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An Evaluation of Methods of Planned Giving

BY

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B.S., College of Great Falls, 1981

Presented in partial fulfillment of the requirements
for the degree of
Master of Business Administration

UNIVERSITY OF MONTANA
1989

Approved by

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Date

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF ILLUSTRATIONS

Figure Page

Chapter I

Introduction

Problem/Objective of Paper

Planned giving is a means by which church members help the mission and ministry of their church. There is a need to maintain levels of giving in churches as membership rolls continue to decline. As church buildings grow older, maintenance costs will continue to increase as a share of a given budget. Church giving to charitable activities will need to be increased as government programs continue to be reduced or eliminated. In addition, inflation will increase insurance costs and cost of office supplies. Salary increases will be needed for secretaries, organists, custodians, church school directors, and so forth. Pension programs, world service and conference ministry costs will increase. The various methods of planned giving provide churches with one means of gaining needed income. Pledges continue to provide the main source of income with planned giving acting as a much needed supplement.

Giving is comprised not only of cash but other types of property including stock, bonds, real estate and collectibles. Through various instruments church members and anyone desiring to give to the church can demonstrate genuine care for others. Members can maximize financial and tax advantages for themselves while living and maximize transfer of their wealth to beneficiaries, including the church, after death. Planned giving can best be accomplished through using those nonprofit methods which have been successful inside and outside the church.

The main objective of this paper is to describe, analyze and evaluate the various methods of planned giving employed by United Methodist churches to provide income for operational and capital needs.

Methods of Research

Methods of research include secondary research using publications from private, public, government and church sources and primary research consisting of interviews with church committee members and clergy who are involved with planned giving within their respective churches.

Scope of Paper

The scope of this paper is broad, covering the various aspects of planned giving as they relate to the Methodist church. Planned giving is the giving of a gift, not including pledges, for any amount and for any purpose, whether for current operations, capital expansion, or endowment. A planned gift may be given either now as a current gift or later as a deferred gift. Planning is accomplished with the assistance of a professionally trained staff person or a qualified volunteer.

The paper will also be specific as to each subject area involved, that is, estate planning, the will, retirement plans, and others. Planned giving does not include regular pledges given each year to the church but provides for designated programs within the church that are not covered in the regular budgeting process.

Organization of Paper

Chapter II is concerned with methods individuals can use in charitable giving. It begins with foundations and how they function as channels of giving. Estate planning will be covered as it relates to individual and family giving. Individual wills, with a stipulation for giving to the church are addressed, as are life insurance and retirement plans. Giving through real estate, living memorials, income plans and securities will round out the various instruments available to those who contribute to the church.

Instruments available to business will be covered as they relate to stockholders, sole proprietors and partners. Charitable deductions and giving are effective estate planning options for business owners.

Stewardship is discussed as it relates to income for the church, and donor considerations will address the situations of young marrieds, the young executive, the independent businessman and the professional. Finally, chapter II will discuss a tax consideration of some concern.

Chapter III will cover utilization of church income and will include the impact of giving and impact of volunteer work. This will be followed by a discussion of the long-term consequences of giving. Church giving to the Yellowstone Conference of the Methodist Church, which includes Montana and parts of Wyoming and Idaho, will be addressed. The role of professional planners both inside and outside the church will be covered as it relates to the gifts given and to the needs of the church.

Conclusions and recommendations are given in Chapter IV. It will bring together all aspects of planned giving in a summation and will include a discussion about costs and benefits and the impact of planned giving on operational and capital budgeting. Finally, recommendations are given to provide a future direction to programs that are currently employed by the church.

Chapter II

Means of Giving

Foundations

Many foundations are created as "a public charity that receives and distributes grant funds to other non-profit organizations.[1] Funds are raised from a wide variety of donors such as individuals, families, agencies, businesses and private foundations. The funds are used to form a pool which the foundation manages as a total endowment for social, educational, church, cultural and other general advancement of the community.

Donors can elect to receive life income or retirement income. At present, tax advantages are gained through gift giving during one's lifetime and, having decided to contribute, a donor will want to plan a gift for maximum tax and financial benefits.

A donor can choose to contribute various types of assets such as cash, securities, personal property, real estate, life insurance, and others. Personal property could be in the form of jewelry, art and antiques, recreational vehicles

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[1]Aline Lambert and Stephen D. Mittenthal, A Donor's Guide to Charitable Giving, (Phoenix: Arizona Community Foundation, 1986), p. 4.

and even such things as yachts or racing horses.

In return, a donor can gain immediate income through annuity and trust interest and through retirement income later. Income tax deductions and estate tax reductions are gained and capital gains taxes are not applicable.

To facilitate transfer of assets, a number of vehicles can be used. Assets can be given to trusts as outright gifts or as bequests. Outright gifts to a foundation have several advantages. There is personal satisfaction, immediate recognition from those involved and from the community, and a charitable deduction in the year the gift is made.

In dealing with gifts to foundations or any institution, one must be aware of the new alternative minimum tax (AMT). AMT has been enacted as a second tax alongside the regular income tax, and is designed to prevent offsetting deductions for tax preference items.[2] Tax preferences are provisions in the tax code granting favorable treatment to taxpayers. The AMT applies to individuals, estates, and trusts only if it exceeds the taxpayer's regular income tax liability. Though most taxpayers are not subject to the AMT, a donor must know it exists and that he or she could be subject to it. Computations for AMT are very difficult and the ordinary taxpayer would probably need professional help.

Under the current regular tax laws, the value of a cash

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[2]Lawrence C. Phillips and John L. Kramer, eds., Prentice Hall's Federal Taxation, 1989: Individuals, (Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1988), p. 14-2.

gift is deductible up to 50 percent of the donor's adjusted gross income in the year the gift is made if the donor itemizes deductions. Excess contributions can be carried over the next five years.

Tangible gift giving is treated differently depending on use of the gift by the donee. If a painting is used in a museum collection it is deductible for its fair-market value up to 50 percent of the donor's adjusted gross income. If a donation is not related to a charity's purpose, a deduction equal to the fair-market value minus any gain that would have been recognized if it had been sold is realized (usually results in cost basis as the deduction). The amount cannot exceed 50 percent of the donor's adjusted gross income if property is a capital asset and is not used in a business. Excess contributions can be carried over five years.

If undeveloped real estate which has no depreciable property is donated, the amount deductible is equal to the fair market value of the land. This cannot exceed 30 percent of adjusted gross income. If there are depreciating assets on real property, separate calculations must be made due to the complexity of the tax laws concerning depreciation.

Estate Planning

Estate planning is designing a plan for managing, preserving and disposing of property during one's life, during times of disability or emergency, and at the time of death.[3] To accomplish this, professional planners are needed at the outset. This can be done in conjunction with a foundation. A competent attorney should be engaged when an individual first considers adopting a plan.

The church needs planners to facilitate its programs. Recruitment should occur in work areas such as stewardship, committee on finance, and the board of trustees. This could be done through direct calls and visitation to the homes of those deemed potential candidates for these positions. Once formed, committees should work with the pastor, lay leader, Administrative Board Chairperson, and those deemed to have abilities that could contribute to an adequate plan. Most churches have members who are lawyers, CPA's, trust officers, life insurance agents, financial planners, and others who may assist as estate planners. Not only can they help the church with their abilities but they can help other members as well.

A third area of help comes from the denomination itself. There are knowledgeable people in the various agencies, foundations, and annual conferences of the United Methodist Church who can be called on to assist a local church in establishing its own plan. Planners need to be made aware of the church's goal and meetings scheduled to discuss the means needed to accomplish the goal. A seminar for professional advisors should be arranged to share information about gift

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[3]Richard D. Bailey, Estate Planning, A Workbook for Christians, (Nashville: Abingdon Press, 1982), p. 15.

planning. There is a need for estate planning that will include giving to the church. Decline of membership most probably will continue to cause decreased giving through other means, putting more emphasis on long term planning by members who see the importance of the church for the future.

The Will

A properly written will provides direction to controlling the disposition of one's property at death. It is the basic document in any estate plan and is a legal declaration of what to do with an individual's estate or property at death. A will should reflect planning and assure that the plan will be carried out.

As an integral part of estate planning, the will should be prepared by a lawyer. Issues covered in a will include disposition of assets, determination of executor, payment of funeral expenses and administrative costs, arrangement of a trust and the amount to be given to the church or other charitable institutions. Usually, attorneys can deal adequately with these issues.

Few church members name their church in their wills. First United Methodist Church in Great Falls lists only 10 members out of a total of 500 members, or 2 percent, who have indicated giving to the church in their wills. The church needs to initiate a marketing effort aimed at encouraging bequests to the church. The main consideration here is advertising, publicity and one-on-one communication to make all church members aware that church bequests are needed. This will increase the chances that members will give bequests in their wills. Bequests are a primary source of needed revenue for the various programs of a given church.

Active donors to charities are more likely to have wills than the average American. (Less than 50 percent of Americans die with valid wills).[4] Some members, likewise, are remiss. A marketing effort, to be successful, must incorporate many things such as promotion, advertising and volunteer help. It must also focus on the will as the instrument that dictates what needs to be accomplished. There is a need to specify all beneficiaries, including the church, in a will.

The American Association of Fund-Raising Counsel, Inc., reported in Giving USA, Annual Report 1985, that 6.6 percent of the $74.25 billion given to charitable institutions in 1984 was in the form of bequests.[5] If a church is receiving less than 10 percent of its total income from bequests, it probably needs to include bequests as part of a planned giving program. It is important to urge members to make or change their wills to include the church as a beneficiary.

Planned giving can be encouraged in a variety of ways. A

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[4]Robert F. Sharpe, 27 Plus Ways to Increase Giving To Your Church, (Memphis: National Planned Giving Publishers, 1986), p. 27.

[5]Ibid., p. 28.

program should be an active one once it is begun. It needs to have regular mailings preferably on a quarterly basis. There must be followup as a motivational aspect of planned giving.

In making the program active, those involved should perform several tasks that will keep the membership informed. These include using bulletin inserts for Sunday morning worship services, placing printed material in literature racks, and preparing articles for newsletters. Leaders should acknowledge bequests received from wills in public meetings, report and recognize bequests openly in services, send acknowledgement cards or letters to donors and heirs, inform the news media of bequests received, and enlist the services of church members who have needed expertise, such as attorneys, bankers, CPA's, and others. Leaders should also create active programs to secure income for general uses such as education, missions, urban ministries, youth programs, music ministries, and others.[6]

Regular mailings should become a part of a church's stewardship program. Information on wills and gifts should be disseminated to those who might be interested in the church's future. Included would be members of the congregation, people within the local community at large, prospective donors, and anyone connected in any way with the church. Because births, deaths, accidents and illness are constantly occurring, it is essential that mailings keep pace

[6]Ibid., p. 30.

with the changing needs of the church.

An important feature of mailing is cost which will become a budget item with approval of the church's administrative board or council. Many times an item such as this may be among the first to be cut if or when a budget cannot be met. This contingency must be guarded against because of the long-term harm it can do to giving. Mailing can more than pay for itself.

Active programs and mailings are crucial and there is a need for followup. A key to followup is moving members to action, something which can involve initiating or changing one's will. Lawyers in the church may be called on to help members draw up their wills if bequests are involved. The pastor, stewardship committee, or both, need to evaluate the program as part of followup. Needed changes will become apparent during evaluation. A short survey might be sent to determine how helpful information has been, whether readers want to continue getting planned giving information, and any other matters that are pertinent.

Life Insurance

Conrad Teitell states that life insurance has existed for 200 years and the average family today has more than $25,000 coverage, but little of this money finds its way into the church.[7] Some churches are making life insurance an integral part of planned giving programs by encouraging members to designate the church as beneficiary and by informing members of giving opportunities through promotions and mailings.

It is important to have someone knowledgeable about life insurance as a member of a planned giving program. Many members name their church as either owner or beneficiary of a life insurance policy. Help may be needed to handle the details of this type of transaction.

Charities and churches can be named as the recipient of annual dividends from insurance policies. Dividends are received without probate or other administrative delay.

Regular stock dividends are treated as taxable income whereas life insurance dividends are considered rebates or returned principle. When given to the church, a dividend is tax deductible to the donor.

Most insurance policies provide for naming more than one beneficiary. The church needs to be in the succession of beneficiaries at some point. If the church is not designated as primary beneficiary, someone from the church should talk to potential members about making the church a secondary beneficiary.

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[7]Conrad Teitell, Ten Ways to Use Life Insurance for Planned Giving, (Old Greenwich, CT: Taxwise Giving, 1988), p. 1.

It is believed that many elderly people gain a great deal of satisfaction in designating their church as primary or secondary beneficiary of their life insurance policies. By designating the church as secondary beneficiary the elderly member assures that the insurance policy will not go into probate if the primary beneficiary dies before the insured. This asset will then go to the desired recipient with minimal tax ramifications if the elderly person fails to change beneficiaries before he or she passes away.

As an integral part of estate planning, life insurance giving should be handled in the same manner as other aspects of a given program. People should be selected who can contribute the most to informing church members about life insurance giving. Life insurance salesmen and attorneys are most notable here. Publicity needs to be maximized as the primary informational tool available to committee members and the pastor. Mailings and other promotional activities will inform and assist people who have life insurance they can give.

In working with church members, committee members need to deal with the benefits of giving life insurance. Caution to avoid conflict of interests is required. The church should not endorse specific insurance policies or carrier companies.[8]

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[8]Ibid., p. 76.

Retirement Plans

Qualified Retirement plans fall into one of five categories:

1. Qualified pension plans - corporate plans that qualify under the law and are funded by the employer and, in some cases, by the employee.
2. Qualified profit-sharing plans - offered by an employer to employees giving a share of company profit. Shares are received in accordance with rules of the plan and tax laws.
3. Keogh plan - tax deductible investments, deferred and not reported as income until retirement.
4. Tax-sheltered annuities - investments made on behalf of employees of educational and other nonprofit institutions. These, too, are tax deferred and not reportable until retirement.
5. Individual retirement accounts - include almost all American workers after mid-seventies. Although limited in use by the Tax Reform Act of 1986, IRA's are still an attractive method of financial planning, and are available from banks, savings and loan's, mutual funds and stock firms, life insurance companies, and other financial institutions. Earnings accumulate tax-free but are taxed when funds are withdrawn. This can begin at age 59-1/2 without penalty.

In addition to qualified retirement plans, there are substantial sums of money invested in "non-qualified retirement plans." These are comprised of money "put away for a rainy day" in banks, savings and loan associations, mutual funds, life insurance policies, and other places. Many people are willing to make both qualified and non-qualified plans a source of gifts to the church. This form of giving can become a source of satisfaction to the individual and a much needed source of revenue to the church.

The church can be named as either primary, secondary, or last beneficiary of any of these various plans. Part or all of the remaining retirement fund or survivor payments can go to the church depending on how it has been designated. The donor will need to investigate how the church can be designated as primary, secondary, or last beneficiary. However, assistance might be available from church members who work in finance or are certified public accountants.

Real Estate

Real estate is often the most valuable asset people own.[9] Many church members have no idea what will happen to their home, farm, or other real estate when they die. Churches could assist members plan for the disposition of their assets. Regular reminders that the church can receive

[9]Robert F. Sharpe, 27 Plus Ways to Increase Giving to Your Church, (Memphis: National Planned Giving Publishers, 1987), p. 119.

and make use of such property may be enough to stimulate gifts of real estate. Elderly persons need to know they can give title to their personal residence or family farm now and continue to use the farm or live in the house until death. There are tax benefits available on transfer (irrevocable transfer).

A church considering the acceptance of real property as a gift needs to be careful in accepting it. All proposals should be received by the Board of Trustees in advance of acceptance to make certain the church is in a position to handle responsibilities related to the property. For example, vacant property with no income or sale value could result in a tax liablity instead of an asset to the church.

Rental property can be given when income from it is no longer needed by the donor. Responsibility for property is relinquished when rentals are given outright. Transfer of title accomplishes this for many elderly who can no longer take care of themselves or property.

When a donor needs income from rental property, arrangements can be made to receive it for his or her lifetime in exchange for transferring title to the church. Income can be based on the age of the member at time of transaction or on the fair market value of the property. It may be fixed or variable, depending on the needs of the member.

A member can continue to live in a residence and give title to the church. The transfer is registered with the county subject to a life estate provision which recognizes the deed and stipulates the terms of the agreement between donor and church. The responsibility of the church is limited with the member having all rights and responsibilities while living. Like most other arrangements, an attorney should be retained and legal liabilities determined.

A family farm, like a residence, can be given to the church. In addition to specifying that a donor can live on the farm, an agreement can specify that the member will receive any income gained from sale of commodities.

A member has the satisfaction of knowing property he or she owns will be used for the betterment of fellow members of the church after death. An income tax deduction is allowed for part of the value if arrangement is irrevocable. The donor or estate avoids probate expense.

The Living Memorial

To attract memorial gifts in honor of deceased friends and loved ones, it is necessary to have a memorial program designed to support the work of the church. Certain questions must be asked prior to making a commitment to a program. The first question concerns the feasibility of starting a program. It can be started if the program can be kept practical and simple in design. The donor needs to determine if a program will serve him or her. It should serve in three ways: by helping a donor fulfill a special need to give, by giving him or her recognition, and by assuring a tax deduction if the donor itemizes. Other pertinent questions are, what will it cost for start-up? How long before a program will be self-supporting? Who will administer a program? How will it be communicated to church members? Are there ways a program might hurt the church?

Trustees must approve a program after adequate answers to these questions are gained. A marketing plan is then devised. Preparation before starting a program is as follows: memorial gift forms must be printed; a descriptive brochure made up; articles written and placed in a newsletter; donor cards and envelopes gathered; and bulletins and magazines used to publish names of donors and deceased, without mentioning dollar amounts.

A marketing plan should include the following activities: when a gift is received it should be acknowledged the same day; send the survivor or survivors a card giving condolences; send a letter of thanks with official receipt to donor several days after actual receipt; and send a copy of published donor and deceased names to donor and bereaved person or persons.

Many times memorial gifts are designated for projects that are not needed or have a low priority. To prevent or lessen this problem, ask the governing body of the church to approve a list of projects and their respective costs at least once each year. In some cases ask donors not to designate their memorial gifts but allow the church to use them where most needed. Cash or other property given as memorials are deductible like any other charitable gift, for both individuals and corporations. Living memorial ideas must be presented tastefully and carefully. Each church needs to prepare its own program including distinctive forms and promotion to fit the personality of the individual church.

Income Plans

Church members may have money or other property they could give to the church but find they need this as a source of income. Solutions can be found in various life income gift plans. Such plans provide regular income to the donor in return for transfer of assets that eventually become a gift to the church.

Revocable plans allow a donor to withdraw from principle as needed. However, there are no income tax benefits to the donor unless the income is given to the church. One example of a revocable plan is a trust arrangement in which a bank, charity, individual, or others, might be named as trustee to invest funds. The income from the investment is paid to the person or persons who created the trust with the right to withdraw from principle or to revoke the agreement. Upon the death of the donor, assets in the trust are distributed to the remaindermen in accordance with the trust instrument. An income tax return must be filed annually for the trust, and the trustee will be responsible for filing the return. The real value to this agreement or any revocable trust is that a donor can give without sacrificing his or her economic freedom, but there are no tax advantages here.

A second example of a revocable plan is a <u>life estate agreement</u>. A donor transfers his or her residence or family farm to the church with the right to live on or in the property, as mentioned previously under real estate giving, while receiving all income and retaining control of the property for life. Again, there are no tax advantages attached.

There are two forms of irrevocable plans under which a donor gains income tax benefits in addition to regular income payments for life. The first is the fixed payment plan in which a donor places an amount of money or other property in a <u>charitable remainder annuity trust</u>. The trust agreement instructs a trustee to pay a certain life income to the donor or survivor. The income amount is designated by the donor, being at least 5 percent of initial fair market value of the assets involved. When the last income beneficiary has died, the trust assets go to the church or to the charitable organization stated in the agreement.

A second example of an irrevocable plan is a charitable lead trust. This is the exact opposite of the charitable remainder trust. Instead of the income going to the beneficiaries, the income goes to the church. The trust property either reverts back to the grantor or is distributed to others.

Whether revocable or irrevocable, income plans are best served when put into a trust. Trusts can be used to provide professional investment management of assets for beneficiaries who are financially inexperienced or otherwise unable to properly manage the assets. Trusts that designate persons to receive property at a trustor's death can be used to avoid probate and to substitute for the disposition of property under a will. Trusts can insure privacy for a person's assets and beneficiaries. Trusts that avoid probate can also provide the same estate tax planning and income tax planning that is routinely contained in a person's will.

A trust can be established to avoid the burden of asset management and financial record keeping. If an initiator of a trust becomes legally incompetent, a trustee can handle his or her financial affairs and provide for management of assets. In considering any trust arrangement, the selection of a trustee needs to be considered carefully.

For people who give substantial amounts of cash or property, it is important to arrange their gifts in ways that provide for financial security. Income plans meet the needs of the donor and the church.

Securities

The advantages of giving securities to the church need to be made known to members who have invested in these instruments. Selling securities outright with the intention of giving proceeds to the church will incur a tax on the long-term capital gain realized. If a security is transferred to the church as a gift, a member can avoid the tax.

Example: John Miller bought 80 shares of ABC Corporation three years ago at a cost of $2,000. The fair market value of the securities is now $6,000, a profit of $4,000. If he sells and gives the proceeds to the church, he will pay tax on the gain realized. If the stock is transferred to the church, John Miller gets a $6,000 charitable deduction but avoids payment of the tax.

If a security decreases in value, the opposite should be done. The donor sells securities to establish a loss and gives the proceeds to the church, taking a charitable deduction.

Example: Bill Johnson bought 120 shares of DEF Corporation at a cost of $4,000. The fair market value of the securities is now $1,000, a $3,000 loss. He should sell the stock, establish a loss, give the proceeds in cash, and take his charitable deduction of $1,000.

Shares of marketable securities worth more than original cost can be sold to the church at a price below fair market value. The gift becomes the difference between the security cost basis to the church and the higher fair market value. Some gain will be reported and taxed upon sale to the church.

November may be the best month to encourage the giving of securities because many investors evaluate holdings at year-end.[10] Members completing their pledges to the church find giving securities outright enables them to give more without increasing the cost of giving. Taxes can be avoided and deductions taken for gifts.

Business Planned Giving Instruments

A person who owns a business has a particular need for competent estate-planning help to protect both business and family. Many church members, as stockholders in closely held corporations, are allowed the corporate 10 percent charitable contribution of taxable income, which can be deducted under current tax law.[11] If the entire percentage cannot be deducted in the first year, it can be spread over the next five years. A corporate owner allows the corporation, as an artificial entity, to make the contribution and take the deduction. This is done in lieu of paying himself more salary or receiving a dividend which would become a personal contribution. Corporations make gifts to churches or to missions of the church for a variety of reasons including

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[10]Ibid., p. 105.

[11]Ibid., p. 145

feeding the hungry, educating people, and providing health care for the needy. Churches are always in need of funds for these reasons and many more.

Business planning should be part of estate planning. Business owners and stockholders can give to the church in much the same way as do people in other situations in life. An owner or stockholder may find that his or her share of ownership is the largest asset in an estate. In planning an estate, decisions need to be made concerning:

1. If and how the business or interest will continue.
2. The valuation of the business or interest for tax purposes.
3. Who will manage the business or stockholder interest - family or key business people.

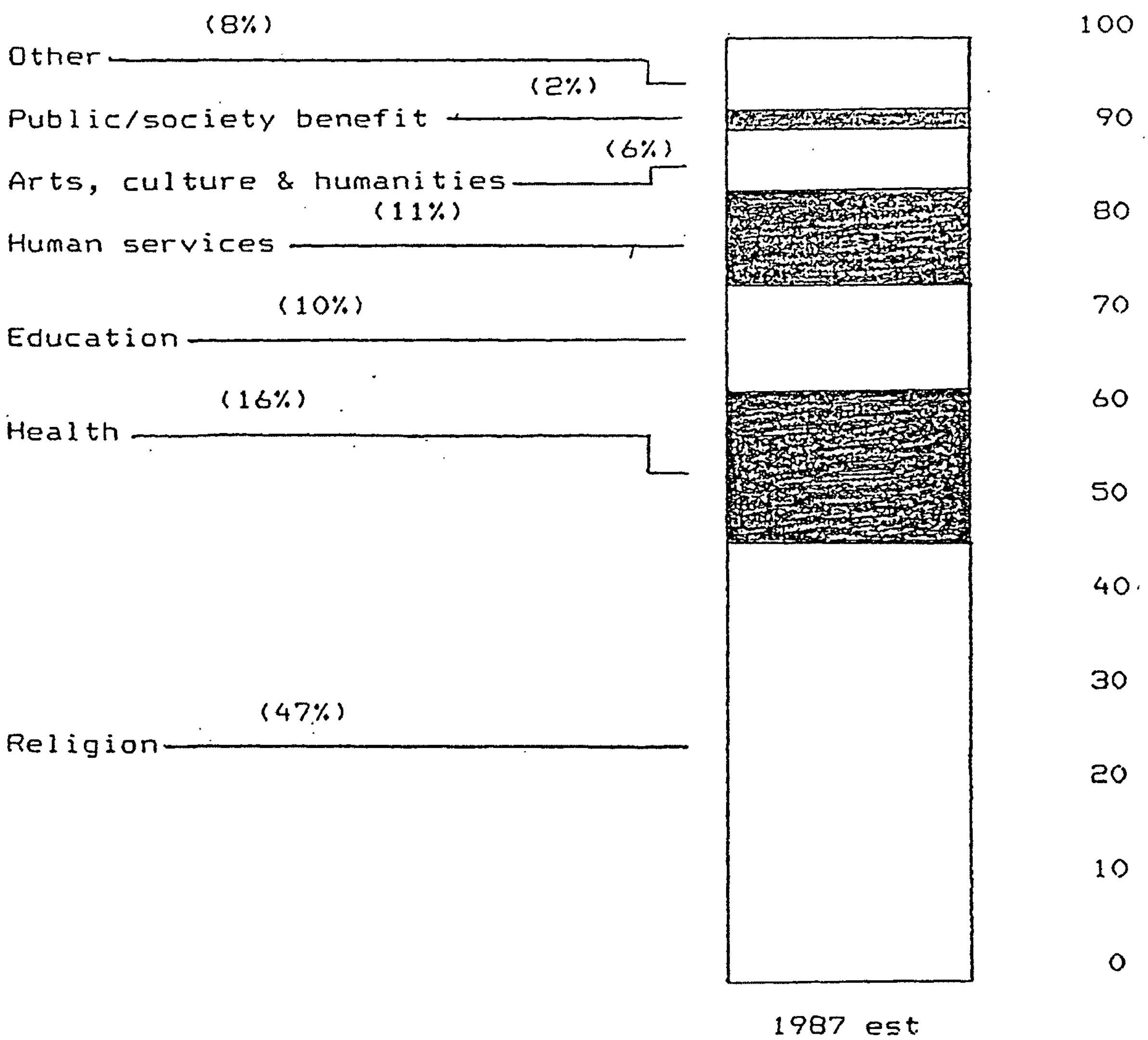
In the American survey section of the magazine The Economist dated January 28, 1989, it was found that contributions from companies have flattened after rising sharply for most of the 1980's. The article goes on to say,

> ...though profits are rising, donations are not. And companies which once handed out money for broad social benefits are now much more hardnosed in looking for a direct return. The explanation may be that fear of takeovers has forced managers to think more sternly than before about the bottom line.

Whatever the reasons, religious institutions are the most greatly impacted because they receive the largest percentage of all charitable giving (see figure 1).

FIGURE 1

ALLOCATION OF CHARITY
(as percentage of total)



Source: American Association of Fund-Raising Counsel, (New York: AAFRC Trust for Philanthropy, Annual, 1988).

The Economist article also says:

> Education is now the chief beneficiary of corporate giving. Companies, concerned that their future labor force is growing up illiterate are directing their best efforts at junior schools rather than at school-leavers or colleges.

Granted, the educational concerns are legitimate, but religious institutions likewise need to be kept in mind regarding the well-being of our young people. Planned giving serves both the educational and religious needs of our young and the various instruments mentioned serve both these purposes. Business interests need to keep this in mind for the future well-being of the country.

Stewardship Considerations

The various instruments and their uses enumerated to this point are all designed to help the individual concerned and, equally as important, help the church's supplemental income. The majority of the income in most churches comes through yearly pledges plus loose offerings taken at worship services. Because pledges and loose offerings usually will never provide sufficient money for reserves or for special programs and projects, churches need to have income plans in place to inform members of the need of the church body.

There are few issues in the Christian church as crucial as the stewardship of incomes and accumulated assets. The Christian enterprise is stymied because of our failure to understand and practice good stewardship of members' resources.[12] Stewardship is a primary dimension of Christian discipleship and it is through giving that Christians can contribute more effectively than they previously did to the church. Planned giving is more effective giving and it is a way to practice wiser stewardship.

Donor Considerations

Estate plans vary widely depending on the circumstances people find themselves in. Young marrieds, young executives, independent businessmen and professionals will be discussed. These groups are numbered among many with differing circumstances.

Young marrieds make up the largest single category of persons in need of estate planning. A typical couple has been married about five years and have one or two children. Their family income fluctuates but they can look forward to higher earnings.[13] They may need to purchase life insurance as a first step in estate planning. Their total estate will be relatively small but they will need to make the care of small children their primary concern should they die early. The best way to make provision for children is to set up a two-step arrangement:

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[12]Robert F.Sharpe, 27 Plus Ways to Increase Giving To Your Church, (Memphis: National Planned Giving Publishers, 1987), p. xi.

[13]Patrick F. Flaherty and Richard S. Qiegler, Estate Planning for Everyone, (Philadelphia: Harper & Row, 1981), p. 82.

1. Have each estate set up so that if one partner dies, the survivor will receive full rights of ownership of the whole estate. Dual life insurance beneficiaries and joint tenancy are the primary means aimed at achieving full rights of ownership.
2. Establish a trust to take effect only at the death of both parents. The property first goes to to the children. The contingent beneficiary of all insurance policies should be the trust, so that the children will have the protection they deserve, no matter what happens.

Young marrieds need to review their estate plans regularly because circumstances will change, necessitating adjustments. An estate could become sizable enough to justify revisions of joint tenancy and possibly, the establishment of trusts to minimize taxes.

At this stage of life planned giving to the church may be exceedingly difficult, given the more immediate need to provide for the family.

A young executive earns a good income, usually well above the national average for people his age. He or she would put a great deal of emphasis on insurance because of the larger income and the feeling that family responsibilities are greater than those of the young marrieds. In the event of death, a surviving spouse would experience considerable economic strain in trying to maintain an adequate standard of living. To forestall this, many employers wanting to encourage employee long-term loyalty, will provide benefits aimed at providing family security. Vested interest retirement plans and company life insurance are two such benefits. A retirement plan could become part of an estate.

Planned giving could become a more serious consideration at this stage of life. The already mentioned tax and income advantages could be recognized and the church or other institutions could benefit over the long-term.

An independent businessman does not have access to many corporate benefits and, in some cases, cannot afford life insurance. His relatively small amount of insurance is often due to distrust of or skepticism about life insurance which he feels does not provide the opportunity for growth in cash value.[14] This attitude is unfortunate because an independent businessman needs to protect his family and the value of his business after death.

There are two things the independent businessman needs to consider. Like the young marrieds and young executive, life insurance must be the first consideration. This will allow the spouse to have support while an executor attempts to get a fair price for the business, assuming the will specifies selling upon death.

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[14]Ibid., p. 89.

When there is only one key person in a business and he or she dies, it often is difficult for an executor to sell the business at a fair price. Generally, buyers try to purchase it at a bargain price. Long negotiations will necessitate insurance payments to the family.

The second consideration, assuming the business is to continue, is grooming associates to take over. If associates show promise, a buy/sell agreement could be entered into. For this to work there must be a seller or survivor interested in selling when death or disability of the owner ensue, and a buyer or buyers desirous of purchasing at that time. An agreement brings buyers and sellers together by stating that a survivor or survivors will purchase the decedent's interest. This protects the family of the deceased by creating a method of determining a purchase price and allows the new owner or owners freedom to run the company without interference from the decedent's representative. It is foolish for an independent businessman to spend a lifetime building a business and then not be sure of getting adequate value for it in the event of death. For most small businesses, a buy and sell agreement is best.

The independent businessman, like the young executive, can realize tax advantages through good estate planning, assuming the business situation is stable and prosperous. This too will give the donor personal satisfaction and give the church needed income.

The professional person, in many cases, is removed from the details of business and economics.[15] Physicians, dentists, lawyers, architects, and others, need counseling and financial planning advice.

The professional is typically a family man who earns a high income. He can afford a large home and has several different kinds of investments. An ever-increasing portion of this accumulated wealth should accrue toward a retirement plan. As a self-employed person in most cases, the professional could make an annual contribution of up to $7,500 in a Keogh plan or could contribute to other similar plans. Reinvestment of income with its realized appreciation could, within a few years, amount to a significant retirement fund.

When asset accumulation has reached a certain level, the professional could look toward creation of an inter vivos (living) trust for his investments. This is similar to a life insurance trust except it is operative during his or her lifetime. Usually, the trustor may deposit in, or withdraw from, the trust when it is convenient to do so. Management of the trust is given to a trustee who must keep the trustor advised on how the account is doing. A trust could be tailored to the specific needs of the spouse or the children as dictated by family circumstances.

The professional is ideally suited to become a giver to

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[15]Ibid., p. 93.

charity or the church. The charitable contribution deduction and other tax advantages can enhance his or her financial situation to the utmost.

Whether one is a young married person, young executive, independent businessman, or professional, the need for estate planning is important. There are no standard formats to follow and the preceding discussion is only suggestive. Each person should obtain counsel in working out the plan that will facilitate the greatest return. This should include planned giving as an integral part of any long-term investment plan.

Tax Consideration

An item of significance in planned giving is that gifts to charity, if made irrevocable, cease to be property of someone anticipating death and will not be counted as part of an estate. The church can benefit in receiving property or cash and the estate will not be taxed upon the value of the donated property. Likewise, if property is bequeathed to a charity, that property is deducted from the taxable value of the estate.

Chapter III

Utilization of Church Income

Impact of Giving

The impact of giving is best gained by looking at the financial program for the United Methodist Church for the years' 1989-92 (see table 1). Based on longstanding trends in the amounts of money given to local churches, the General Conference as the leading body of the United Methodist Church, predicts that 3.5 cents of every local church dollar will fully support the entire four year $410 million apportioned budget. This represents less than $11.50 per church member per year.

If history is any guide, the receipts on these apportioned funds will be a little more than half of the money available for general church ministries. The remainder will be given through General Advance Specials, World Service Special Gifts, special day offerings and United Methodist Women offerings. In addition to the new apportioned Africa University Fund, an effort will be launched to seek $10 million in permanent endowment funds for the university through World Service Special Gifts.

The impact of giving can also be seen in the income and

TABLE 1

Financial Program
The United Methodist Church

1989-92

Apportioned funds---

	1989	1990	1991	1992
World Service	$49,345,000	$51,604,000	$54,004,000	$56,529,000
Africa Univ.	2,500,000	2,500,000	2,500,000	2,500,000
Black College	9,210,000	9,480,000	9,760,000	10,050,000
Episcopal	8,424,000	8,715,000	9,150,000	9,610,000
Gen. Admin.	3,416,000	3,592,000	3,748,000	3,937,000
Interdenom. Coop.	1,347,000	1,391,000	1,445,000	1,493,000
Ministerial Educ.	22,030,000	22,970,000	23,905,000	24,845,000
Total Appor. Funds	$96,272,000	$100,252,000	$104,512,000	$108,964,000

Designated Giving Opportunies
The Advance
World Service Special Gifts

Churchwide Special Days with Offerings
Human Relations Day
One Great Hour of Sharing
Peace with Justice Sunday
Native American Awareness Sunday
World Communion Sunday
United Methodist Student Day

Source: Come, Share, Rejoice, (Nashville: United Methodist Communications, 1988), p. 16.

expenditures of the local church. Giving to the larger church comprises 16 percent of total giving as listed under Conference Ministries, World Service Conference Benevolence, and Conference Apportionments as seen in figure 2, the operational budget of First United Methodist Church. The remaining 84 percent is used for the various needs and programs of the local church itself.

Other needs were met out of memorials, trusts, and other funds (see Figure 3). A big expense for 1988 was the handicapped addition to the church building; this included an elevator, wheelchair ramp, new bathroom, and other various construction.

Impact of Volunteer Work

A great deal of time is expended by volunteers at the local church level and by paid clergy and lay people in various agencies of the church to promote good stewardship and accountability. Goals are set and budgets arranged to meet the needs of the worldwide church and the many thousands of local churches throughout America.

At First United Methodist Church invaluable help was given by the church treasurer who is unpaid. She accounted for all the funds of the church and gave the congregation up-to-date financial reports on a monthly basis.

The chairman of the finance committee contributes a great deal of time and effort in arranging programs,

FIGURE 2
Budget, First United Methodist Church
Great Falls, Montana
December 31, 1988

INCOME	BUDGET	MONTH	YEAR TO DATE	
Pledges		19,408.25	127,064.60	
Loose		527.67	3,883.76	
Misc.		1,664.75	7,969.75	
Sunday School		86.78	722.21	
Rentals		443.60	5,099.60	
Rothwell Fund		102.24	1,226.88	
Interest		186.21	3,022.17	
TOTAL INCOME		22,419.50	148,988.97	148,988.97
EXPENDITURES				
Salaries				
Pastor	19,000	1,583.37	19,000.00	
Housing	7,300	608.00	7,296.00	
Travel	2,500	208.00	2,496.00	
Pension	3,470	316.86	3,802.32	
Assoc. Pastor	13,600	1,133.00	11,226.44	
Housing	7,200	600.00	5,400.00	
Travel	2,700	225.00	2,025.00	
Pension	3,572	297.74	2,679.66	
Family Health Ins.	1,860	155.04	1,860.48	
Cont. Education	800	350.00	700.00	
Secretary	7,134	594.50	7,134.00	
Substitute Secretary	180	-0-.	100.00	
Organist	2,500	208.37	2,450.00	
Substitute Organist	150	-0-.	150.00	
Early Service Pianist	1,200	100.00	1,200.00	
Choir Director	1,876	208.00	2,566.00	
Music Cont.Education	100	-0-.	-0-.	
Custodian	6,800	566.66	6,563.59	
Church School Director	1,200	215.02	860.08	
Child Care	1,650	74.00	1,306.10	
Payroll Taxes	2,000	182.19	2,161.71	
Conference Ministries	15,316	1,276.37	15,316.00	
Past Service Pensions	13,383	1,115.25	13,383.00	
Conference Delegates	500	-0-.	228.00	
Program:				
Education	3,712	707.65	2,834.60	
Worship	1,200	53.80	2,825.25	
Membership	800	350.65	835.96	
Youth	400	-0-.	-0-.	
Finance	500	104.25	207.25	
Outreach, Church & Society	300	-0-.	100.00	
Missions	200	-0-.	100.00	
Centennial Celebration	500	399.15	500.00	
Office:	6,600			
Supplies		(63.10)	2,111.94	
Postage		320.00	2,486.49	
Misc.		19.00	201.62	
Phone		178.04	2,145.31	
Property:				
Maintenance	3,000	371.48	7,265.75	
Utilities	12,000	1,328.13	10,257.40	
Taxes	1,500	(1,426.06)	-0-.	
Kitchen	500	-0-.	212.53	
Insurance	5,000	-0-.	4,247.50	
Missions:				
World Serv. Conf. Ben.	6,149	512.49	6,149.00	
Conf. Apport.	3,014	251.24	3,014.00	
FISH	300	25.00	300.00	
Rescue Mission	300	25.00	300.00	
	161,266	13,174.09	155,998.98	155,998.98
				(7,010.01)

FIGURE 3
Financial Statement, First United Methodist Church
Great Falls, Montana
December, 1988

INCOME	MONTH	OPERATING & MISSIONS	MEMORIALS	SPECIAL PURPOSE	BUILDING FUND	ROTHWELL TRUST	OTHER MISSIONS	ROCKY MT. COLLEGE
Operating	22,419.50	140,900.97						
Memorials	305.25		2,630.25					
Special Purpose	61.04			623.00				406.40
Building Pledges	97.50				4,953.50			
Building Other	2,792.04				143,459.20			
Rothwell Trust	102.23					1,226.76		
Other Missions	00.00						2,593.09	
Interest			697.73		697.72	697.60		
		140,900.97	3,333.90	623.00	149,110.50	1,924.44	2,593.09	406.40

EXPENSES	MONTH	OPERATING & MISSIONS	MEMORIALS	SPECIAL PURPOSE	BUILDING FUND	ROTHWELL TRUST	OTHER MISSIONS	ROCKY MT. COLLEGE
Oper. & Miss.	13,174.09	153,990.90						
Memorials	97.10		4,291.69					
Special Purpose	27.00			5,325.77				530.00
Rothwell Trust	-0-					1,500.00		
Building Fund	8,742.00				159,974.75			
Other Missions	100.00						2,593.09	
Balance 12-31-87		579.57	5,306.74	12,510.25	40,201.10	830.66	-0-	121.62
Balance 12-31-88		(6,430.44)	4,351.03	7,014.40	29,336.93	1,255.10	-0-	70.10

ASSETS

	CURRENT	MEMORIALS	SPECIAL PURPOSE	BUILDING FUND	ROTHWELL TRUST	OTHER MISSIONS	ROCKY MT. COLLEGE	TRUST FUND	BALANCE
Checking:									
First Interstate	(6,430.44)	4,351.03	7,014.40	23,662.00	1,255.10	-0-	70.10		32,731.15
Investments:									
Franklin Funds								2,106.10	2,106.10
Holman Trust								12,057.44	12,057.44
Sibert Ed. Trust								5,000.00	5,000.00
Rocky Mt. Col.								4,003.46	4,003.46
Rothwell Fund									
United Sav/Loan				3,674.03					3,674.03
	(6,430.44)	4,351.03	7,014.40	27,336.93	1,255.10	-0-	70.10	23,167.00	59,572.80

meetings, and reports. This is also an unpaid position that entails a great deal of responsibility.

There were many others who contributed time and effort to promote giving within the church body. Because of this the church was able to meet 100 percent of its apportionments to the larger church while minimizing its deficit for 1988. Some of the deficit was erased in the first month of 1989 due to designated pledges of members brought about by the hard work of those involved in church finance. The church treasurer and finance committee members promoted increased giving to cover the increased spending over income that was encountered in 1988. The people have given strong support and have shown generosity toward the church's programs and activities in meeting church needs.

Long-term Consequences

If planned giving is handled properly, the long-term consequences can be very beneficial for the local church and the world-wide church. The Office of Finance and Field Service of the General Board of Global Ministries of the United Methodist Church is tasked with arranging programs for local churches to meet future need. They will recommend creation of a foundation as a means of channeling the various estate planning instruments to the most important areas of need. One of these is building maintenance, which is taking an ever larger amount of church funds in older structures like First United Methodist Church. The church finance committee is looking into creating a foundation to meet this need and other needs as well.

The church can use the special services of the Office of Finance and Field Service when:

(1) The church is facing a major project:

1. A new building is needed
2. An addition is needed
3. Renovation, restoration and/or re-furbishing is needed
4. Debt retirement is needed

(2) The church is facing a major program expansion:

1. New outreach ministries are needed
2. Service programs are needed
3. Staff service increases are needed

(3) The church wants to give the congregation a chance to grow in their giving:

1. People need to gain greater satisfaction in what they are giving for
2. Church leaders need new direction and inspiration.

The cost of Finance and Field Service programs is minimal when compared with commercial organizations that charge as much as 30 to 40 percent of a church's financial goal.[16] There is a service charge based on financial commitments received in a campaign (see Figure 4).

The fund-raising service provided is based on sound principles of Christian stewardship:

> ...that all people should be able to live in peace and enjoy the days of their lives free from hunger, disease, hopelessness and oppression. We regard the conditions created by poverty to be demeaning to the human spirit. As stewards...we insist on the efficient management of human and natural resources in the production of the goods and services needed by the human community. We insist on conserving resources in order to sustain permanently the fruitfulness of the earth. As stewards, we give generously of time, money and service through the church to the world. We affirm the tradition of tithing as a disciplined practice of giving.[17]

Christian stewardship is an understanding of the practical and economic aspects of all of life. An emphasis is put on proportionate giving as the basis of expressing one's Christian commitment to one another as the body of the church. In local church campaigns the staff works through:

1. Information about the mission and program of the church.
2. Inspiration for sharing of faith and resources.
3. Invitation to respond through growth in financial commitment.

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[16]Frank Whitt, interview by Joseph Lawson, Seminar, Westside United Methodist Church, Great Falls, January 1989.

[17]Come, Share, Rejoice, United Methodist Church, 1988, s.v. "The United Methodist Giving Program."

FIGURE 4
Finance and Field Service Costs

The cost is modest, and the service charge is based on financial commitments received in your campaign.

Financial Commitment	Service Charge
Up to $100,000	$3,000*
$100,001 to $250,000	3.0%
$250,001 to $450,000	2.8%
$450,001 to $650,000	2.6%
$650,001 to $1 million	2.4%
$1 million and up	$24,000

These service charges are for up to three weeks of staff on-site time. If additional weeks on-site are needed, there will be a surcharge of $2,500 for each additional week.

Service Charge payment is due upon the completion of the Intensive Phase of the campaign.

*For any campaign there is a minimum Service Charge of $3,000. Special grants of "credit toward the Service Charge" are available from the National Division for qualifying Churches whose campaigns will raise less than $100,000. Requests for grant applications are to be directed to the Office of Finance and Field Service.

The service charge covers all costs related to our office and staff. Churches are responsible for their own publicity/information and office costs.

Cost estimates on conference, district and institutional campaigns will be provided individually.

Source: Office of Finance and Field Service, Growth in Giving (New York, 1988).

Yellowstone Foundation

Plans are used within a foundation framework in many churches and in many annual conferences. The Yellowstone Annual Conference of the Methodist Church, comprised of Montana and parts of Wyoming and Idaho, has planned to create a foundation but is having some difficulty. The 1988 Conference journal states:

> This year has been one of transformation. Last year Petition 601 established a Management Review Task Force to examine the feasibility of continued development of the Yellowstone United Methodist Foundation. The primary problem addressed was the need for at least part-time professional staff with suitable expertise. Conservatively, a rough estimate of cost for such a person would be $27,600. The Foundation has no funding source for this money except the Annual Conference...The Conference financial situation precludes the possibility of any further development...it was moved that Foundation development be put on hold until the Conference financial situation can support it...Seconded. Passed unanimously. This means that the filing of incorporation papers, filing of tax returns, and the maintenance of a Board of Directors must be continued yearly. If the Foundation is to be kept intact, directors are needed for the Class of 1991... Conclusion: When development of the Foundation began, it was a different time and a different age. As a Board of Directors, we believe that no development is now possible without dealing with current financial reality.[18]

Planned giving for the needs of the larger church may be on hold but the needs, themselves, will continue to grow. Foundations will, therefore, continue as a necessary part of church financial management for the use of funds in the foreseeable future.

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[18] Yellowstone United Methodist Foundation, Yellowstone Conference Journal, Annual (1988), p. 96.

Professional Orientation

The use of receipts gained from planned giving instruments has already been alluded to for the First United Methodist Church and the larger church. As part of our discussion, consideration needs to be given to professional planners and their orientation to planned giving.

In planning an estate, necessary information, records, and documents need to be gathered and made available to an attorney. These include: family information, employment information, wills, income tax returns, gift tax returns, life insurance policies, business agreements, etc. Records can be gathered using appropriate tables (see Figure 5). Records are a road map for planning. They can indicate a person's situation and tell how best to get where that person wants to go. An attorney or estate-planning team will need accurate and complete information in order to maximize an estate plan. There are people in many areas of endeavor who can help with estate planning.

Charitable estate planning is ideally conducted by teams of two or more persons. Since the largest gifts are expected to come as the result of the estate-planning process, it is important to apprise professionals of the church's interest and the need for their expertise in carrying out the program.[19]

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[19]Robert F. Sharpe, 27 Plus Ways to Increase Giving to Your Church, (Memphis: National Planned Giving Publishers, 1987), p. 148.

FIGURE 5
Attorney Estate Planning Conference

In preparing for an estate-planning conference with your attorney, you will need the following documents and information for both spouses. Place a check(✓) for each document/record you and your spouse have. Add a second check(✓✓) when the information is in hand.

Self	Spouse	
		1. Legal name, permanent address, date and place of birth
		2. Date and place of marriage; if divorced or separated, provide details
		3. Pre/Postnuptial agreements
		4. Names and addresses of children
		5. Employment information
		6. Wills
		7. Names and address of persons to be your executor, guardian, trustee
		8. Income tax returns for the last three years
		9. Gift tax returns
		10. Life insurance policies of both spouses and children
		11. Pensions, profit-sharing, and deferred compensation plans
		12. Business agreements relating to interests in corporations, partnerships, and sole proprietorships
		13. Trust agreements
		14. Buy/sell stock redemption agreements
		15. Real estate, type of ownership, present fair market value mortgages
		16. Other assets, type of ownership, present fair market value
		17. Names and addresses of churches, denominational institutions, and other charities to which you may wish to make a contribution

Record date each time information is updated.

__________ __________ __________

__________ __________ __________

Source: Richard D. Bailey, Estate Planning, A Workbook for Christians, (Nashville: Abingdon Press, 1982), p. 56

A special effort to get to know professionals and add to their knowledge of planned gift possibilities can make it easier for members to give. The following is an outline for a seminar a church can hold for professional advisors. Its purpose is to share information about gift planning and to allow church leaders a means of getting to know professionals on at least a conversational basis.

Aim for a manageable number of attendees - a group of 30 is ideal.[20] Mail invitations so they arrive 2 to 3 weeks before the date of the meeting and provide a form to return for participants to reserve a place. The list of guests should include church members who are professional advisors and others from firms known to serve estate-planning needs of church members. A suggested agenda covers 2-1/2 hours (see Figure 6).

A qualified person should prepare a presentation on the importance of planned giving for those giving to the church. Discussion should center on the kinds of gifts people can make, the kinds of people who give, the needs of the church for operations, expansion, and in some cases endowment funds. Discussion with the group needs to cover the question of why people give. The following outline, in addition to providing a means of information for professionals, recaps some of the giving instruments already covered in this paper. (see Figure 7).

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[20]Ibid., p. 148.

FIGURE 6
Sample Agenda
(Following is a sample agenda to give you an idea of suggested content of the two-and-one-half hour meeting)

AGENDA

(2-1/2 hour seminar held Saturday morning at the church)

9:45 a.m.	Refreshments	
10:00 a.m.	Introduction	Pastor in charge of planned giving program
10:10 a.m.	A presentation on planned giving	Planned Giving Committee member
10:45 a.m.	A review of giving opportunities to the church	Volunteer in charge of church program
11:20 a.m.	Questions/discussion	
11:45 a.m.	Closing remarks	Pastor in charge of planned giving program
12:15 p.m.	Adjournment	

Source: Robert F. Sharpe, 27 Plus Ways to Increase Giving to Your Church, (Memphis: National Planned Giving Publishers, 1986), p. 149.

FIGURE 7
Help From Professionals

10:45-11:15 A review of giving opportunities to the church

I. Outright gifts
   A. Cash
      1. By individuals-up to 50 percent of adjusted gross income is deductible as gifts.
      2. By public corporations or closely held corporations-up to 10 percent of corporate taxable income is generally deductible.
   B. Appreciated properties
      1. Deduct fair market value.
      2. Avoid payment of capital gain tax if property has been held longer than six months.[1] Examples: Securities and real estate.
   C. Other gifts-Leases, mortgages, notes, patents, royalties, crops, farm animals, inventory, autos, etc.

II. Revocable giving
   A. Bequests
      1. Specific amount or property
      2. Percentage of estate
      3. Residue of estate
      4. Make a gift that is subject to providing an income to one or more persons for life.
      5. Combination of the above
   B. Life insurance policies already owned or purchased in the future.
      1. Assign annual policy dividends to the church.
      2. Name the church for <u>a part or all</u> of the policy proceeds on presently owned or newly purchased policies. Use one of the following designations:
         a. Primary beneficiary
         b. Secondary beneficiary
         c. Last beneficiary
      3. Name the church as the remainder beneficiary in any retirement income or death benefit settlement of life insurance cash values or death benefits.

[1]Because tax laws change frequently, check with tax counsel on the correctness of this or any other tax-related statements in this manual.

C. Retirement plans. You may name the church in any nonrestricted retirement plan, such as:
   1. Individual Retirement Accounts (including rollover IRAs)
   2. Tax-sheltered annuities
   3. Keogh plans
   4. Qualified profit-sharing plans
   5. Qualified pension plans

   The church may be named for part or all of the assets as the first, second, or last beneficiary on most of the above personal and business-sponsored retirement plans. Check with the plan administrator for a beneficiary change form to include the church.

D. The church as final beneficiary at the termination of family or personal trusts.
E. Real estate may sometimes be deeded to the church retaining a life interest under a revocable life estate agreement with deed.
F. Discretionary revocable trust account at a bank or savings and loan association naming the church as successor to whatever remains at death. This is sometimes called a Totten Trust or P.O.D.(pay on death) account.
G. Certificates of deposit, bank accounts, and brokerage accounts whenever legally possible, as joint owners with right of survivorship, for example.
H. Revocable living trust retaining the right to receive the income for the life of one or more persons and the right to revoke the trust or withdraw the principal. Whatever remains at death will go to the church.

III. Give the income from trusts to the church.
   A. Charitable lead trusts (reversionary)
   B. Change beneficiary of revocable living trusts

IV. Irrevocable giving
   A. Giving a personal residence or family farm but retaining the right to live in or on the property and receive all income. If the gift is irrevocable, the present value of the charitable remainder interest is deductible as a contribution. The property goes to the church at death.

FIGURE 7 (continued)
Help From Professionals

B. Giving in exchange for a lifetime income.
   1. Give for fixed annual payments for life through a charitable gift annuity or a charitable remainder annuity trust or
   2. Give for a variable lifetime income through a charitable remainder unitrust.

C. Naming the church irrevocable owner and beneficiary of a life insurance policy.
   1. Existing policies
   2. New policies.

V. How professionals in the church can help without ever suggesting a gift to this church.
   A. CPAs, lawyers, stock brokers, real estate agents, financial planners, and life insurance agents can inform their clients who inquire about the giving opportunities available to those who have giving as one of their objectives. Others would give if they knew how, and many would give what is left when their beneficiaries' needs are met.
   B. The approach we recommend is that we seek to help people in the church as well as the people all of us serve in our professions to give to the church and/or other charities of their choice. This encouragement will produce significant results for our church.

Source: Robert F. Sharpe, 27 Plus Ways to Increas Giving to Your Church, (Memphis: National Planned Giving Publishers, 1986), p. 150.

Chapter IV

Conclusions

Our discussion to this point has brought the various instruments available for giving together with the uses of church income for operational needs, capital needs, and for larger church expenditures. Each category of expenditure is effected by local church income levels and includes the instruments enumerated. After discussing the costs and benefits of planned giving programs, the impact of the giving instruments on two uses will be discussed.

Cost/Benefit Analysis

In considering any planned giving arrangement, the individual as well as the church must look closely at what costs will be incurred and what benefits will be gained. This will include intangibles (satisfaction gained, joy in giving, and others) as well as tangibles (property, money, tax advantages, and others). From an analysis of cost and benefits will come the appropriate means of achieving the ends desired in transferring property and wealth to family and charitable institutions.

As already mentioned, a key first step in estate planning is retention of a lawyer to set direction for planning one's estate. This will be a very large cost factor in financial terms. Ones' motive for giving must be weighed against this cost factor.

Issues needing to be discussed with an attorney are: the size of the estate, ownership of property, the family and other beneficiaries, life insurance program, taxes, gifts intended to be made, charitable gifts, the will, records, and keeping an estate plan current. Each area has its respective costs and benefits which will need to be assessed.

Ownership, especially, is of great importance in estate planning. This includes both real and personal property. It must be determined what property exists, where its located, when it was obtained, what it costs, who paid for it, and whether it will be handled as a gift or an inheritance. Only after these things have been considered can one consider revisions in ownership to come up with an adequate analysis of costs and benefits.

A search will need to be done of bank records, deeds, titles, bonds, and securities to determine if property belongs solely to the giver, the spouse, is jointly owned, or is community property. If jointly owned, what amount is contributed by what parties.

Avoidance of adverse long-term effects will maximize what a giver is trying to do in providing for family and church. With a proper assessment of both costs and benefits, the best estate plan can be constructed to achieve what is intended by the giver.

In all of these considerations benefits should outweigh costs. Decisions about promotions for income needs and for church expenditures need to be made based on what can be gained when put next to all the costs that may be incurred.

Impact on Operational Budget

The outstanding expenditures for any local church are for expenses and programs that are budgetted for the membership in a given church year. Pledges and loose offerings do not always cover these needs and so lack of planned giving can cause adverse effects.

Each year, one of the primary orders of business for the Charge Conference at First United Methodist Church is to finalize the budget process accomplished for the coming year. Included in the tentative budget are items such as income from designated funds. What is missing is the unplanned for giving that people will make during the year. Much of this giving could become planned if the programs set forth in this paper were implemented. This is why it is important to point out the tax and other advantages of adequate giving plans coupled with the genuine needs of the church. When people see the needs and realize they are better off setting up a plan, then they and the church both benefit.

If membership rolls continue to decline, the church may be impacted negatively unless programs are increased in planned giving. The congregation as givers could benefit from setting up its own small foundation to get information to the membership and to work with the new Yellowstone Conference Foundation when it's eventually put together. This will give the church a much needed avenue for gaining the income that may be lost with any new decreases in membership.

Giving to the larger church is an integral part of the local church budget. Each annual conference will be asked to raise a specific share of the larger church budget and the Yellowstone Conference will then apportion out a share to each local church. A local church apportionment is determined to a great extent on its membership and partly on its financial strength as measured by previous expenditures for purposes other than benevolences, buildings and improvements, payments and indebtedness.[21] The needs of the larger church are also continuing to rise each year, necessitating increased apportionments at the local church level. Planned giving becomes more important as the church moves toward the twenty-first century.

Impact on Capital Budget

Capital budgetting is on an as-needed basis at First

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[21] Come, Share, Rejoice, United Methodist Church, 1988, s.v. "The United Methodist Giving Program."

United Methodist Church. The building addition of this past year was funded through a planned giving program that was well responded to. When the need was made apparent the response was great among those who would have their church improved. In this case, the handicapped people who might want to come to church can now do so.

Since most of the church's budget is given by a few people in the congregation, the first step is to secure the largest commitments.[22] These donations could then be used to challenge others to give more by matching their gifts at face value or more. In a well-run campaign, one-third of the funds will generally be given by 10 or fewer donors. The next one-third will be given by the next 100. The last one-third will be given by the rest of the membership. This same principle works in local church annual budget drives.[23] All members should feel they are part of any drive for capital funds.

Capital fund drives could be impacted negatively if members perceived that the church was endowed heavily by only a few members. For this reason, endowments are controversial issues in some churches. Many members see their giving as unnecessary as a result of heavy endowment by the few. Others believe they must build up as much reserve as possible

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[22]Robert F. Sharpe, <u>27 Plus Ways to Increase Giving to Your Church</u>, (Memphis: National Planned Giving Publishers, 1986, p. 2.

[23]Ibid., p. 2.

in order to guarantee the future of the church if current gifts are inadequate to pay the bills. In either case, planned giving for capital needs can help achieve the desired end of building or improving the church.

Recommendations

Given the apparent need of First United Methodist Church, the recommendation is to continue the fund-raising efforts that have proved successful in recent years. A foundation should be considered for future implementation concurrent with formation of the Yellowstone Conference Foundation.

In the event of drastic economic change in society, the church will need to adjust its budgetary projections to fit the changed situation and this may necessitate looking at planned giving once again.

Services of the United Methodist Finance and Field Office may be needed in the future. Their assistance was found to be unnecessary for this year but this could change in the coming years.

The membership should be kept informed about the advantages of their own planned giving programs and the benefit they can bring to their church.

The future of the church is vested in how well its people are willing to be its nurture and support. Nowhere is this more apparent then in planned giving.

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