

Planned Giving Basics, Legacy Societies, & Endowments

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Goals for this Webinar

1. How to create and grow a legacy society – *Rev'd. Charles Cloughen*
2. Planned Giving Vehicles – *Rev'd. Cn. Timothy Dombek*
3. Review the CARES ACT and SECURES ACT tax updates and changes for 2020 – *J. Davey Gerhard*
4. Learn how to give thoughtfully during the pandemic and ensure your communities remain strong
5. Learn about power of Planned Giving – Why every congregation should have a legacy society



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Disclaimer

This presentation is designed to provide an overview of certain charitable gift plans. It is **not intended to provide legal, tax, investment, or other professional advice.** For assistance in specific cases, obtain the services of a competent attorney or other professional advisor.



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Create and Grow a Legacy Society

Rev'd Charles Cloughen Jr.

Planned Giving Consultant, Diocese of Maryland

- Introduction
- What is a Legacy Society?
- Steps to Create a Legacy Society

Create and Grow
a Legacy Society



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Create and Grow a Legacy Society

- Introduction
 - Long-term sustainability and stewardship
 - Ensure ministries outlast our time on earth

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What is a Legacy Society?

- Forms the cornerstone of Planned Giving
- Strengthens bond between donors and their church
- Engenders feeling of being rewarded
- Promotes participation of members in Planned Giving

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Our Responsibility to Ask

- From the Book of Common Prayer, p. 445

"The minister of the Congregation is directed to instruct the people, from time to time, about the duty of Christian parents to make prudent provision for the well being of their families, and of all persons to make wills, while they are in health, arranging for the disposal of their temporal goods, not neglecting, if they are able, to leave bequests for religious and charitable uses."



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- First Steps:

- Add language to Pledge Cards.

[] I have remembered [parish name] in my will/estate plan

[] Please send me information about including [parish name] in my will/estate plans

- Create/Maintain a list of people who have remembered the church in their wills or estate plans.
- Draft an endowment fund brochure.



Create and Grow a Legacy Society

- Next Steps:
 - Establish a committee to found the Legacy Society
 - Have the committee draft invitations
 - Draft a list of members who responded positively to be included in the Annual Parish Report and on a plaque prominently displayed



Create and Grow a Legacy Society

- Continuing Steps:
 - **Name and thank** Legacy Society members at the Annual Parish Meeting.
 - Arrange a **special event**; if possible, coordinate with a Diocesan Legacy Society event.
 - **Publicize** whenever the church receives a bequest from a Legacy Society Member.
 - *Repeat, repeat, repeat.*



Create and Grow a Legacy Society

- There are Three Testaments
- Who wants to be happy?
- Personal story of my will

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Continued Education

Available from the Episcopal Church Foundation and can be ordered from Forward Movement at forwardmovement.org or 800-543-1813

- *Planned Giving on Demand*, a collection of planned giving resources to empower your congregations mission and ministry, including FUNDING FUTURE MINISTRY by the Episcopal Church Foundation - \$35
- *Funding Future Ministry: Guide to Future Ministry* by the Episcopal Church Foundation - \$15
- *Planning for the End of Life: Faithful Stewards of God's Gifts* - 5 booklets: \$15
- *Writing your Will: Where there is a Will There is a Way* - 10 Pamphlets: \$4.25

More titles for your planned giving library, from Charles Cloughen

- One Minute Stewardship: Creative Ways to Talk about Money in Church, Church Publishing , Inc. 2017. Can be Ordered from Church Publishing Inc., Amazon, Barnes and Noble
- Sixty Seconds Stewardship, Liturgical Press , 2000. Written for the Roman Catholic Church. Can be ordered from Liturgical Press and Amazon
- One Minute Stewardship Sermons, Morehouse Publishing , Inc. 1997 Can be ordered from Church Publishing, Inc., and Amazon

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Your Questions

Thank you!

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Gift Planning for the Future of your Congregation

Rev. Cn. Timothy Dombek
Canon for Stewardship and Planned Giving, Diocese of Arizona
Rector, Church of the Advent, Sun City West, AZ

Learning Objectives

- How does gift planning fit into your congregation's income producing program?
- What is a gift that is "planned?"
- The most common types of planned gifts
- Gift planning that achieves donor's wishes
 - may also produce Income for the giver
 - may be used for reducing the giver's taxes



Stewardship: The Umbrella

Stewardship is a primary expression of discipleship

- Managing God’s assets and resources to accomplish Great Commandment and Great Commission.
 - Giving for today: “Estimate of giving” (pledges)– to plan mission-oriented priorities
 - Formulate a “financial statement of mission” (budget)
 - Annually or more times a year
 - Giving for the future: “Planned giving” – to provide mission driven needs outside of operating and in future years.

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Faith-Based Giving Pyramid



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What is Gift Planning?

- **Every gift is a “planned” gift**
 - Annual estimates of giving are planned each year
- Other kinds types of planned gifts:
 - Special-purpose gifts (i.e. building campaign)
 - Gifts made over time, or through one’s estate



Understanding Planned Gifts

- Philanthropic gifts made to the congregation
 - Made with considerable thought and planning
- From a donor's assets
 - may be called “estate” gifts but planned during one's lifetime
- *May be given from current resources for current uses*



Understanding Planned Gifts

- More than 50% of Americans die without a Will -- Intestacy
- Just 6% leave money to their parish or to another charity spontaneously
- Charity receives \$30 billion annually (approx.) which represents about 10% of all charitable giving



Key to Receiving Planned Gifts

“What’s the #1 reason that People Do Not Leave a Planned Gift to their Church?”

No One Asked

Asking works better than not asking

Learn to ask for Planned Gifts

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Why Should Someone Leave a Gift?

- To make a **significant impact on the congregation** and its mission
- Planned gifts may also:
 - Possibly lower taxes at death
 - Provide potential tax savings during one's lifetime
 - Increase income in lifetime
- To make an impact on family:
 - When my Will is read, what will my children and grandchildren learn about my values



Gift Restrictions

- Annual intentions of giving (pledges):
 - Generally “unrestricted” – funds used as most needed throughout the year.
- Some choose to make “restricted” gifts:
 - To the annual fund— designated for items that are part of the annual operating expenses. (e.g., “My gift is to be used to support the Sunday School.”)
 - Special current needs not in the operating budget. (e.g., the library, the Music Fund, the Rector’s Discretionary Fund)



Restricted Planned Gifts

- Most common planned gift restriction: A congregation's Endowment Fund.
- An Endowment Fund:
 - a permanent savings account that can never be spent
 - only the Fund's earnings can be used each year.



Restricted Planned Gifts

- Endowment contributions only made by the giver (donor)—leadership cannot “put money into endowment.”
 - Sometimes congregations receive planned gifts not designated for endowment.
 - Leadership may treat the money as endowment in a “reserve fund”
 - Reserve funds: ‘unrestricted reserves’ or ‘the Bequest Fund,’ etc.



Restricted Planned Gifts

- Unlike 'true' endowment...
 - The Bequest Fund (or 'unrestricted reserves') can be used in the future by the leadership of the parish
- Ideally, churches have three funds:
 - Annual Operating Fund
 - Operating Reserves/Bequest Fund/'unrestricted reserves'
 - Permanent Endowment



Most Common Planned Gift

- A simple “bequest” through one’s Will; this accounts for 85% of all planned gifts
- For those with an existing Will, it is a simple matter to add a “codicil” naming the parish as a beneficiary
- A bequest to the parish can be done as:
 - a percentage of the remaining assets, or
 - as a fixed dollar amount

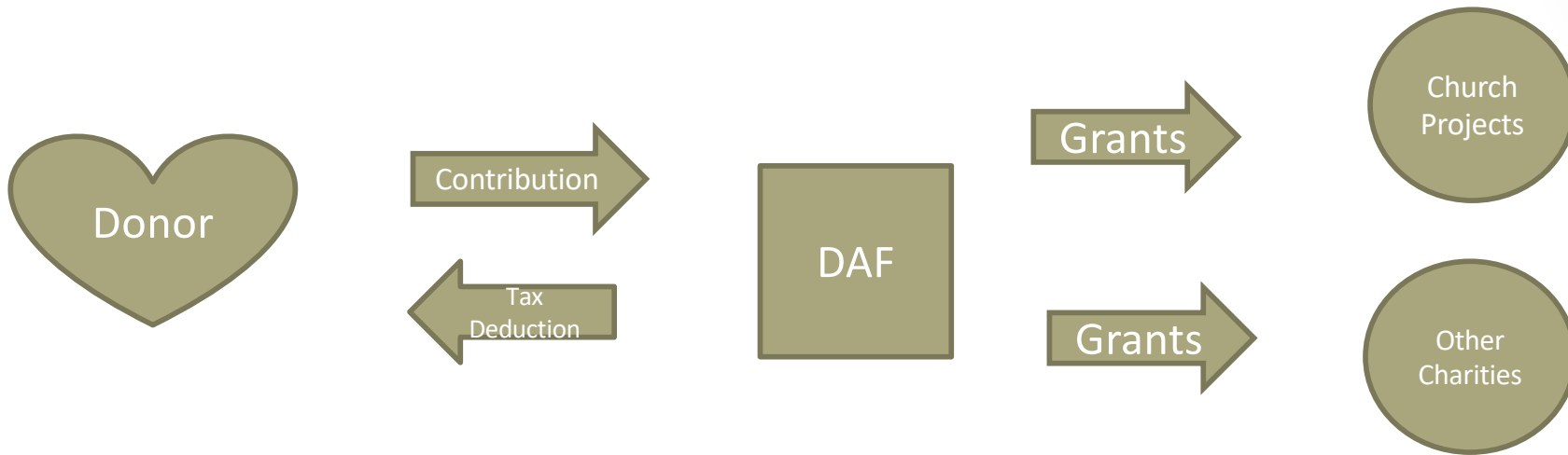


“Almost-as-Easy” Planned Gifts

- Retirement Accounts
 - Traditional IRA, Keogh, 401(k), 403(b) accounts
 - Make the church beneficiary, partial beneficiary, or contingent beneficiary
 - Can save on taxes (taxed to individual’s estate as ordinary income if left to family)
- Annual Required Minimum Distribution
 - From your IRA, SEP IRA, SIMPLE IRA, or retirement plan account **when you reach age 72**
 - Non-taxable if given to church or other NPO
 - Reduces taxable income (AGI)
 - This type of gift can happen NOW! *Ask for it!*



Donor Advised Fund



- Deduction in year of gift(s); may give annually
 - Grants recommended; may be spaced out over many years
 - Episcopal Church Foundation (ECF), Schwab, Fidelity, Community Foundations, etc. (Some have limits, re: length of spending times)
 - Low Administrative fees typically
 - Akin to family foundation without all the paperwork

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Gifts We All Can Give

“Did you know that you could give a gift to your church that costs you nothing during your lifetime?”

Simple bequest in will or in a trust

- Most common (85% of all planned gifts)
- Specific \$ amount
- Certain % of Your Estate
- Add a “codicil” to existing Will
- Church name and address (for clarity)

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Gifts We All Can Give

“Did you know that you could give a gift to your church that costs you nothing during your lifetime?”

- Traditional IRA's, Keough, 401(k) 403(b)
- Life Insurance
- Accounts beneficiary (POD)
 - Brokerage
 - Money Market, etc.

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Gifts We All Can Give

“Did you know that gifts of stock can be more beneficial than giving cash?”

- Appreciated Stock gifts
 - Deduct full value
 - Avoids Capital Gains tax
- Provides immediate gift to your church
- Helpful for annual tax planning



Income Gift Basics

“Did you know that you could make a gift to your church and receive an income that you cannot outlive?”

Basic Characteristics:

- An irrevocable gift
 - Donor receives charitable deduction in the year of gift
 - Receives income for life



Charitable Gift Annuities

“Did you know that you could make a gift to your church and receive an income that you cannot outlive?”

- The older the Donor, the higher the return
 - 2 to 3 times current interest income in CDs
 - Minimum age: 55
 - \$5,000 minimum using ECF, for example
- Easy to establish – a simple contract between individual/couple and issuing nonprofit

Offered by:

- The Episcopal Church Foundation
- Large institutions like Fidelity, Schwab, etc.
- Community Foundations
- Most offer the same rates
- Minimum contribution amounts vary from institution to institution

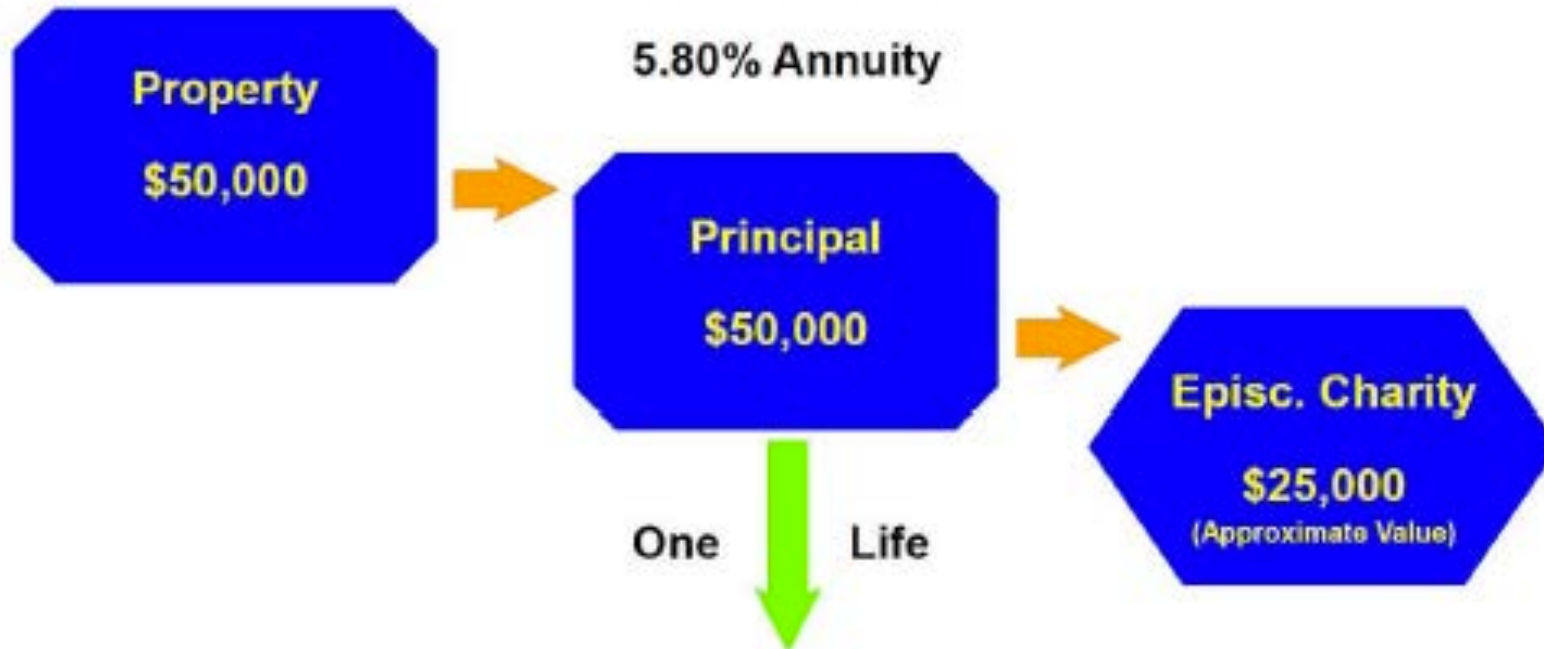
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Charitable Gift Annuities

Jonathan Sample - Age 75



1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of \$20,508 may save \$6,768.

2. Annuity of \$2,900.00 for one life. Tax-free amount \$2,378.00. Estimated one life payout of \$38,860. Effective payout rate 9.4%.

3. Quarterly payments for one life. Property passes to charity with no probate fees. There are also no estate taxes.

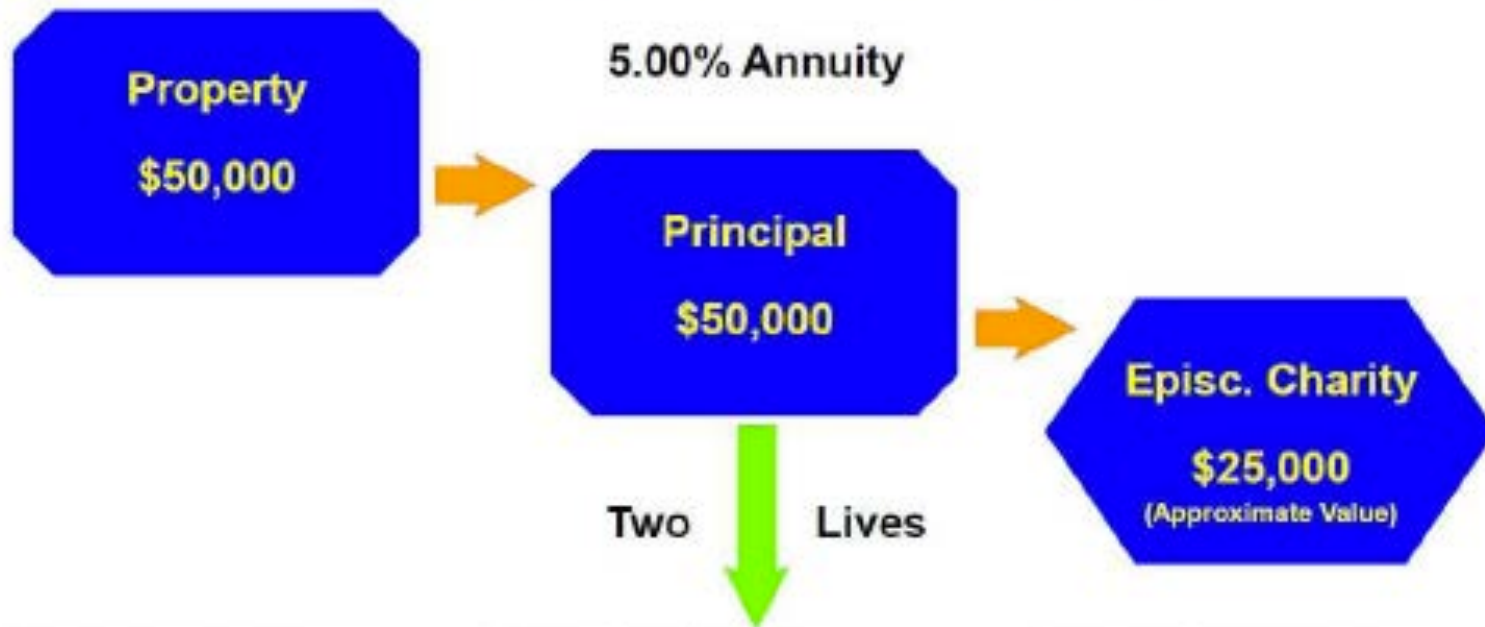
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Charitable Gift Annuities

Jonathan Sample - Age 77 Ingrid Sample - Age 73



1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of \$16,056 may save \$5,298.

2. Annuity of \$2,500.00 for two lives. Tax-free amount \$2,045.00. Estimated two lives payout of \$44,500. Effective payout rate 7.8%.

3. Quarterly payments for two lives. Property passes to charity with no probate fees. There are also no estate taxes, if married.

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Other Income Producing Gifts

“Did you know that you could make a gift to your church and receive an income that you cannot outlive?”

- Charitable Remainder Trusts (CRT's) function basically the same way, but minimum contribution amounts are higher (usually \$100,000+)
- Pooled Income Funds (not currently in vogue) function similarly but have a lower contribution requirement.



Almost-as-easy Planned Gifts

Life Insurance

- Make the church beneficiary, partial beneficiary, or contingent beneficiary
- Donate the policy itself (if not “term” insurance)



Review: No help needed to ...

- Add a Codicil to an existing Will (the attorney who drafted the Will can do it easily)
- Change a retirement account beneficiary designation
- Change a life insurance policy beneficiary designation



Review: Some help needed to...

- Set up a Charitable Gift Annuity or contribute to a Pooled Income Fund
- Make a gift of a universal or whole life insurance policy
- Make a gift of real estate or other tangible property



Review: See an Attorney to...

- Establish a new Last Will & Testament
- Set up any type of Trust
- Establish more complex gifts, such as a Life Estate (gift of your primary residence or family farm)



Your Questions

Thank you!

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2020 Tax Implications

J. Davey Gerhard, Executive Director, TENS

Learning Objectives

- The CARES and SECURE Acts bring about important changes in tax law for 2020
- They also create some new opportunities in giving for members and donors
- The more you are aware of these tax-wise ways, the better you can steward your members to make the best year-end gifts

2020 Tax-Wise
Donor Information
– Planned Gifts



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SECURE Act

- Eliminated the maximum age for traditional IRA contributions. Individuals can now contribute to their IRA past the age of 70½, allowing more time to save.
- Changed the required minimum distribution (RMD) age. Donors must now start taking RMDs from their retirement account at age 72, instead of 70½.
 - Notably, donors who turned 70½ in 2019 or earlier must continue to take required minimum distributions.



SECURE Act

- Eliminated “stretch” distribution rules for IRA and defined contribution plans for most non-spousal beneficiaries. Starting in 2020, non-spousal beneficiaries will have to withdraw the entire amount within 10 years.
 - Previously, they could stretch this over their lifetime.
- The law takes effect for deaths of IRA owners after Dec. 31, 2019, so IRAs inherited before then are unaffected.
 - A CGA or CRT could help solve this if a donor is concerned about the 10-year limit.



CARES Act

*Temporary tax relief act for the year of 2020 to aid the economy and lessen the burden on citizens during the COVID pandemic. **The act will expire on December 31, 2020 if not extended.***

- **Temporarily drops the required minimum distribution (RMD)** from retirement accounts for the 2020 tax year. Qualified charitable distributions (max \$100,000) from retirement accounts are still valid but will not have the additional benefit of counting as an RMD.
 - IRA owners who like to use their RMD to make qualified charitable distributions (QCDs) **may suspend their giving for 2020 and make a larger contribution in 2021.**
 - QCDs are still a viable option for 2020. Up to \$100,000 qualifies for a charitable distribution.



CARES Act

- Created a new universal charitable deduction. This new \$300 deduction is an “above the line” adjustment – **donors can claim it even if they do not itemize**. This tax incentive is available for gifts to qualified charities (and not to donor advised funds). It is only available per “tax filing unit”, meaning a married couple filing jointly is only able to deduct \$300.
- Lifted the cap on annual cash contributions. **Individuals who itemize, may deduct charitable gifts of cash up to 100% of their adjusted gross income (AGI)**, an increase from the typical limit of 60%. Additionally, it raises the limit on corporate giving from 10% to 25% of taxable income.
 - IRA owners, **consider taking a distribution as cash, then donating to your congregation** and eliminating tax for this year.



Opportunities for Giving

Planning for the future is always important, but especially needed for our congregations and communities now.

- Philanthropic priorities often take a backseat during times of economic hardship; **consider continuing your support** at whatever level you're able.
- Start planning giving opportunities that will **provide for your congregation but offer you financial return** as well.
 - Charitable Gift Annuity
 - Charitable Remainder Trust
 - IRA/Retirement Account Designation
- **Review your estate plan** and leave a gift for the congregation out of your will.



Revisit Your Will

An estate plan requires routine maintenance.

Don't just set it and forget it. You should **revisit your will** every three to five years, or at any point the following changes apply to you:

- **Life changes:** marital status, birth, death, health challenges, relocation, or retirement
- **Asset changes:** property, inheritance, insurance proceeds, retirement accounts, businesses, or overall changes in your estate's value
- **Appointee changes:** executors, personal representatives, guardians, attorneys-in-fact, trustees, or health proxies/agents
- **Legal changes:** federal or state tax rates and regulations, trust or property laws
- **Gift changes:** charitable support for causes and organizations that are important to you



Your Questions or Comments



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