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# Planned Giving Program for Churches

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# *Introduction*

**W**elcome to Church Development's Planned Giving Program for Churches! We believe every church should have a basic planned giving program, and we are pleased to provide this valuable resource to our clients to help you get started.

In this guide, you will find everything you need to get started with planned giving—background information, critical decisions to be made, a calendar for your first year and beyond, and lots of resources that are program-ready. Church Development is happy to answer questions and provide basic guidance to you as you get started on this important journey in the life of your church. We'll even meet with your Planned Giving Committee to make sure your plan is on the right track.

If your church decides to pursue a comprehensive planned giving effort, Church Development is happy to provide expanded consulting services to you. Church Development offers the expertise your church will need to plan, launch, and maintain a comprehensive planned giving program.

Please contact us for more information about Church Development's Expanded Planned Giving Services.

Sincerely,

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## The Case for *Raising Funds for Tomorrow*

Churches sometimes have a difficult time talking about and implementing a comprehensive fundraising program. Most churches are able to plan and organize an annual giving program which gears up before budget time and takes a high profile in church life for a month or two each year. Churches with specific building or debt reduction needs will embark upon a capital campaign when these needs arise. Some churches have taken both of these approaches further and created integrated stewardship education programs that promote giving as a spiritual growth principle, weaving giving issues throughout the life of the church on an ongoing basis. However, few churches have the foresight to plan for future needs through planned giving. The latter area of fundraising requires proactive fundraising energy, and too many churches today find themselves constantly in a reactive role when it comes to raising money.

Discussions about planned giving in churches can ignite heated debates—some argue that churches should only be raising funds for current needs, allowing all money to be used for ministry needs today, and that “warehousing” money for future use goes against biblical principles of sharing all that we have now. Some would go so far as to say that saving money for the future diminishes our faith that “God will provide.” But this thinking limits our ability as church communities to expand our missions beyond what we thought possible and provide new stewardship opportunities for spiritual growth to our members and parishioners. Yes, God will provide, and it is up to us to be good planners for God’s providence.

### *By the Numbers*

**\$41 TRILLION**

THE INTERGENERATIONAL WEALTH TRANSFER IS ESTIMATED BY SOME TO BE \$41 TRILLION BY 2052.

**70%**

IT IS ESTIMATED THAT 70 PERCENT OF AMERICANS DIE WITHOUT A WILL.

**\$6.6 TO \$27.4**

AN ESTIMATED \$6.6 TRILLION TO \$27.4 TRILLION IN CHARITABLE BEQUESTS WILL BE MADE BETWEEN 1998-2052.

**\$8.86 TO \$17.44**

TOTAL BEQUEST GIVING IN 1993 WAS \$8.86 BILLION. TWELVE YEARS LATER, IN 2005, THE TOTAL MORE THAN DOUBLED TO \$17.44 BILLION.

**80%**

IN PLANNED GIVING, 80 PERCENT OF THE MONEY COMES FROM BEQUESTS AND 20 PERCENT FROM LIFE INCOME AGREEMENTS.



There is no question that every church could use long-term reserves. As buildings age and staff salary and benefit expenses creep steadily upward each year, congregations struggle to keep up. Frequently find themselves facing maintenance issues of crisis proportions or making the difficult decision to cut staffing and/or program levels in order to balance their budget. And as government funding for social programs decreases, more churches are stepping in to provide new services to their communities. A well-executed planned giving program can provide extra funds to the church's mission and operations, and statistics show that individuals who plan gifts for the future tend to grow in their commitment to current needs—providing a double benefit to the church.

Every church has potential planned giving prospects seated in its pews on any given Sunday—and you can be sure that they will be approached by other organizations and asked to consider planned gifts. By failing to have this conversation with our members, we miss a prime opportunity to encourage stewardship, build our mission and establish long-term financial stability for our churches. Furthermore, it is estimated that 70 percent of the population dies without a will or estate plan. By offering planned giving assistance, you will be helping your members meet an important need in their financial lives.

Congregations that decide to pursue a planned giving program will be in a prime position to make a difference in the lives of their members of the congregation and others to whom they minister in the future as well as the present.

### *By the Numbers*

**\$20,000**

NATIONALLY, THE AVERAGE SIZE FOR A PLANNED GIFT IS \$20,000.

**70%**

IN ORGANIZATIONS THAT HAVE HAD A PLANNED GIVING PROGRAM FOR MORE THAN FIVE YEARS, PLANNED GIFTS EQUATE, ON AVERAGE, TO 70 PERCENT OF THEIR ANNUAL INCOME.

**20:1 to 50:1**

WELL-EXECUTED PLANNED GIVING PROGRAMS GENERALLY BOAST A RETURN ON INVESTMENT RANGING FROM 20:1 IN THEIR EARLY YEARS TO 50:1 FOR MORE ESTABLISHED PROGRAMS.

**3 YEARS**

THE AVERAGE TIME SPAN BETWEEN THE COMMITMENT OF A PLANNED GIFT AND ITS FRUITION IS ONLY THREE YEARS.



## Questions & Answers about *Planned Giving*

### ◆ **What exactly is planned giving?**

A planned gift is generally characterized by an individual's intention to give a gift from some source other than regular income. A planned gift can take the form of a bequest from one's estate, a gift of property, or a more complex giving arrangement such as a charitable gift annuity or charitable remainder trust. Planned gifts can be set up to occur in the near or not so near future, depending on the needs and wishes of the donor.

### ◆ **How much can we expect to raise from a planned giving program?**

In organizations that have had a planned giving program for more than five years, planned gifts equate, on average, up to 70 percent of their annual income. When these funds are carefully invested, they can generate much needed money for ministry year after year, while increasing the value of the original gift. Well-executed planned giving programs generally boast a return on investment ranging from 20:1 in their early years to 50:1 for more established programs. In other words, the expenses required to implement a planned giving program generally range between five percent in early years and two percent for established programs. The national average gift size for planned gifts is \$20,000.

### ◆ **How long do we have to wait to see the results of our planned giving efforts?**

The average time span between the commitment of a planned gift and its fruition is only three years.

### ◆ **Our church doesn't have anyone on staff with financial planning expertise. How can we pursue a planned giving program?**

The key to a successful planned giving effort is not technical knowledge, but personal follow-through with donor prospects. The majority of planned gifts will come in the form of simple bequests, which do not require any special expertise to accept. Church Development can provide expertise related to more complex giving vehicles, as well as guidance for the overall program.



## Laying the Foundation for

# *Your Planned Giving System*

**H**ere are some initial steps every church should take to lay the groundwork for a planned giving program.

### **1** Establish a Planned Giving Committee

Recruit a group of individuals to create and implement the planned giving program. Who should you ask to be on the committee? Start with your best planned giving prospects. Serving on the Planned Giving Committee gives potential donors a wonderful educational experience that can help them with their own estate planning efforts and encourage them to consider a planned gifts themselves. Board members and other church leaders should be the backbone of your Planned Giving Committee.

### **2** Establish an Endowment Fund

If your church has not yet done so, you will need to consider setting up an endowment. Establishing an endowment fund and the policies to govern it will make planned giving more attractive to potential donors. Most planned gift donors will prefer that their gifts provide a legacy through an endowment, whether their gift is for a specific purpose or for the church's general use. You will find a sample checklist for establishing an endowment in the Resources section.

### **3** Draft Gift Acceptance Policies

What kinds of property is your church willing to accept? Will you accept gifts of real estate or personal property such as jewelry or artwork that may be difficult for the church to liquidate? When a gift of stock is given, will it be sold immediately? Will all bequests go to the church's restricted endowment, or may they be used for general operating expenses? Gift acceptance policies should provide the answers to these and many other critical questions—before you encounter them during a gift transaction.



The purpose of gift acceptance policies is to define the types of assets that are acceptable, to establish the gift forms that are acceptable, and define the church's role in gift administration.

Some churches follow a policy of reviewing each potential gift on a case-by-case basis—either because they have not taken the time to create policies or because they believe the case-by-case approach provides greater flexibility (or both). The case-by-case approach leads to inconsistency in decision-making, which sends mixed signals to potential donors and may not provide the church with the optimal outcome.

The process of developing gift acceptance policies is an important educational exercise for church leadership. The process should be a collaborative effort involving the pastor and representatives from the finance governing body, the planned giving committee, and the endowment committee (if one exists). It may be tempting to simply adopt another church's policies, but it's critical to craft policies for the specific needs of your church. Starting with a template or sample is fine, but custom-tailoring is essential. Again, one of the most important aspects of the policy-making process is the education of church leadership about planned giving issues.

Once adopted by the church's governing board, gift acceptance policies should be reviewed annually and updated when necessary.

You will find a sample gift acceptance policy in the Resources section. The Church Development Foundation can help your church address your church's specific issues and needs and develop appropriate gift acceptance policies.

## **4** Include Bequest Information in your Publications

A simple phrase like, "Have you remembered XYZ Church in your will?" should be included regularly in newsletters, on websites, and in other publications. Many churchgoers are not aware that leaving a bequest to the church is an option. You can even include sample language for different types of bequests in your newsletter (see the bequest section of "Ways to Make a Planned Gift" in the Resources section for specific examples of wording).



## **5 Feature Members Who Have Made Bequests in your Publications**

Tell the stories of how past bequests have created a legacy for the donor and made a difference in the life of the church.

## **6 Create a Legacy Society**

Start a program to recognize those who have made a provision in their wills for the church. A simple check box on your regular giving envelope can help determine who has done this, e.g., “I have remembered XYZ in my will and would like to be included in the XYZ Legacy Society.” Recognize charter members in newsletters and invite them to an annual event to celebrate their commitment to the future of the church.

## **7 Encourage Gifts of Stock**

By giving your church appreciated stock owned by the donor for more than a year, the donor will receive an income tax deduction for the full market value of the stock, and will not have to pay capital gains taxes on the transaction. This allows the donor to make a larger gift than he or she might have been able to do using cash. Simple wording to this effect placed in your stewardship campaign materials and on pledge and gift payment envelopes will raise members’ awareness of this option.

## **8 Engage the Services of Church Development to Plan a Comprehensive Planned Giving Strategy**

Church Development can help you build an ongoing planned giving program from the ground up by providing facilitation, planning, and resources to your decision-making body for all aspects of your program. Church Development can offer your church the following services:

- › Identify, train, and facilitate the planned giving committee
- › Provide ongoing, onsite consultation with your planned giving committee to establish goals, objectives, strategy, and detailed calendar



› Provide consultation on creation of gift acceptance policies and procedures, endowment establishment, and legacy society establishment

› Offer comprehensive training to the pastor and planned giving committee in the financial and spiritual benefits of philanthropy

› Identify, research, and rate planned giving prospects

› Develop a system with detailed calendar for one year (including annual event, estate planning workshop, newsletters, speakers in worship)

› Provide overall management of the planned giving program strategy

› Assist with planning and implementation of an estate planning event featuring an estate planning professional

› Provide guidance for implementation of an annual event to honor legacy society members

› Creation and design of marketing materials, including brochures and two newsletters

› Training and coaching for pastor in donor cultivation, solicitation, and stewardship

› Assistance with prospect visits and solicitation (up to 12 personal donor visits)

› Establish an ongoing system for soliciting planned gifts after the capital campaign has been completed

Basic Planned Giving Program Checklist	
✓	Planned Giving Committee in place
✓	Gift Acceptance Policy in place
✓	Endowment-related decision made
✓	Bequest information and donor profiles inserted in publications
✓	Creation of Legacy Society, recognition of past Legacy gifts



## Calendar for Year and Beyond for

# *Your Planned Giving Program*

### ◆ Month 1

- › Identify and qualify planned giving prospects
- › Develop detailed calendar to meet the needs of the congregation

### ◆ Month 2

- › Assemble planned giving committee, made up of identified planned giving prospects, Board members and other church leaders
- › Determine goals and objectives of the planned giving program
- › Develop planned giving policies and procedures
- › Begin the process of establishing an endowment
- › Schedule estate planning workshop, Legacy Society Dinner Event
- › Develop first newsletter to members over the age of 50

### ◆ Month 3

- › Planned Giving Committee meeting
- › Estate Planning Workshop

### ◆ Month 4

- › Mail out follow-up information from Estate Planning Workshop
- › Newsletter mailing
- › Personal visits

### ◆ Month 5

- › Follow up mailing to event Attendees
- › Personal visits



### ◆ Month 6

- › Planned Giving Committee meeting
- › Unveiling of recognition plaque
- › Newsletter mailed
- › Personal visits

### ◆ Month 7

- › Event for Legacy Society members

### ◆ Month 9

- › Planned Giving Committee meeting
- › Newsletter mailed

### ◆ Month 12

- › Planned Giving Committee meeting
- › Newsletter mailed

### ◆ Continuing Your Planned Giving Program

During the first year of your planned giving program, your Planned Giving Committee will spend a great deal of energy laying the groundwork by devising policies, establishing a foundation fund, and creating a Legacy Society. Accomplishing these critical tasks during the first year will allow your committee to focus on your donors in the second and subsequent years.

During the second year, your committee should fine-tune the planned giving calendar based on what worked well (and not so well) during the first year. Plan on repeating all calendar tasks related to events, newsletters and other promotions, and donor cultivation and solicitation. You may also want to consider hosting an estate planning workshop during the second year, featuring local estate planning professionals (such as a financial planner and/or an estate planning attorney).



## *Resources*

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## Resource 1: *Checklist for Establishing an Endowment*

**C**hurches creating an endowment policy or reviewing existing policies may find this checklist helpful in addressing many of the issues inherent in the process.

### **1 Philosophical and Administrative Support for the Endowment**

- › A mission statement for the church. This is a brief statement outlining the church's reason for being. This is often the result of a major long-range plan. It is important that it be voted on at an all-church meeting.
- › The name of the endowment(s).
- › A preamble outlining the purposes or objectives of the endowment. The preamble states how it is that the endowment will support the mission and long-term ministerial priorities of the church.
- › Identification of the committee or officers that have general responsibility for the church's endowment(s).
- › Definition of terms, i.e. "What does this church mean by endowment?"  
Other words that may need definition:
  1. Memorial Funds
  2. Contingent Funds
  3. Emergency Funds
  4. Discretionary Funds
  5. Special FundsThe principal of the original gift means:
  1. A static figure
  2. An amount adjusted for inflation annually
  3. The original amount plus all appreciation
- › How to:
  1. Amend
  2. Modify
  3. Invade
  4. Other



- › Distribution in case church merges or becomes defunct.
- › Relief from liability of Trustees except for obvious.
- › A paragraph regarding conflict of interest.

## 2 Consideration of Existing Funds

- › Does an endowment of some type already exist? If so, how will its parameters be incorporated into a new policy? How might the parameters be changed if they are not germane with the new policy?
- › What other types of invested or restricted funds exist? Should they be incorporated into the endowment?
- › How will a memorial fund be handled in relation to the endowment? Should memorials be handled in the current manner, or should they be directed into the endowment?

## 3 Gift Acceptance Policy

- › Processes for accepting or rejecting gifts.
- › Provision for disposition of real estate, stock, and other non-cash gifts when given to church.
- › Direction and/or replacement of undesignated gifts dependent on size, etc.

## 4 Investing Issues

- › Delineate responsibilities of the committee or people within the church responsible for overseeing endowment investments.
  1. One person
  2. Investment Committee
  3. Trustee/Prudential Committee



- › Who will be the hands-on investment manager?
  1. In-house
  2. Investment Counselor
  3. Trust Department
  4. Broker
  5. Denominational Unit
  
- › A review of investment products that are/are not acceptable:
  1. Savings Accounts
  2. Certificates of Deposit
  3. Treasuries
  4. Mutual Funds
  5. Bonds (Limitations of Kinds?)
  6. Stocks
    - Blue Chip
    - Middle Size
    - Emerging
    - Socially Responsible
    - U.S. vs. International
  7. Real Estate
  8. Other
  
- › Standards of measurement for results:
  1. Dow-Jones Average(s)
  2. Standard and Poors
  3. Russell 2000
  4. Wilshire 5000
  5. Other
  
- › Percentage diversification of investments—Equities, Fixed Income, and Cash (regarding liquidity).



## 5 Reporting Process and Ongoing Promotional Responsibilities

- › Policy should be voted on by the Congregation at an annual or special meeting.
- › Endowment funds should be audited periodically. Shall expense be borne by church budget or the endowment?
- › Separate report (from annual budget, etc.) to the Congregation at least annually as to principal, income, and spending as well as number of bequests and other gifts received.
- › Acknowledgement of donors (if permitted).
- › Means of recognition of donors.
- › How do we publicize results of our spending?
- › How do we attract ongoing support for the endowment?
  1. Planned Giving
  2. Capital Funds Campaigns
  3. Other
- › Can church spend some of our endowment income on such educational/promotional programs?

## 6 Spending from Endowments

- › Christians like to give—and they are more likely to give if they have a sense that their “dollars” will be spent in the areas of church life that interest them.
- › The policy should deal with the ever-present tension between short-term needs vs. long-term goals.
  1. Spending will be based on:
    - Annual Yield (dividends and interest).
    - Total Return of Portfolio (yield plus capital appreciation), e.g., a set percentage of the average year-end market value for the preceding 3-5 years.



- Net Income After:
    - A. Percentage being reinvested
    - B. Fixed amount being reinvested
  - Net Income after purchasing power of principal being maintained (inflation factor at \_\_\_\_\_%).
2. Spending will be made to:
- Church's total annual budget
  - Percentage only to annual budget
  - Fixed amount to annual budget
  - Specific
    - A. Programs
    - B. Missions
    - C. Buildings and Maintenance
3. What is provision if the intended goal of a restricted gift no longer exists or is needed?
4. Unrestricted gifts:
- Can capital ever be spent?
  - Is there a minimum size to go to permanent endowment funds?



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### **Time-honored advice regarding money management for churches**

- › It is recommended that outside professional investment management be utilized. Money and its uses can create conflicts in many ways in the life of a church.
- › All money handlers should be bonded (by By-Law direction).
- › Church By-Laws should be examined regarding length of terms of service of those handling or managing money.
- › Churches that spend time and effort creating an Endowment Policy are freed up to be “the Church”, saving energy of individuals, avoiding conflict in the church, and creating goodwill in the community.
- › Churches that have been “accumulating” their Endowments with no specific limit on dollars or amounts need to address the issue.



## Resource 2: *Sample Gift Acceptance Policy*

### **1** Purpose

The purpose of this policy is to:

- › Define the types of assets that are acceptable
- › Establish the gift vehicles that are acceptable
- › Define the role of the XYZ Church of Anytown, USA (the Church) and the Planned Giving Committee (the Committee) in gift administration

### **2** Vision Statement

The purpose of the Planned Giving Committee is to support the life and mission of the XYZ Church of Anytown, USA. The Committee promotes the growth of the Church's endowed funds, in support of its ministry within the community. The Committee plans to encourage an ongoing commitment to endowment-based giving within the congregation by identifying long-term needs within the Church. The Committee will serve as a thoughtful steward of the funds to which it is entrusted. Through prudent administrative and investment policy, the Committee strives to ensure the Church's endowed funds remain a vital force for the Church and its congregation for generations to come.

### **3** Use of Legal Counsel

The circumstances under which the Committee may seek legal counsel services are not limited to but may include the following:

- › Review of certain gifts, such as closely held stock, or closely held stock subject to buy-sell agreements or other restrictions
- › Review of all transactions governed by contracts or legal documents
- › Review of all transactions with potential conflicts of interest
- › Other circumstances in which the Committee believes that use of counsel is appropriate



Counsel may not be a member of the Church Board, Stewardship and Finance Committee, or Trustees

## 4 Gift Designations

Undesignated gifts are preferred; however, all gifts that fit the Committee's vision and purpose will generally be accepted. We will turn down gifts that are counter to or beyond the scope of the vision and purpose. All gifts will be reviewed by the Committee for acceptability, resulting in specific recommendations for action.

- › All undesignated gifts under \$1,000.00 will be placed in the Memorial Fund
- › All undesignated gifts \$1,000.00 and higher will be placed in the Endowment Fund
- › All restricted gifts will be reviewed for acceptability based on the nature of the restriction, resulting in action recommendations from the Committee. Examples include:
  1. Gifts to an existing fund
  2. Gifts to non-existing ministries which are considered within the scope of the vision and purpose of the Committee
  3. Gifts to non-existing ministries or areas that are not deemed within the scope of the vision and purpose of the Committee or create an unacceptable burden on the Church (financial or otherwise)

## 5 Gift Administration

All gifts will be processed whenever possible by the Committee. Gifts of assets other than cash and publicly traded securities will be subject to the Committee's review as follows and final action will be communicated to the donor in writing:

- › The review will be conducted by the Committee at regular or special meetings with at least five members and the Senior Pastor present. The Committee, in the course of the review, will determine if donor input is required before making a recommendation.
- › The Board must make its best effort to consider the Gift Acceptance recommendation



and prepare a response for the donor within 60 days of receipt. Additional time will be allowed if awaiting donor information. The donor must be advised of the recommendation within 10 days of Committee action.

- › Gifts accepted and deposited in one of the Funds will be managed by the Committee in accordance with the Investment Policy.
- › The Committee Treasurer will keep account of all accepted gifts. A summary report will be prepared annually for the Church Board.

## **Types of Gifts**

Certain types of gifts may not be acceptable due to complex administrative requirements, financial expenditures beyond the resources of the Committee and/or the Church, which may involve the Committee and/or the Church in accepting liabilities that are unacceptable; (e.g., a gift of real estate that may have environmental considerations).

Generally accepted gifts include:

- › Cash
- › Tangible Personal Property, provided the donor pays any costs related to:
  1. Appraisals to determine the value and sale or use or marketability
  2. Costs of Sale of certain properties; e.g., jewelry, vehicles, etc.
- › Marketable Securities, where timing of gift, timing of transfer, and timing of sale are all issues to be considered
- › Real Estate, subject to gift acceptance approval and may require environmental review and/or use of legal counsel

Considerations are not limited to, but may include the following:

1. Insurance costs
2. Property taxes



3. Mortgage, notes, or liens
4. Restrictions, reservations, easements, etc.

› Life Insurance, because policy gifts may take several forms. Some may place financial burdens on the Church and will be reviewed for acceptability with consideration of those obligations. Those insurance types that are generally acceptable are as follows:

1. Paid up policies
2. Term policy requiring premium payments by the Committee
3. Whole life policy requiring premium payments by the Committee
4. Beneficiary on a life insurance policy

The Committee may call upon Counsel to review policies as they consider making premium payments as a good investment, conversion of the policy to cash, conversion of the policy to paid up status.

## **7 Filing of IRS Forms on Sale**

The filing of IRS Form 8282 (Donee Information Return—sale, exchange or other disposition of property) and Form 8283 (Noncash Charitable Contributions) will be completed by the Committee.

## **8 Policy Amendment**

This policy may be amended in accordance with the amendment process for the Committee and the Church Board. Requests for amendments are to be submitted to the Committee and may come from any member of the Church.



## Resource 3:

### *Sample Articles for Bulletin Inserts and Newsletters*

#### **Why People Don't Have Wills**

Most people in the United States die without wills.

A will is such a basic legal document, so why do so many people fail to create this document? There are actually many reasons for this, including procrastination, fear of dealing with the subject of death, and ignorance of the laws governing estate distribution. A fear of attorneys and the cost of drawing up a will is another common reason people tend to avoid this task. The fear of death may be the most powerful of all these negative forces though.

Ironically, the church openly celebrates the death and resurrection of Jesus Christ. God's dominion prevails over this most feared human reality. The will of God for Christians includes the promise of eternal life for those who believe. Our written will can be a joyful expression of our belief in eternal life. Sadly, most fail to make this expression of love to their families. The negative forces of procrastination and ignorance can be overcome.

Make your will an expression of your love! Writing a will can be a joyful moment when one arranges from those final gifts that mean so much.

#### **An Enduring Gift**

Your annual contributions to the church provide the lifeline to our ministries. These sacrificial gifts enable the church to pay the ongoing expenses of salaries, insurance, utilities, and other essential budget items. Moreover, these gifts also provide financial support for the total church program, including youth ministry. All gifts to the congregation's annual budgetary needs are important.

When a beloved member of the congregation dies, the loss is felt in many ways. Not only is there an empty space in the pew but also a corresponding drop in the financial resources of the church. It is not unusual for churches to find themselves in difficult financial straits during such times.



Devoted persons see the potential for financial distress in the church when their tithes are no longer being received by the church. Through a gift by will to the congregation, persons can endow their tithes into perpetuity.

How much will you need to give in order to endow your tithe? Simply multiply your annual gift by 20. For example, a person who has given \$2,000 annually to the church will need to give \$40,000 through a will in order to endow his or her tithe. The congregation will invest the \$40,000 and spend the income for the operational needs of the church.

### **How Much is Enough to Give to My Church in My Will?**

What's an appropriate amount to give the church through my will? Is a fixed dollar amount appropriate or should I give a percentage of my estate?

These are very personal questions involving several issues. One approach may not suit everyone. Bequests tend to be made in the following ways:

- › An outright dollar amount specifically stated in the will
- › A fixed percentage, such as 10%, stated in the will
- › Inclusion of the church as a beneficiary receiving a child's share of the distribution
- › All of the estate to the church when the decedent has no heirs

The two latter approaches increasingly find favor among donors. Both approaches allow for the church's gift to either increase or decrease with the value of the estate. A fixed dollar amount will actually decrease over time through inflation.



## **What a Will Can Accomplish**

When we think in general terms about writing a will, our minds drift to the many ways our assets will be distributed among our heirs. A properly drafted will can accomplish these objectives:

- › Insures your choice of an individual to settle your estate
- › Saves on costs associated with estate taxes
- › Distributes your estate assets according to your wishes
- › Protects against the forced sale of a family farm or business
- › Supports the charities you love the most
- › Names the guardians for children who are minors

Sound reasons exist for all of us to plan for the inevitable now! Dire consequences may result following our death with respect to state and federal estate taxes. Many heirs have been forced to sell family farms and businesses in order to pay estate taxes. Don't let this happen to your loved ones!

## **Make Your Gift Go Farther With a Gift of Stock!**

Did you know that you can make your gift go further than you might imagine by giving XYZ Church a gift of stock? XYZ church welcomes gifts of marketable stock and other securities. When giving a gift of appreciated stock, you may be able to avoid paying income tax on the capital gain, which means you can make a larger gift than you might have imagined.

But before you decide to use securities to make a gift, please consider the following information:

If your security has increased in value, you normally do not want to sell your security, but instead transfer the shares “in kind” to XYZ Church. This may enable you to avoid paying income tax on the growth (capital gain). As a result, you will be making a larger gift and receiving a larger tax deduction. (Please consult your tax or financial advisor).



If your investment has decreased in value, then it is usually better for you to sell your investment first, realize the loss, and use the cash from the sale of the securities to make your gift to XYZ Church. This may offer you an opportunity to deduct the loss in value of your investment on your tax return. You will still receive a tax deduction equal to the size of your gift, but the loss in value of the investment can also be used (with limitations) to offset other investment gains or income when you complete your income tax return. (Please consult your tax or financial advisor).

### **Additional Newsletter Snippets**

Many congregations make a regular practice of reminding members to include the church in their estate planning. These gentle reminders give persons cause to regularly consider including the church as a beneficiary in their estate planning. Congregations report that regularly placed announcements in a worship bulletin or church newsletter will encourage persons to make bequests to the church.

The following snippets may be used in a church bulletin or in a church newsletter:

- › Remember the church in your will!
- › A bequest to your church: an enduring statement of faith!
- › Support the people and causes you love through your will!
- › Endow your church contribution through your will!
- › Give a tithe of your estate for God's church!
- › A gift freely given for the benefit of all: A bequest to your church!
- › A bequest to the church: An everlasting gift!
- › Lift up your hearts and treasures to God through a bequest to the church!
- › A bequest to the church: How firm a foundation ye saints of the Lord!
- › The Church's One Foundation is Jesus Christ Her Lord: Support the cause of Christ through your will!



## Resource 4: *Ways to Make a Planned Gift*

### **1** Make a Bequest in your Will

The easiest and most direct way to make a charitable gift is by an outright bequest in your will. Making an outright bequest requires only a short paragraph in your will that names the charitable beneficiary and states the amount of the gift. The outright bequest is especially appropriate when the amount of your gift is relatively small, or when you want the funds to go to the church without strings attached.

By leaving money to your church when you die, the full amount of your charitable gift may be deducted from the value of your taxable estate.

There are four ways a donor may make a bequest:

#### › **Specific Bequest**

The donor designates a specific dollar amount, or specific property to the church.

*Sample wording:*

*“I give, bequeath, and devise (amount or item named) to XYZ Church of Anytown, a religious organization located in Anytown, USA, to be used for its general purposes.”*

#### › **Percentage Bequest**

The donor designates a percentage of the estate to the church.

*Sample wording:*

*“I give, devise, and bequeath to XYZ Church of Anytown, a religious organization located in Anytown, USA, 10% of the total value of my estate for its general uses and purposes.”*

#### › **Residual Bequest**

The donor’s estate will pay all debts, taxes, expenses, and specific bequests. The remaining amount (the residue) will be transferred to the church.



*Sample wording:*

*“All the rest, residue and remainder of my estate, both real and personal, including any property over which I have power of appointment, I give, devise and bequeath to XYZ Church of Anytown, a religious organization located in Anytown, USA, to be used for its general uses and purposes.”*

› **Contingent Bequest**

A donor decides to give the designated church all or a portion of his or her estate only under certain circumstances. For example, one might name the church as a beneficiary of the estate only if there are no surviving close family members. Childless couples sometimes provide for the entire estate to go to the surviving spouse, or if the spouse does not survive, to one or several nonprofits.

*Sample wording:*

*“If the above-named beneficiaries should predecease me, then I give, devise, and bequeath to XYZ Church of Anytown, a religious organization located in Anytown, MO, all of my property and estate, both real and personal, for its general uses and purposes.”*

## **2** Make your Church the Beneficiary of an IRA or Retirement Plan

If you have funds in an IRA or employer-sponsored retirement plan, you can name your church as a beneficiary. Naming your church as beneficiary can provide double tax savings. First, the charitable gift will be deductible for estate tax purposes. Second, the church will not have to pay any income tax on the funds it receives. This double benefit can save combined taxes that otherwise could eat up a substantial portion of your retirement account.

## **3** Use Life Insurance for Charitable Giving

Life insurance can be an excellent tool for charitable giving. Not only does life insurance allow you to make a substantial gift to your church at relatively little cost to you, but you may also benefit from tax rules that apply to gifts of life insurance.



Here are three ways to use life insurance as a charitable gift for your church:

› **Donate a Paid-Up Policy**

When a policy is no longer needed or has outlived its purpose, you may donate the policy and you may be able to deduct an amount equal to the fair market value of the policy, or your cost basis, whichever is less. Since the church will become the owner of the policy, the proceeds will not be included in your estate for tax purposes.

› **Buy a New Policy**

You may be able to make a much larger gift to your church than you might have thought you could afford by taking out a life insurance policy and naming your church as the owner and beneficiary. You will pay the premiums, but they will be deductible on your income tax.

› **Life Insurance as Wealth Replacement**

You can make a gift to your church now of highly appreciated assets that you might have intended for an heir or heirs and replace the value of these assets with a life insurance policy with your heir or heirs as the beneficiaries. This allows your church to benefit from your gift while you are alive, removes the gifted assets from your estate, and the death benefit will pass to the beneficiaries tax-free. You also benefit from a current charitable income tax deduction for the donated assets, which in some cases is enough to counteract the premium expenses for the life insurance policy.

## 4 Use a Charitable Trust

Another way for you to make charitable gifts to your church is to create a charitable trust. There are many types of charitable trusts, the most common of which are the charitable lead trust and the charitable remainder trust.

A charitable lead trust pays income to your church for a certain period of years after your death. Once that period is completed, the trust principal passes to your family members or other heirs. The trust is known as a charitable lead trust because the charity gets the first, or lead, interest. The charitable lead trust can be helpful to individuals



who have a larger income than they currently need, and who desire to transfer assets to heirs.

A charitable remainder trust is the mirror image of the charitable lead trust. Trust income is payable to your family members or other heirs for a period of years after your death or for the lifetime of one or more beneficiaries. Then, the principal goes to your church. The trust is known as a charitable remainder trust because the church would receive the remainder interest. Depending on which type of trust you use, the dollar value of the lead (income) interest or the remainder interest produces the estate tax charitable deduction.

Please consult with your tax or financial advisor to find out more about any of the giving options listed above. Your advisor can help you choose the most beneficial assets to donate and design a giving plan that matches your goals and values.



## Resource 5: *The Best Property to Give your Church*

**M**aking gifts to your church and other charities is not only personally satisfying, the IRS (and possibly your state) also rewards you with generous tax breaks:

- › A current income tax deduction if you itemize, subject to certain percentage limitations for any one year
- › Tax benefit received reduces the cost of the donation (e.g., a \$100 donation from someone in a 30 percent tax bracket has a net cost of \$70)
- › Reduces or eliminates capital gains tax if appreciated property is given
- › No transfer (gift and estate) taxes imposed
- › Removes any future appreciation of the donated property from your taxable estate

Your church will need to decide which types of property it will and will not accept, and you may need to have certain types of property appraised. Some examples of types of property commonly used for charitable gifts include:

- › **Highly appreciated or rapidly appreciating property**
  1. Intangible personal and real property (e.g., stock or real estate)
  2. Tangible personal property (e.g., art, jewelry)
- › **Cash**
  1. Easy to give—the type of donations most charities like best
  2. Be sure to get a receipt or keep a bank record, regardless of the amount
- › **Income-producing property**
  1. Artwork (if given by the artist)
  2. Inventory
  3. Section 306 stock (stock acquired in a nontaxable corporate transaction)
- › **Remainder interests in property**
  1. Allows you to use the property, or income from the property, until a later date. Gift and estate tax deductions are not allowed unless a trust is used. You may only take the income tax deduction in the year that the gift is actually conveyed.



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Please consult with your tax or financial advisor to find out more about any of the giving options listed on the previous page. Your advisor can help you choose the most beneficial assets to donate and design a giving plan that matches your goals and values.



## Summary of *Services & Pricing*

### **Planned Giving Management**

This option is designed for churches committed to fostering long-term stewardship and working to stabilize the financial future of the church through planned giving. This process would begin after the capital campaign concludes.

### **Summary of Services**

- › Identify, train, and facilitate the planned giving committee.
- › Provide ongoing, onsite consultation with your planned giving committee to establish goals, objectives, strategy and detailed calendar.
- › Provide consultation on creation of gift acceptance policies and procedures, endowment establishment and legacy society establishment.
- › Offer comprehensive training to the pastor and planned giving committee in the financial and spiritual benefits of philanthropy.
- › Identify, research and rate planned giving prospects.
- › Develop a system with detailed calendar for one year (including annual event, estate planning workshop, newsletters, speakers in worship).
- › Provide overall management of the planned giving program strategy.
- › Assist with planning and implementation of an estate planning event featuring an estate planning professional.
- › Provide guidance for implementation of an annual event to honor legacy society members.
- › Creation and design of marketing materials, including brochures and two newsletters.
- › Training and coaching for pastor in donor cultivation, solicitation and stewardship.
- › Assistance with prospect visits and solicitation (up to 12 personal donor visits).
- › Establish an ongoing system for soliciting planned gifts after the capital campaign has been completed.

### **Cost**

\$20,000



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