

What is the Best Gift for Me, Now and in the Future?

Diocese of Vermont

Jim Murphy, Managing Program Director
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The Episcopal Church Foundation (ECF)

Independent, lay led organization, founded in 1949

Empowers congregations through visioning and planning, leadership development, and raising financial resources for ministry

Through our programs, ECF is helping to build a Church characterized by:

- Lay and clergy leaders work together to transform the Church
- Healthy, vital, vibrant Episcopal communities of faith
- Meaningful opportunities for Christian stewardship and effective fundraising
- Innovative, mission-based ways to be the Church of the future

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What is the Episcopal Church Foundation (ECF)?

Overview:

- Independent and lay-led foundation
- ECF's mission is to strengthen the **leadership** and **financial** capabilities of Episcopal congregations, dioceses, and other institutions
- ECF carries out this mission through a wide array of programs including...



Leadership Resources

- ECF Vital Practices (ecfvp.org)
- Vestry Resource Guide
- Fellowship Partners Program
- Educational Events

Financial Resources

- Strategic Resources
- Planned Giving
- Endowment Management
- Donor-advised Fund



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Types of Gifts

- **Ordinary** - Annual Stewardship/Annual Giving
Funds contributed toward on-going daily ministry and operation of a parish.
- **Extra-Ordinary** - Capital Campaign
Special funds raised for a specific need, typically for new or enhanced facilities.
- **Ultimate** - Planned Giving
Gifts to support the future ministry and security of a parish and its mission.



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What is best?

- Consult with appropriate professional advisors
- Every situation is different
- Are 'bigger' gifts better for me, in this year? What about next year?
- What 'life cycle' gift options are best for me?

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Tax Updates: Charitable Giving is here to stay

- **Charitable Deduction still available after 2018 tax changes**
 - Some may 'bunch' donations in major gifts or via Donor-advised Funds (DAF)
- **Some enhancements to charitable deductions**
 - AGI Limitation for Cash donation increased to 60% from 50% since 2018
 - **100% in 2020 for cash gifts** directly to charities only (not DAF or supporting)
 - Pease Amendment Repealed in 2018 – benefiting high income earners
 - In 2020, **\$300 for non-itemizers** (not DAF or supporting)
- **What is happening?**
 - More diversity in giving different kinds of gifts: DAFs, LIGs, & appreciated assets
 - **IRA Qualified Charitable Distribution (QCD) RMD now at 72**

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Ways to Give Now— and How Giving Can Benefit You

- **Cash** - including credit card and electronic means (especially in 2020)
- **Appreciated Securities** – Avoid capital gains tax on appreciated securities if held for more than one year
- **Qualified Charitable Distribution (QCD)**- Through a Traditional IRA
- **Donor-Advised Fund** - Grants

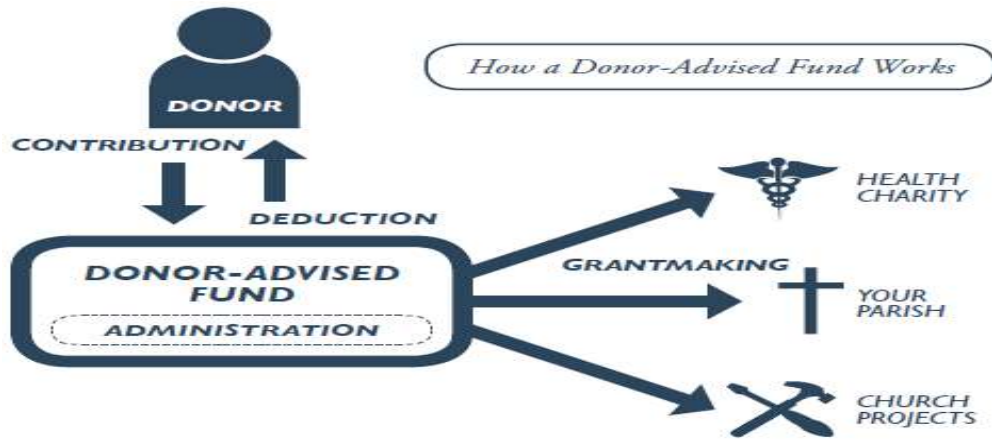
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Giving through an IRA

- Must be a Traditional IRA, not other types
- Donor must be 70 ½
- Up to \$100K
- Direct from financial institution to charity as a Qualified Charitable Distribution (QCD)
- QCD Counts toward Required Minimum Distribution (RMD) **Now at 72**
- Demographic trend with oldest Baby Boomers, who often don't need it

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What is a donor-advised fund?



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What is the appeal of DAFs to donors?

- Simplicity
- Ease of use
- Flexibility
- Customize to donor needs
- Anonymity, if desired



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Cautions: The 'Don't' Cheat Sheet

1. Don't pay **OBLIGATORY** pledges with grants from a DAF
2. DAF grants cannot be used for the donor's personal benefit (ex-memberships, tickets or other benefits)
3. Don't make grants into non-approved legal structures
4. Donor does not get another tax deduction for a grant

Questions so far?

Planning your estate

- Seek appropriate legal, financial & tax advice
- Choose an executor, and an alternate!
- Review all assets, insurance policies, etc.
- Let your family know your wishes
- Making planned gifts
- Review your plans from time to time
- The future of Estate Tax??



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Types of Planned Gifts

Bequests:

- Wills (probated assets) or Living Trusts
- Pay on Death arrangements

Tax Deferred Accounts Remainders: IRA, 401k, 403b

Life Insurance proceeds (Wealth replacement tool)

Real estate (Retained Life Estates)

Life Income Gifts



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Bequests

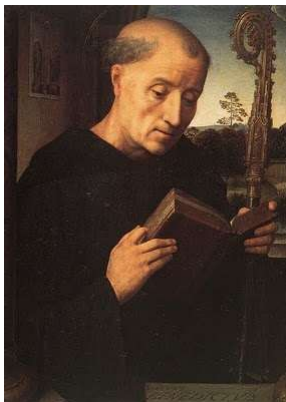
80% of all planned gifts are in the form of a bequest in a will or trust or an account designation (eg, “transfer on death” or “TOD”)

- Bequest types:
 - Specific amount
 - Percentage
 - Specific assets
 - Remainder
 - Contingent bequest
- Bequest designations:
 - Restricted
 - Unrestricted



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Life Income Gifts – *the basics*



Characteristics of LIG's:

- Donor makes irrevocable gift
- Donor receives charitable deduction in the year of gift
- Donor receives income for life
- Remainder given to charity

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Life Income Gifts – *the basics*

Pooled Income Fund (PIF)

- Donor income varies based on fund performance
- Current yield @ 2%
- Minimum age: 50
- Minimum gift: \$2500
- Donor may add gifts, \$1000 minimum
- No longer as popular

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Life Income Gifts – *the basics*

Charitable Gift Annuity (CGA)

- Most popular LIG, nearly 90% of gifts
- Donor income guaranteed for life
- Income based on age at time of gift
Higher payout with greater age
- Minimum age: 55
- Minimum gift: \$5000
- Younger donors: Payments may be deferred!
- 10% of remainder to ECF to support program

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Life Income Gifts – *the basics*

Charitable Remainder Trusts

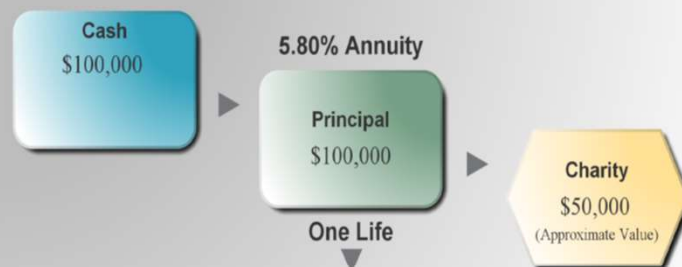
- Minimum gift: \$250,000
- Minimum age: 50
- Payments set by trustee with donor input
 - Fixed annuity (CRAT)
 - Variable based on performance (CRUT)
- ECF attorney can draft trust documents for donor attorney review
- Variety of options for appreciated assets



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Charitable Gift Annuity

Prepared For Miss Smith (75)



1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of \$43,482 may save \$9,566.

2. Annuity of \$5,800.00 for one life. Tax-free amount \$4,558.80. Estimated one life payout of \$98,020. Effective payout rate 7.84%.

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

This educational illustration is not professional tax or legal advice; consult a tax advisor about your specific situation. See data sheets for assumptions.

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Charitable Gift Annuity

Prepared For Mr. Smith (72)
Prepared For Mrs. Smith (75)

Cash
\$100,000

4.90% Annuity
Principal
\$100,000
Two Lives


Charity
\$50,000
(Approximate Value)

1. Gift property to charity. Donor receives contract for annuity payments. Income tax deduction of \$32,899 may save \$7,238.
2. Annuity of \$4,900.00 for two lives. Tax-free amount \$3,792.60. Estimated two lives payout of \$106,820. Effective payout rate 6.44%.
3. Quarterly payments for two lives. Property passes to charity with no probate fees. There are also no estate taxes, if married.

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Fulfilling your wishes

- Review your wishes, responsibilities and passions
- Discuss with family and friends
- Keep good records and inform people where to find them
- Complete all necessary legal and allocation documents

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Questions?

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Recorded Webinars to Empower your Leaders

- Basics of Planned Giving for Parish Leaders
- Basics of Endowment Management for Parish Leaders
- Prospective Donors of Planned Gifts
- Basics of a Capital Campaign
- Annual Stewardship
- Vestry Leadership 101

For links to recordings visit: www.ecfvp.org

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Upcoming Free Live Webinars

*Check our website, under
Events, for more info.*



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At your service

**ECF always available to assist at (800) 697-2858
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