

ENDOWMENT FUND

How can I make a gift that supports our Church into the future?

Our endowment fund is designed to provide long-lasting support for our mission. Only a portion of the annual earnings from our endowment fund are used each year, so the fund continues to grow. Through careful investing and growth, this fund provides a buffer against inflation and a permanent source of support for the mission of our church.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Foundation staff is available to help you make a gift that matches your interests and financial circumstances. For more information about giving options, call the Foundation at 800.365.4172.

What is an Endowment Fund? Why do we need one?

An endowment fund is a special fund that's invested for long-term growth and exists to support our mission now and in the future. It's in place to receive gifts and address a variety of future needs, beyond what our annual budget is designed to provide.

Our church is currently discussing creation of an endowment fund to *(insert fund's purpose)*. Over the next few months, you will have an opportunity to join this discussion and help shape our endowment fund so it serves our needs and our vision.

Through the services of InFaith Community Foundation, based in Minneapolis, Minnesota, individuals and faith-based organizations like our church have the opportunity to create a permanent charitable fund to benefit our work and mission.

How can I make an anonymous gift to our Church's Endowment Fund?

If you wish to remain anonymous in your giving, you can give directly to our endowment by contacting InFaith Community Foundation, the faith-based public charity that holds our fund. Simply call the Foundation at 800.365.4172 and tell them that you want to make an anonymous gift to our endowment fund. Professional gift planners will help you make a gift that matches your needs and financial circumstances, with maximum tax benefits to you.

Is it possible to make one gift that supports the Endowment Fund as well as other favorite charities? Yes, you can make a single gift that supports both the endowment fund and other charities that are important to you. Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Foundation gift planners can help you design a gift that supports our endowment fund and any other charity (faith-based or other). It is a way to simplify your charitable giving.

What is planned giving?

"Planned giving" means creating a specific plan for a gift that typically goes beyond the gifts we make throughout the course of a year. Many people first consider planned giving when preparing a will or along with other estate planning, but planned giving can be made part of our financial plan at any time in our lives. Those who make planned gifts are often motivated by a strong commitment to a particular project or mission of the church. The planned gifts they make acknowledge their gratefulness to God and fulfill their goal of supporting charitable work important to them, work that reflects their values and commitments. In addition, planned givers may receive tax benefits and lifetime income through several types of tax-favored plans.

Planned giving takes many forms and can be tailored to meet the needs and goals of the donor. A person's dreams make each gift unique and important, and planned giving is not only for the wealthy -- each of us finds ourselves materially blessed in many ways. Martin Luther stated, "The heart of the giver makes the gift dear and precious."

Planned gifts to our church endowment fund ensure our mission will continue into the future. Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Professional gift planners at the Foundation can help you make a gift that matches your interests and financial circumstances. You can reach a gift planner by calling the Foundation at 800.365.4172.

Do I need a will?

Through your will, you can appoint a guardian for your minor children, choose a representative to carry out your wishes, and decide the final destination of your estate's assets. Without a will, state law dictates who will receive your assets and who will manage your estate. It's worth noting that the state's plan for your assets may not include all of the persons you would like to benefit and definitely won't include your church and other charities close to your heart.

Making a charitable bequest (i.e., giving assets to your church or other charities) is one of the simplest ways to make a planned gift. Through your will, you can specify the amount or percentage of assets that are to pass to the endowment fund. Your estate will receive an estate tax deduction for the bequest and there is no limit on the amount of the charitable gift made by bequest or on the amount that can be deducted for estate tax purposes.

As an alternative to a specific dollar amount or percentage bequest, you may wish to designate a charity, such as the church's endowment fund as the "residual beneficiary" of the estate. After children, friends and others have received specific bequests, the church endowment fund as a "residual beneficiary" will receive what is left in the estate.

To be sure you have an enforceable will that accomplishes your objectives, it is best to work with an experienced estate planning attorney. Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. The professional gift planners at the Foundation can help you with suggested language to name the endowment fund in your will or living trust. Please call the Foundation at 800.365.4172 for more information.

Can life insurance be given to benefit the Church's Endowment Fund?

There are a number of ways to make a gift of life insurance to our endowment fund. You can give an existing or new life insurance contract to the church by making the church owner and beneficiary of the contract. Upon your death, the church will receive the death benefit. If you give a new insurance contract, you can receive a charitable deduction for the annual premiums you pay each year to keep the insurance in force. If you give an existing insurance contract, you can claim an immediate income tax deduction based on the lesser of: (i) the cash value of the insurance contract or, (ii) the aggregate amount of the paid premiums.

Alternatively, you can remain the owner of the insurance contract, but name the church as primary beneficiary. Although you will not receive an income tax deduction, your estate will be entitled to an estate tax deduction for the amount of the death benefit. You can also name the church as a contingent beneficiary, meaning the church receives the death benefits only if the primary beneficiary dies before you do.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Professional gift planners at the Foundation can share more about the benefits of giving life insurance and how this type of gift might work for your situation. For more information, call a gift planner at the Foundation at 800.365.4172.

I would like to make a large gift to our Endowment Fund, but I also need an income during my lifetime. What can I do?

There are two charitable vehicles that enable donors to gift an asset and receive payments in return. They are the charitable remainder trust and the charitable gift annuity.

The charitable remainder trust works like this: 1) You transfer an asset into the charitable remainder trust; 2) The trustee pays you and/or other people, if you wish, income from the trust for life or a term of years from the trust investment; and 3) At the time of your death (or the end of the term), the remaining assets in the trust go to our endowment fund.

There are different types of charitable remainder trusts, one type pays you a fixed income that will not vary from year to year; another type pays you a percentage of the value of the trust, which is recalculated each year.

If you have an asset, such as real estate, that has increased in value significantly, the income stream from a charitable remainder trust could be greater than the income you're now receiving from the asset and even can be greater than the income you would receive if you sold the asset outright, paid the capital gains tax and invested the balance for income. Because the charitable trust isn't required to pay capital gains taxes on the sale of appreciated assets, the full fair market value of the asset contributed to the trust provides income back to you. And when you make a gift of appreciated stock or real estate to a charitable remainder trust, you are entitled to a charitable income tax deduction equal to a portion of the fair market value of the contributed asset.

A charitable gift annuity works like this: 1) You transfer an asset to charity; 2) The charity creates a gift annuity contract; 3) The charity pays you a fixed annual payment to you and your spouse, if you wish, for your lifetimes; and 4) After you and your spouse's lives, the residuum of the gift annuity goes to our endowment fund.

While the charitable gift annuity sounds like the charitable remainder trust, it differs in some very significant ways. First, donors of a charitable gift annuity enter into a contract with the charity. In contrast, charitable remainder trust donors create a trust. Second, a charitable gift annuity donor who gifts appreciated long-term capital assets, such as stock, will recognize a portion of the capital gain, spread out over a period of time. In contrast, the charitable remainder trust donors who donate long-term capital assets will recognize no capital gain at all. Finally, a portion of the payments received by charitable gift annuity donors is usually tax-free. In contrast, charitable remainder trust donors are taxed on all of the income they receive from their trust.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Professional gift planners at the Foundation can help you design a charitable remainder trust or gift annuity that works best for you. Call the Foundation at 800.365.4172.

I would like to give my home to the endowment fund and continue to live in it during my life. Is that possible?

Yes, you can deed your home, farm or recreational property to the endowment fund now, reserving the right to live there for the rest of your life. You have the comfort of knowing that someday the endowment fund will benefit from the value of your property without having to wait for a probate proceeding. You would also receive an income tax deduction right now. During your life, you would continue to enjoy use of the property or rental income (if you choose to rent it out). You would continue to pay for the costs of maintenance, insurance and property taxes. At the time of your death, the property would be sold for the benefit of our endowment fund.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Professional gift planners at the Foundation can answer your questions. Call the Foundation at 800.365.4172.

Can I receive a charitable income tax deduction by making a gift of securities?

Yes, in fact if your gift of stock or bonds has appreciated since you first bought it, and you have held those securities for more than one year, you can make a gift at a significant discount to you.

For example, assume you paid \$3,000 for stock in Company X six years ago and that stock is now worth \$8,000. If you sell the stock for \$8,000, you would net about \$7,000 if you are in a 20% capital gains tax bracket. If you then gave that money to the church's endowment fund, you would receive an income tax deduction of \$7,000.

If, however, you transferred the stock itself to the church's endowment fund and it is sold for \$8,000, the endowment fund receives the entire amount because the fund is exempt from capital gains tax. In addition, you would receive an income tax deduction of \$8,000, the full fair market value of the stock.

You can make a gift of appreciated securities to our endowment fund, which is held at InFaith Community Foundation in Minneapolis, Minnesota. For more information, contact a professional gift planner at the Foundation by calling 800.365.4172.

How to make a gift of appreciated assets

Mr. and Mrs. Smith own stock that is now worth \$20,000, which they bought for \$5,000 more than 18 months ago. Mr. and Mrs. Smith want to donate \$20,000 to their church's endowment fund. Is it better for them to give the stock or sell the stock and give the cash?

We will assume Mr. and Mrs. Smith are joint taxpayers, with \$100,000 in annual taxable income, and that they have two children still living at home. Taking into account just the proposed charitable gift, this chart shows the difference between making the gift with appreciated stocks or making the gift with cash resulting from the sale of appreciated stocks.

	Gift of Stock	Sale of Stock Gift of Cash
Fair market value of asset	\$20,000	\$20,000
Original purchase price	\$5,000	\$5,000
Amount of appreciation	\$15,000	\$15,000
Capital gains tax paid	\$0	\$2,250
Proceeds available for charity	\$20,000	\$17,750
Charitable deduction*	\$20,000	\$17,750

If the Smiths give the stock to the endowment fund, they will be able to take a charitable income tax deduction for the fair market value of the stock on the day of the gift. In addition, they will avoid paying capital gains taxes on the increase in market value of the stock. The result will be more net cash income for other purposes and less taxes to pay.

**The Smith's ability to use the deduction in one tax year is limited. Charitable deductions resulting from gifts of appreciated assets can be used up to 30% of federal adjusted gross income. Any unused deduction can be carried forward to subsequent tax years, for up to five additional years. Charitable deductions resulting from gifts of cash can be used up to 50% of federal adjusted gross income, but can be carried forward in the same way.*

You can make a gift of appreciated securities to our endowment fund, which is held at InFaith Community Foundation in Minneapolis, Minnesota. For more information, contact a professional gift planner at the Foundation by calling 800.365.4172.

Can I leave the remaining balance of my qualified retirement plan to the endowment fund?

Yes, in fact if you leave your qualified plan balance to someone other than your surviving spouse or a charity, it could be subject to income and estate taxes. The amount of the tax depends on the balance in your qualified plan and the marginal income tax bracket of the beneficiary.

If you have planned to leave your IRA balance to children or others, you might want to consider the tax implications. One alternative could be to bequeath the balance to the church endowment fund, thereby avoiding income tax on that gift and providing a benefit to the church.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Foundation staff can provide more information on how this type of gift might work for you and answer your questions. You can reach the Foundation at 800.365.4172.

Make a lasting difference

All of us look for ways to use our time, talent and money to make positive changes in the world. We work hard to gather pledges and budget wisely every year. We organize successful festivals, rummage sales and spaghetti dinners, raising much-needed funds for special projects, but as soon as they are over, we start planning the next one because the need will return. We can't effectively plan several years of annual budgets at once and we can't effectively organize more than one year's events at a time, but we can take other steps that will have a long-term positive difference at our church.

An endowment fund is one of these steps. An endowment fund is a repository for long-term gifts from many donors. It is also a resource for long-term plans and projects; plans and projects that may not find sufficient resources in annual budgets. Here are some examples:

- Ms. Tate is a life-long member of a church that is near to a large university. As a retired professor, she has a special fondness for university students and wants to encourage her church to do more outreach in the university community. Using some securities, she purchased many years ago, Ms. Tate established the Student Outreach Fund within the endowment fund of her church. Ms. Tate gave the securities to her church, which sold them and placed the proceeds in the new fund. The church council passed a resolution accepting the gift and gave the Outreach Commission the responsibility to decide how to use it. Ms. Tate's generosity has not only given new energy to her church's outreach to students, but has stimulated other donors to make gifts to her fund as well. In addition, by giving appreciated securities to the church, Ms. Tate avoided paying capital gains taxes on the increase in value and received a charitable deduction for the fair market value of the securities.
- Mr. Smith is quite elderly. Although he wishes he could be more generous with his annual giving to his church, he feels he needs to maintain control of his assets to pay for his own living expenses. Mr. Smith, whose wife died some years ago and who has no children, decided to name his church's endowment fund in his will as recipient of half of his estate. He enjoys knowing that his gift will become part of the endowment fund principal, which will earn income each year to support special projects and the church's mission priorities. The bequest will be a charitable deduction to his estate and will not be taxed.
- Mr. and Mrs. Allen are generous supporters of their church and its school. Their children are grown and they are working on simplifying their lives. Last year they received an unexpected bequest from a relative they had hardly known. After considerable soul-searching, the Allens decided to share their windfall with the community of their church. First, they talked their ideas over with their pastor and the church president. Then they hosted a coffee party at their house and proposed an endowment fund for scholarships to help children with financial need attend the church school. With the Allens' initial gift and infectious enthusiasm, the idea took fire. Contributions have come in steadily and the church looks forward to the regular reports they get on the students. The Allens were able to take a charitable deduction for their gift, but more importantly, they received great satisfaction from knowing they stimulated an effort that will benefit the larger church in a meaningful way.

An endowment fund works like this: Gifts to the endowment fund are invested and preserved for the long-term future of the church. Every year, a modest part of the fund (5-6%) is used for current needs. At most churches, the annual distribution from the endowment is allocated to special projects and initiatives that cannot be funded through regular annual giving, but some churches use their endowment to support the annual budget. Those churches with an especially long-term view provide for *both* short-term needs and long-term disaster protection: They invest their endowment funds for long-term growth and try to spend only part of each year's investment earnings. A portion of the annual investment gain remains in the fund, building a buffer against future market fluctuations.

While it is possible for a church to set up, invest and run its own endowment fund, many churches choose to seek assistance from an established organization like InFaith Community Foundation. The Foundation maintains endowment funds for hundreds of churches and faith-based nonprofits, and offers expertise and large investment pools with all of the related benefits of diversification. Such an organization can not only invest more effectively, its staff can assist members of our church make gifts that are sometimes complex. For instance, the Foundation can help church members make gifts of real estate, stocks and farmland, something that most churches would never attempt on their own. With more than \$250 million under management, and outright and deferred gifts exceeding \$900 million, the Foundation offers investment diversification that is not available to a church with an endowment fund of a much smaller amount. Through the Foundation, it's also possible to make anonymous gifts and create donor advised funds that support a variety of charities, including the church.

The key to an endowment fund that *works* is the effort that goes into shaping an endowment to the needs of the particular church. Pastors and lay leaders who understand the needs and desires of their members and donors will shape an endowment fund that supports the work the church wants to do and will be rewarded by the growth and expansion of the fund.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Foundation staff is available to answer your questions and provide more information about gifts that make sense for you. To learn more, call the Foundation at 800.365.4172.

Gift planner expertise available for endowment gifts

The endowment fund of [insert name of church/organization] offers [members /supporters] the opportunity to ensure that resources are available to support our mission, plans and projects down the road. This endowment fund, which was created through InFaith Community Foundation, is available to receive gifts of cash, securities and real estate, as well as bequests, beneficiary proceeds and life insurance. Members can also make gifts and receive a lifetime income through charitable gift annuities and charitable remainder trusts.

In each case, professional gift planners at the Foundation are available to assist individual [church members / organization supporters] make gifts that match their financial circumstances and provide the donor with maximum deductibility for income, gift and estate tax purposes. The Foundation can also accommodate those who wish to remain anonymous in their giving but require legal substantiations of their gifts for tax purposes.

For more information about the (*insert fund name*), contact (*insert fund advisor's name*). For more information about giving options, please call the Foundation at 800.365.4172.

Support the Church's Endowment Fund and supplement your income with a gift annuity

As you consider the many charitable giving options available today, your personal financial needs and interests should be balanced with your charitable giving goals. A charitable gift annuity through InFaith Community Foundation offers a simple solution for people who wish to make a gift and, in turn, receive ongoing income payments.

A gift annuity offers you tax benefits and provides future support to the church's endowment fund and/or your favorite charities and causes. You can choose to begin payments immediately or defer payments to a specified date in the future.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. The Foundation can give you more information on how this type of gift might work for you. You can reach the Foundation at 800.365.4172.

Charitable gift annuity offers benefits to you and our endowment

There are several reasons for choosing a charitable gift annuity:

- A charitable gift annuity can be established with \$10,000 or more with a gift of cash, publicly traded securities or mutual funds.
- You receive ongoing quarterly payments that remain constant for your lifetime, regardless of shifts in the economy. These payments can be made to one or two people, including relatives or friends.
- The ongoing payment amount depends on the gift size, the age of the payment recipient(s) and the current American Council on Gift Annuities' (ACGA) rate schedule (see sample rates below).

Single Life	Income	Joint and Survivor	Income
55	4.0%	55 / 55	3.5%
65	4.7%	65 / 66-68	4.3%
75	5.8%	75 / 76-77	5.1%
85	7.8%	85 / 85	6.7%

Payout rates, charitable deductions and other benefits vary based on a number of factors. Rates shown based on AGGA rates effective Jan. 1, 2012

Upon the death of the income recipient(s), the remainder of the gift annuity is directed to the endowment fund or to an individual donor advised fund that you create at the Foundation to support the charities of your choice.

Case Study: A Gift of Cash

The Donors: Married couple, both age 75.

Their Gift: \$10,000 cash. In turn, they receive lifetime payments of \$500 per year (5.0%).

- For the duration of their life expectancy (16.4 years), \$397 of their annual payment is tax-free.
- They receive a charitable deduction of \$3,489.80
- At the end of both lives, the remainder of their gift annuity will perpetually benefit the music program at their church and cancer research.

With a gift annuity, you simultaneously make a charitable gift and receive income payments for life to yourself and/or another person. The fact that you are making a charitable gift may entitle you to income, gift and estate tax deductions. However, because a charitable gift is involved, gift annuity rates offered by InFaith Community Foundation are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

Our endowment fund is held at InFaith Community Foundation in Minneapolis, Minnesota. Foundation staff is available to answer your questions and share how this type of gift might work for you. You can reach the Foundation at 800.365.4172.

Support the Endowment Fund and supplement your retirement with a deferred gift annuity. If you would like to support our endowment fund and, in turn, receive ongoing income during retirement, consider a deferred charitable gift annuity. The deferred gift annuity offers a current tax deduction and provides an option for those who have “maxed out” contributions to qualified plans. It also provides future benefit to our endowment fund.

A deferred charitable gift annuity, issued through InFaith Community Foundation, is a simple contract in which lifetime annuity payments (to one or two annuitants) are deferred to a future date, in exchange for an irrevocable gift of cash or securities. Donors qualify for an immediate federal income tax deduction, and some of the income returning to them may be tax free. After the death of the annuitant(s), the remainder will benefit the endowment fund (or the donor’s individual donor advised fund). Rates increase with years of deferral.

Age at Gift	Immediate Income	Defer Income 5 Years	Defer Income 10 Years	Defer Income 20 Years
45	3.3%	4.3%	5.5%	8.8%
50	3.7%	4.7%	6.0%	9.6%
55	4.0%	5.1%	6.4%	10.9%
60	4.4%	5.5%	7.0%	12.8%

Payout rates, charitable deductions and other benefits vary based on a number of factors. Rates shown based on AGGA rates effective Jan. 1, 2012

With a gift annuity, you simultaneously make a charitable gift and receive income payments for life to yourself and/or another person. The fact that you are making a charitable gift may entitle you to income, gift and estate tax deductions. However, because a charitable gift is involved, the annuity rates offered by the Foundation are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

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