

Planned Giving

What it is and how to do it

**New Paltz United Methodist Church
1 Grove Street
New Paltz, New York 12561
(845) 255-5210
www.newpaltzumc.org
newpaltzumc@gmail.com**

This congregation is related to The United Methodist Church through the New York Annual Conference.

TABLE OF CONTENTS

Introduction	2
How Gifts Are Accepted, Invested and Used	2
Endowment Fund	3
Now and Forever Givers	3
Gifts of Property	
Cash	3
Securities	3
Real Estate	4
Personal Property	4
Life Insurance	5
IRA Beneficiaries	5
Wills	
Giving Through Your Will	5
Some Tips for Writing Good Wills	6
Life Income Gifts	6
Living Trusts	7
Your Foundation	7
Conclusion	7
A Wills Questionnaire	8
Is Your Will Up to Date?	9

INTRODUCTION

To be strong for the present and the future a church should have three effective giving programs:

Annual Giving
Capital Giving
Planned Giving

Annual Giving is promoted through the yearly pledge campaign.

Capital Giving is for large, long-term things like an addition or major organ restoration. The subject of this booklet is Planned Giving.

Planned Giving describes ways gifts may be "planned", i.e. given through wills or bequests or by use of annuities or trusts.

The three sections of this booklet describe wills; ways stock, real estate or other property may be given; and gifts that enable the giver to use the gift during his or her lifetime. Also included are explanations of the Endowment Fund and Memorial Gifts (gifts to given to the glory of God in memory of a person or event).

We hope you take the time to review this booklet. With current pledges and offering receipts going to fund day-to-day expenses, projects and purchases with a life of over one year need, out of necessity, to be paid for out of "long-term" funds. The long-term financial needs of the congregation require gifts in addition to our annual giving.

HOW GIFTS ARE ACCEPTED, INVESTED AND USED

When a gift is received by the New Paltz United Methodist Church it goes into either an unrestricted fund, a fund with donor restrictions or an endowment, depending on the donor's wishes.

The Board of Trustees oversees the use and/or investment of gifts to the church. If the gift does not have donor restrictions the Trustees will receive it and place it in a fund with other gifts without restrictions. Past gifts have been used for projects such as the new Sanctuary roof and Church and Parsonage boilers. If it is a one time gift for a specific purpose, the Trustees will receive it, place it in a dedicated fund and see that it is used for its intended purpose. If it is a gift to the Endowment Fund it is invested with other Endowment Gifts and used as outlined below.

It is the Trustees' responsibility to invest the money according to guidelines set-up by the congregation and United Methodist investment standards.

The use of the income and principal from the funds is determined by the congregation.

ENDOWMENT FUND

An Endowment Fund was established in 1997. The initial money came from the estate of Grace Elliot. This is the fund where "long-term funds" can be given and only the "earnings" of the fund are used, not the gift. When the Endowment Fund was created by the 1997 Charge Conference to receive gifts a formula for identifying the income and how to use it was also adopted. The amount available is 4.5% of the average balance as of June 30th of the previous five years.

The formula for the distribution of income is: Local Ministries 60%, Outreach Ministries 10%, and Capital Improvements and Church Repairs 30%.

The motion of the Charge Conference also said that distributions of the income should "be made subject to the direction of the Charge Conference based on the recommendations received from the Administrative Council and the Planned Giving Committee". Therefore suggestions for spending the income from the Endowment Fund come from members of the Congregation and are approved by various committees and a Charge Conference before they are spent.

NOW AND FOREVER GIVERS

We have a society of members and friends of the New Paltz United Methodist Church who have proclaimed that they have remembered the congregation in their wills, estates, trusts or other planned gifts. If you would like to joint contact a Planned Giving Committee member.

GIFTS OF PROPERTY

GIFTS OF CASH

The majority of gifts to the church are made in the form of cash (usually by personal check). Federal (and in some cases, state) income tax savings significantly reduce the cost of your gift, if you itemize deductions. Your actual tax savings depend upon the tax rates in effect at the time of your contribution. For example, if you are in the 28% federal income tax bracket and a 6.85%state income tax bracket, you will realize an after-tax savings of over \$348 for each \$1,000 gift.

GIFTS OF SECURITIES

Many individuals own stocks, government savings bonds, corporate bonds and other financial securities which have increased in value since the time such investments were acquired. Often many of these investments pay little or no income, yet you may face a substantial capital gains tax liability which discourages you from selling your stock to invest in a higher yield asset.

A contribution of appreciated securities which you have owned for at least one year relieves you of paying capital gains tax on the appreciated value of these securities and entitles you to a charitable deduction equal to the full fair market value of your gift. Because you avoid the capital gains tax, it is usually more advantageous to contribute appreciated securities directly to the Church rather than to sell them and give the proceeds of your sale. You might then choose to use the tax savings generated by your charitable gift to purchase new securities.

If you are considering a gift of securities, please contact the Church prior to instructing your broker to make a gift transfer to help assure your avoidance of capital gains tax.

GIFTS OF REAL ESTATE

While most wills have personal property sold and the proceeds distributed many donors make gifts of real estate and generate significant tax benefits. Gifts of real estate may eliminate potential problems associated with the settlement of estates, such as quick sale of the real estate (at less than fair market value) to provide cash for the payment of estate and inheritance taxes or for the costs associated with administration of the estate. Gifts of real estate can consist of almost any type of property. The gift can be the entire property or a fractional interest in the property.

Individual financial needs and goals will determine which of the following methods of giving real estate is most appropriate to your situation:

- Outright gift. The property is deeded to the Church, and you generate an income tax deduction for the full market value of your gift.
- Retained Life Tenancy Gift. Ownership of a personal residence or farm is transferred to the Church, but you retain the lifetime right to use the property as a personal residence. You also receive a charitable income tax deduction for the value of your gift. Upon the death of the "lifetenant" the property becomes a part of the Church's assets.
- Retained Life Income. Your gift of real property is transferred to a Charitable Remainder Unitrust to generate income for you, and if desired, a second beneficiary. The life-long annual income paid depends upon the value of the trust property and the previously agreed upon rate of return. At the death of the life beneficiary or beneficiaries, the assets of the trust pass to the Church.
- Fractional Interest. A fractional portion of the real property is conveyed to the Church. For example, you may avoid potential capital gains tax by making the Church a co-owner of a one-third, one-half or three-quarters interest in your residence, commercial property, farm, ranch or undeveloped land. When the property is sold, the Church shares in the proceeds of the sale.
- Bequest. You may leave real estate to the Church in your will by using any of the vehicles discussed previously with respect to lifetime gifts.

GIFTS OF TANGIBLE PERSONAL PROPERTY

In planning your estate, you should remember that valuable coin and stamp collections, antiques, books, works of art and other personal property such as automobiles and home furnishings will be subject to estate taxes. By accelerating contributions of such items so that they occur during your lifetime rather than at death, you not only reduce your taxable estate, but also reduce your taxable income in the year of the gift.

For such a gift of long-term held tangible property, you are entitled to an income tax deduction amounting to the full fair market value of the object, provided its use is directly related to the Church's tax-exempt purposes. You may also avoid capital gains tax on the appreciated value of your gift of tangible property. If your gift is not used but is sold by the Church, your charitable tax deduction is limited to the object's original cost.

GIFTS OF LIFE INSURANCE

Life insurance offers many attractive ways to make a substantial gift to the Church. For example, you may:

- Identify a paid up policy no longer needed for family protection and change beneficiary status and ownership to your church.
- Give a policy that is not fully paid up and take a tax deduction for the "present value" of the policy, or the approximate cash surrender value. If you then continue to make gifts to pay the premiums and maintain the policy in force, you will be able to deduct the premium payments as charitable contributions.
- Purchase a new policy and make the Church both owner and beneficiary, and 100% of your premiums can be reported as charitable contributions.

IRA Beneficiaries

You may also name the Church as the primary or contingent beneficiary of your IRA, 401K, Keogh Plan, TDA or other pension plan. The beneficiary amount may also be divided by percentage to each beneficiary. You will need to notify your retirement plan administrator that the Church is to be named as a beneficiary. These gifts are made outside of your will, and thus avoid any probate costs.

GIVING THROUGH YOUR WILL

Churches and various causes of the Church have been recipients of generous bequests, both large and small, over the years. All bequests, no matter how modest, have special importance.

A bequest is not subject to federal estate taxes, and there is no federal deduction limit on the amount of your charitable bequest. Additionally, many states allow full inheritance tax deductions as well.

A will is essential if you wish to make a bequest to benefit your church. Whether you are making a will for the first time or revising an existing will, you should consult an attorney about any proposed bequests.

You might like to consider one or more of the following gifts through your will:

- Legacies. The Church receives a specified dollar amount under your will.
- Specific Bequests. The Church receives specified assets, such as securities, real estate or items of tangible personal property.
- Residuary Bequest. The Church receives a percentage or all of a donor's estate after specific gifts, legacies, debts, taxes and estate taxes have been paid.
- Bequests to Charitable Remainder Trusts. One or more named beneficiaries receive income from a trust established under the will of the donor. Upon the death of the last surviving beneficiary, the principal passes to the Church.
- Contingent Bequests. If your named beneficiaries do not survive you, your gift is distributed to the Church.

SOME TIPS FOR WRITING GOOD WILLS

Both spouses (if married) should have wills.

If you request a certain type of burial in your will, it helps the bereaved family if you have:

Already bought a cemetery plot,
Paid in advance and arranged for cremation, if desired,
Planned the services to include special things you desire.

If you do decide to pay ahead for funeral plans, put the money in a special account, if possible, so that you earn the interest.

Talk to several lawyers to be sure you have one who will follow your wishes and is in agreement with them.

Leave percentages of an estate instead of a specific dollar amount as this may more realistically represent your intentions in making a bequest.

In order to avoid any family bitterness over division of certain belongings, make the decision before death and specify who is to receive specific articles in your will.

Helpful booklets one can order from the IRS are:

"Tax Information for Survivors, Executors and
Administrators"

"Federal Estate and Gift Taxes"

Pages 8 & 9 have a wills questionnaire and a checklist to see if your will is up to date.

LIFE INCOME GIFTS

You may wish to make a substantial gift to your church but feel you cannot afford to give up the annual income produced by the asset you intend to give. There are several ways you may retain income for yourself (and, if you choose, another beneficiary) through Charitable Remainder Trusts, Charitable Gift Annuities and Pooled Income Funds while putting in place a gift to the Church.

The benefits vary, but these arrangements may enable you to:

- Provide income for yourself and/or another beneficiary, such as your spouse, child, grandchild, parent or other family member.
- Generates a federal income tax deduction for a portion of the gift value. (Many states allow income deductions as well.)
- Avoid capital gains tax if you establish a charitable remainder unitrust with securities or real estate that has appreciated in value.
- Save estate and inheritance taxes.

These products must be purchased from an organization licensed to sell them.

LIVING TRUSTS

A living Trust is created when the assets of one person (the grantor) are transferred to the trust to be held by another (the trustee). The trustee manages the property for the benefit of another (the beneficiary). The grantor may also be the beneficiary of the trust. It is called a living trust because it is created during the grantor's lifetime.

A living trust may be created to enable one person to manage the financial affairs of another. It may also be created simply to pass property to another as a will would. However, it is usually not possible to eliminate the use of a will and rely solely on a living trust to distribute property.

A living trust provides a relatively timely and inexpensive alternative to probate. You may manage your assets yourself while you are able. You may have someone else manage your assets if you become incapacitated. You may place controls on your assets which will be in effect after your death. You may, depending on the size of your estate, avoid estate taxes.

A living trust does not entirely replace the need for a will. It will not help you avoid income taxes. It will not save you money during your lifetime. The savings go to your beneficiaries after your death.

You should consult with an attorney about establishing a living trust. Depending on your financial and family situation a living trust may be an excellent estate tool or an unnecessary, costly and frustrating exercise.

YOUR FOUNDATION

The United Methodist Frontier Foundation exists to serve individuals, local churches, institutions and programs of the Methodist Congregations in New York State. New Paltz United Methodist funds are invested with the Foundation. The funds are invested according to Methodist principals. The Foundation can provide consultation and assistance (other than legal) to donors. It has programs involving wills, gift annuities and trusts.

Information about The Foundation is available at church or at umff.org.

CONCLUSION

The writers of this booklet do not claim to be legal or financial advisors. It is advisable that you consult your attorney about any changes to your will or other estate plans. Please contact members of the Planned Giving Committee for more information.

A WILLS QUESTIONNAIRE

	False	True
I have a written will.	_____	_____
It was legally drawn by an attorney and properly witnessed.	_____	_____
My immediate survivors know where my will is located.	_____	_____
I have prepared written instructions concerning my will (and any related informational material) and my appointed Executor/Executrix knows where they are.	_____	_____
My appointed representative is alive and still qualified and capable to carry out duties.	_____	_____
I have asked my attorney to review my will to be sure it complies with the current tax legislation.	_____	_____
The guardian(s) I have appointed for my children are still able, willing and qualified.	_____	_____
I have included a common disaster clause in my will.	_____	_____
I have arranged a trust to provide for my minor children' financial needs.	_____	_____
I have reviewed my survivors' financial needs and have taken the necessary steps to keep my will appropriately up to date.	_____	_____
After providing for my loved ones, I have included a share of my estate for my church and other charitable groups which have a meaning in my life.	_____	_____
I have discussed with my survivors the names of key people who can be helpful to them in making necessary decisions.	_____	_____

IS YOUR WILL UP TO DATE?

	Yes	No
HAVE I REVIEWED MY WILL DURING THE LAST THREE YEARS?	_____	_____
Since last reviewing my will, have I:		
Had additional children?	_____	_____
Changed my marital status?	_____	_____
Had any of my children marry?	_____	_____
Had any grandchildren?	_____	_____
Moved to another state?	_____	_____
Changed my financial situation?	_____	_____
Bought property in another state?	_____	_____
Received an inheritance?	_____	_____
Started a new business?	_____	_____
Bought or sold property?	_____	_____
Discovered any health changes in any of my beneficiaries?	_____	_____
Created any trusts for anyone?	_____	_____
Included my children's spouses?	_____	_____
Provided a guardian (and alternate) for my children?	_____	_____
Provided for an alternate Executor?	_____	_____
Had any of my designated beneficiaries die?	_____	_____
Included my church and other desired charities in my will?	_____	_____