 years)
- Donor receives income tax deduction equal to the value of the income stream to the charity (subject to IRS limitations)
- Additions may NOT be made



Family Foundations

- Immediate tax deduction, requires relinquishing personal control
- Minimizes estate tax liability
- Avoids capital gains tax on the sale of appreciated property
- Provides continuing engagement for family members
- Creates an enduring legacy
- Must pay at least 5% of assets to charitable purpose
- Can be costly to create and maintain



Strategies for Successful Endowment Fundraising

- A Comprehensive Range of Gifting Options
- Engagement and Recognition Strategies
- Emphasis on Impact rather than Institutional Survival
- Transparency
- A Compelling Case for Support

Challenges in Legacy Fundraising

- Changing Views of Legacy
- The Changing Landscape for the Church
- Challenges to Traditional Understandings of Stewardship
- Primacy of Impact
- Articulating a Compelling Vision

Responses to Fundraising Challenges

- Create impact-oriented, mission ambitious “pockets” for major planned gifts
- Train congregational leadership in fundraising and planned giving
- Foster a conversation about privilege and personal financial stewardship
- Create new, flexible vehicles for planned giving
- Target and aggressively engage prospective major donors

Resources

Wealth in Families, Charles Collier

Not Your Parent's Offering Plate, J. Clif Christopher

www.irs.gov

Planned Giving Design Center — www.pgdc.com

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