

Charitable Giving

A gift to your church or a United Methodist institution's endowment fund can be made in a variety of ways. When considering a contribution, many people think immediately of cash. However, a gift of other assets — marketable securities, real estate, retirement funds, business interests, or personal property — can also benefit the church or charitable organization.

Gifts to churches or United Methodist institutions are classified as one of the following:

- current gifts
- life income gifts
- estate/deferred gifts.

This charitable giving brochure will help you identify the giving option that best helps you fulfill your charitable desires. If you are interested in learning more about one of these particular gift options, please contact the United Methodist Foundation of Western North Carolina.

Current Gift Options

CASH:

This is the simplest and most flexible way to make a gift. The majority of gifts to churches are made in the form of cash, usually by personal check. Donors who itemize tax deductions are able to fully deduct cash gifts up to 50% of their adjusted gross income. Please be sure to include a note with your check as to how the funds are to be designated.

APPRECIATED SECURITIES:

A gift of appreciated securities such as stocks or bonds can provide attractive benefits. An outright gift of long-term appreciated securities (securities held for more than a year) avoids capital gains taxes and, in most cases, the donor may claim a charitable income tax deduction equal to the market value of the securities. For gifts of appreciated securities, a

gift is fully deductible up to 30% of the donor's adjusted gross income and, like gifts of cash, may be carried forward for five additional years.

DONOR ADVISED FUNDS:

The donor transfers cash or appreciated securities to the United Methodist Foundation and receives a charitable deduction for the year in which the gift was made to the Foundation. The donor, at that time or at a later date, can make a recommendation to the Foundation of his/her desire for charitable giving at which time the Foundation will make the gift to the church, United Methodist institution or other charitable organization on the donor's behalf. This is an especially attractive gifting vehicle if the donor wishes to include the family in the decision making regarding the recommendations of charitable gifts.

Life Income Gift Options

You can make a gift to the church and receive immediate financial benefits, including a lifetime stream of income and a charitable income tax deduction. There are several gifting vehicles to choose from such as charitable remainder trusts as well as charitable lead trusts.

In determining which vehicle is most appropriate, the following questions should be answered:

- Will the gift be based on one or two beneficiaries?
- What is the age of the donor and/or the donor's spouse, or the age of the second beneficiary?
- What asset will the gift be funded
- with-cash, securities, or real estate?

CHARITABLE REMAINDER TRUSTS:

A charitable remainder trust is a personal management plan that provides both an income stream for life as well as a charitable income tax deduction to the donor. The donor selects the payout rate, usually between 5% and 7%, which gives the donor, and perhaps the donor's spouse or other beneficiary, an income every year for life. The higher the payout rate, the lower the charitable income tax deduction. If the trust is funded with appreciated securities, capital gains taxes are avoided. There are two types of charitable remainder trusts: the *annuity trust* and the *unitrust*.

The charitable remainder *annuity trust* pays a fixed dollar amount for the life of the trust. The income rate is determined at the time the trust is funded. The annuity trust is best for donors who seek a regular, fixed income and prefer to have the satisfaction of knowing the exact amount of the payment in advance. No additional gifts may be added to an annuity trust. The annuity trust may be funded with cash, appreciated securities or real estate.

The charitable remainder *unitrust* pays the donor a predetermined percentage of the fair market value of the trust's assets as revalued annually. If the trust's assets increase, the donor receives a larger payment, providing a hedge against inflation. Additional contributions may be made to a unitrust. The unitrust may be funded with cash, appreciated securities or real estate.

The benefits of a charitable remainder trust are:

- Lifetime income stream-payments can be fixed or variable, depending on the type of trust
- Charitable income tax deduction for a portion of the gift
- Avoidance of capital gains taxes on the transfer of appreciated property or securities
- Possible estate tax benefits

CHARITABLE LEAD TRUSTS:

Charitable lead trusts are the reverse of charitable remainder trusts in that a stream of income is first paid to the church for a number of years (based on a term or a lifetime), after which the remainder goes back to the donor, the donor's estate or passes to another non-charitable beneficiary designated by the donor, such as children or grandchildren. The stream of income that flows to the church is either a fixed amount or a percentage of the value of the trust property, as revalued annually.

A charitable lead trust is a fully taxable trust. The trust pays both income and capital gains taxes, unlike the charitable remainder trust that is tax exempt. A donor is entitled to a charitable income tax deduction if the donor continues to be taxed on the trust income.

Many donors use a charitable lead trust to reduce or eliminate the gift tax cost of transferring wealth to children or grandchildren and to give appreciated property to heirs without further gift or estate tax liability. A charitable lead trust can be established during a donor's lifetime or by a provision in the donor's will.

Estate/Deferred Gift Options

ESTATE GIFTS:

The United Methodist Church and other United Methodist institutions have received generous bequests, both large and small over the years. All bequests have special importance. A will is essential if you wish to make a bequest to benefit the church. Whether you are making a will for the first time or revising an existing will, you should consult your attorney with a proposed form of bequest. You might want to consider the following giving options:

Specific Bequest — determining a specific amount of money or a specific asset to leave to the church;

Percentage Bequest — giving a pre-determined percentage of your estate to the church;

Residual Bequest — the church receives the remainder of the estate after other defined gifts, all taxes, and expenses have been paid out;

Contingent Bequest — if your named beneficiaries do not survive you, then the assets are, instead, given to the church.

Any of these estate gifts are excellent ways to build a long term legacy for ministry.

GIFTS OF LIFE INSURANCE:

You can use life insurance to make a gift to the church naming the church as the owner and beneficiary of a life insurance policy. A donor receives a charitable income tax deduction based on the lesser of the policy's fair market value or the net premiums paid. Donors may also wish to make gifts of paid-up policies, resulting in a charitable income tax deduction for the policy's cash surrender value.

Another important use of life insurance is its ability to protect the interests of family members. Structured properly, a life insurance policy can be used to replace the value of an asset such as an appreciated security or real estate that has been given to the church. A donor can use the tax savings produced by the charitable income tax deduction to purchase and pay premiums on a life insurance policy whose proceeds equal the value of the gifted property. In this case, the family members are the named beneficiaries of the insurance policy thus protecting the interests of the family.

RETIREMENT PLAN ASSETS:

Making a gift of the assets of a qualified retirement plan such as a 401(K), 403(b), IRA, Keogh or pension plan is another way to benefit the church. This also allows the donor's estate to receive significant tax savings. Retirement plan assets are often subject to extremely high estate taxes, and the income is fully taxable when received by an individual beneficiary.

By naming the church as the beneficiary of a retirement plan, the donor maintains complete control over the assets during his/her lifetime, but at the donor's death the plan passes to the church free of both estate and income taxes. When creating an estate plan, donors may wish to consider leaving his/her heirs other assets, such as cash, securities or property which are not as heavily taxed.

RETAINED LIFE ESTATE:

Through a retained life estate, a donor makes a gift of a personal residence to the church and the donor retains the right to live in the home for life. Making a gift of property while retaining a life estate provides the donor with a charitable income tax deduction based on the value of the property, the age of the donor, and his or her life expectancy. For a gift of appreciated property, a donor may claim a charitable income tax deduction for up to 30% of the adjusted gross income.

The donor is responsible for maintenance costs, insurance and real estate taxes. To substantiate the value of the property, the donor must obtain an appraisal from an independent qualified appraiser; the cost of the appraisal is borne by the donor and is a miscellaneous deduction.

GIFTS OF REAL ESTATE:

You can make a gift of commercial or residential real estate to the church and receive substantial financial benefits. In some cases you may want to give the property outright to

support the purposes of the church and qualify for a charitable income tax deduction based on the appraised value of the property.

You may need to consult the church organization regarding their gift acceptance policy. In other cases you may use real estate to fund a life income gift such as a charitable remainder trust.

As you consider any of these gift options, please contact your financial advisor to determine which gift is best for you. The United Methodist Foundation is specifically equipped to aid donors with gifts of appreciated securities, donor advised funds, charitable remainder trusts, and charitable lead trusts.

We look forward to hearing from you.



Who Are We?

The United Methodist Foundation of Western North Carolina, Inc. is a ministry of the church for the church.

Our Mission

is to promote the sharing of God's resources through faithful, financial partnerships.

We Envision

a Christ-centered community where the faithful stewardship of financial resources enables the church to follow Jesus, make disciples and transform the world.

The United Methodist Foundation of Western North Carolina, Inc. does not engage in rendering legal or tax advisory services. Charitable and planned gifts involve complex federal and state laws. Professional advice from legal counsel or other personal tax or financial advisors should be sought. Be sure to consult your own professional advisors as it pertains to your own individual situation.



Charitable Giving Options

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