



XYZ United Methodist Church Planned Giving Program: Policies and Guidelines

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AUTHORIZATION

XYZ United Methodist Church (hereinafter "XYZ") encourages donors to make both outright and deferred gifts to the work of the United Methodist Church. The types of deferred gifts to be encouraged include bequests, charitable gift annuities (immediate and deferred), retained life estates, gifts of life insurance policies and proceeds, charitable remainder trusts, charitable lead trusts and such other gift arrangements as the Board of Trustees (hereinafter "the Board") may from time to time approve. All planned giving programs, solicitation plans, and activities shall be subject to the oversight of the Board through the appointed Planned Giving committee.

1. The policy of XYZ is to inform, serve, guide, or otherwise assist donors who wish to support the activities and mission of the conference and its local churches, but never under any circumstances to pressure or unduly persuade any prospective donor.
2. Persons acting on behalf of XYZ shall in all cases encourage the donor to discuss the proposed gift with an independent legal and/or tax advisors of the donor's choice so as to ensure that the donor receives a full and accurate explanation of all aspects of the proposed charitable gift.
3. Any and all consultants, advisors, or other persons who may be discussing charitable gifts with prospective donors shall follow all program guidelines approved by the Board. All planned giving arrangements requiring execution by XYZ shall first be reviewed and approved as to form by the Board.
4. Where appropriate, the following planned gifts must be reviewed and approved by the Planned Giving Committee appointed by the Board. Before acceptance, relevant information about the gift shall be ascertained including a copy of any appraisal secured by the donor. The Board also reserves the right to secure its own appraisal before accepting or rejecting any proposed gift.
5. Planned gifts are defined as:
 - A. Outright gifts of real estate, closely held stock, tangible personal property, partnership interests, and other property interests not readily negotiable.
 - B. Charitable remainder trusts. (See Guidelines)
 - C. Charitable lead trusts. (See Guidelines)
 - D. Charitable gift annuities—immediate and deferred and gifts to a Pooled Income Fund. (See Guidelines)
 - E. Retained life estate in a residence or farm or other real property. (See Guidelines)
 - F. Bargain sales and other arrangements where the donor receives any payments from XYZ. (See Guidelines)

6. Outright gifts of cash, publicly traded securities, and life insurance do not require approval by the Planned Giving Committee.
7. The Board as a third party administrator is authorized, but shall not be required, to issue charitable gift annuities—immediate and deferred—for the benefit of XYZ and invest assets contributed for annuities. The Board may employ agents and advisors to facilitate the investment of these assets.
8. XYZ shall not serve as trustee of charitable remainder trusts and charitable lead trusts, except in extraordinary circumstances. Any proposed trust for which the XYZ is requested to serve as trustee shall be subject to the approval of the Board or its designee after review by the Board. The cost of administration of charitable remainder trusts and charitable lead trusts shall be an expense of the respective trusts.
9. The following guidelines are established to assure that planned gifts accepted by the Board will be cost-effective.

GUIDELINES

1. The Charitable Gift Annuity

A. Description

The Charitable gift annuity is an irrevocable contract between XYZ and the donor, with the Board as the administrator of the contract. Pursuant to the contract, the Board, acting as the administrator for XYZ, agrees to pay the donor (or other persons named by the donor) a lifetime annuity in return for a gift of cash, securities, or other property. The payment may continue for the life of a second individual such as a spouse.

The annual payment is a fixed sum, the amount of which is based on the size of the gift and the number and ages of the beneficiaries.

B. Guidelines:

- 1.) The minimum amount for an annuity agreement is \$10,000.00.
- 2.) The rates of return payable to annuitants shall not exceed those recommended by the American Council on Gift Annuities or as set by the Board.
- 3.) Agreements shall be limited to two lives, and ordinarily the minimum age for the annuitants shall be 60 for immediate annuities and 45 for deferred annuities. Exceptions may be made subject to the prior approval of the Planned Giving Committee in consultation with the Board's legal counsel.

C. Gift annuities shall be managed by the Board, and the Board may employ agents and advisors to assist with the administration and the investment of gift annuity.

2. Charitable Remainder Trusts

A. Description:

The charitable remainder trust is a separately administered trust established by the donor. It provides for payments to the donor and/or other named beneficiary(ies) either for life or a term of years (not exceeding twenty), where upon the remaining trust assets are distributed to one or more charities.

A charitable remainder annuity trust pays a fixed amount, which must be at least 5 percent of the fair market value of the assets initially contributed to the trust. This amount does not change, and no additional gifts may be made to the annuity trust after it's creation.

A charitable remainder unitrust pays a fixed percentage (at least 5 percent) of the fair market value of trust assets, as valued annually. Because the value of assets can be expected to change from year to year, the unitrust payment will vary in amount each year. Additional contributions may be made to the trust after it is established. Three variations of the unitrust are possible:

- 1.) A "straight" unitrust pays the stipulated amount, even if it is necessary to invade principal to do so
- 2.) A "net-income" unitrust pays a lesser of the stipulated amount or the actual net income, so principal would not be invaded. A "net income with make-up provision" unitrust is similar to the net income unitrust except that excess earnings can be applied to cover accrued deficiencies resulting from the net income being less than the stipulated amount.

3. The Charitable Lead Trust

A. Description: A charitable lead trust is a trust in which the income, or "lead" interest, is paid to the Board as third party administrator for XYZ, the beneficiary, and the "remainder" interest is given to one or more noncharitable beneficiaries, who could be either the donor or family members. The amount paid to the Board for XYZ, the beneficiary, may be either a fixed sum (an "annuity trust" interest) or a percentage of trust assets as valued each year (a "unitrust" interest).

4. Life Insurance

A. There are various methods by which a life insurance policy may be contributed to the Board as third party administrator or policy owner for XYZ. The donor may

- 1.) Assign irrevocably a paid-up policy to XYZ.
- 2.) Assign irrevocably a life insurance policy on which premiums remain to be paid; or
- 3.) Name the Board as third party administrator on behalf of XYZ as beneficiary of the proceeds.

B. Guidelines: Any of these types of life insurance gifts are acceptable to the Board. In the event a policy is contributed on which premiums remain to be paid, the donor will pay the premiums.

5. Retained Life Estate

A. Description: An individual may transfer to the Board, as third party administrator, title to a personal residence, farm or other parcel of real property, and the donor or another person retains use of the property for a term of years or the life of the donor and/or another person.

B. Guidelines: The donor shall continue to be responsible for real estate taxes, insurance, utilities, any mortgage or other payments related to the property, and maintenance after transferring title to the property unless the Board, upon prior approval of the Planned Giving Committee, agrees to assume responsibility for any of these items.

6. Bargain Sale

A. Description: A "bargain sale" is a sale of property to the Board as third party administrator for an amount less than the property's current fair market value. The excess of the value over the sales price represents a contribution. The bargain sale price may be paid either in a lump sum or installments.

B. Guidelines: The Board, upon approval of the Planned Giving Committee and legal counsel, may purchase real estate, securities, or other property on a bargain-sale basis. Ordinarily the price paid for the property should not exceed 60 percent of its appraised value.

7. Gifts of Real Estate

A. Description: Gifts of real estate may be made in various ways: outright, charitable remainder trust, retained life estate, and bargain sale. These guidelines pertain to gifts of real estate in general.

B. Guidelines

- 1.) The donor shall secure a qualified appraisal of the property.
- 2.) The Board (or trustee in case of a charitable remainder trust) shall determine if the donor has clear title to the property.
- 3.) If the property may possibly contain toxic waste, the donor shall secure a Level I environmental audit and provide the results to the Planned Giving Committee. No property containing toxic wastes shall be accepted prior to their removal or other remediation, assuring that the Board assumes no liability whatsoever in connection with such toxic wastes.
- 4.) Mortgaged property may be accepted as an outright gift, provided the property has sufficient equity to justify assumption of the liability and provided the property is marketable.

- 5.) Mortgaged property shall not be accepted for a charitable remainder trust unless the trust would not be disqualified and the income from the property is sufficient to cover all liabilities.
- 6.) If the donor wants to give real estate and retain income, "net-income" or "net-income with make-up provisions" is the preferred instrument. Usually real estate will not be accepted for a charitable remainder annuity trust or a charitable gift annuity.
- 7.) The Board prefers not to manage real property and prefers that the property be readily marketable.

8. Tangible Personal Property

- A. Jewelry, artwork, collections, and other personal property shall not be accepted without prior approval by the Board or its designee.
- B. No personal property shall be accepted XYZ unless there is reason to believe that the property can be quickly disposed of. No personal property shall be accepted that obligates XYZ to ownership of it in perpetuity. No perishable property or property which will require special facilities or security to properly safeguard will be accepted without prior approval of the Board or its designee.
- C. Notwithstanding the foregoing, if there is reason to believe personal property has a value of \$ _____ or more, it may only be accepted after receipt and review by the Board or its designee of an appraisal qualified under terms of the Internal Revenue Code governing gifts of property of this type.
- D. Only the Board or its designee may represent to a donor that property will or will not be held by XYZ for a requisite period of time for purposes related to its tax-exempt status. Donors should be notified at the time of receipt of a gift that XYZ will, as a matter of policy, cooperate fully in all matters related to IRS investigations of non-cash charitable gifts.

9. Gifts of Closely Held Stock and Other Business Interests

- A. Description: Donors may make gifts of closely held stock and partnership interests. These can be accepted by the Board as third party administrator so long as the Board assumes no liability in receiving them, and the property can be sold within a reasonable period of time.
- B. Guidelines
 - 1.) To be considered for acceptance, partnership interests must not subject the Board or any beneficiary to cash calls or other liability and must not have adverse tax consequences for the Board or XYZ.
 - 2.) Closely held stock may be accepted if the probability exists of selling it within a reasonable period of time to the corporation, other stockholder, or to others interested in acquiring the corporation.

10. Bequests

A. Description: Bequests have historically been the most important kind of deferred gifts, and they have contributed significantly to the building of endowments. The encouragement of bequests will be one of the highest priorities of the Board.

B. Guidelines: Sample bequest language for restricted and unrestricted gifts, including endowments, will be made available to donors and their attorneys to ensure that the bequest is properly designated. Donors will also be invited to provide a confidential copy of that section of their wills naming XYZ as the beneficiary.

11. Staff serving as Personal Representative

A. Staff, clergy or lay, may from time to time be asked by members to serve as personal representatives for estate matters. The focus of the work of XYZ staff is on ministering to members' spiritual needs rather than on their business affairs. Staff is encouraged to refer members to trained professionals for the purpose of serving as personal representative.

12. Payment of fees related to gifts

A. Professional fees

1. XYZ will pay reasonable fees for professional services rendered in connection with the completion of a gift to XYZ. Such fees will be paid only with prior approval of the Board.
2. Such fees will be paid only following discussion with and approval by the donor.
3. Fees shall be reasonable, and directly related to the completion of a gift. They shall be limited to appraisal fees by persons who are competent and qualified to appraise the property involved and who have no conflict of interest, legal fees for the preparation of documents, accounting fees incident to the transaction, and fees of "fee for service" financial planners. In the case of financial planners, such persons must aver in writing that they are compensated only through fees for services rendered and that they are not compensated for the sale of products to clients. This distinction is vital in avoiding the payment of commissions, which could be construed as triggering securities regulation.
4. In the case of legal, accounting and other professional fees, an attempt shall be made to ascertain the reasonableness of these fees prior to payment. An hourly breakdown of time should be requested. In cases, which appear excessive, the summary of fees shall be submitted to XYZ's legal counsel for review and approval prior to payment.

5. In cases where the persons receiving fees were initially employed by the donor and XYZ is asked to pay the fees involved, the donor shall be notified that the payment of such fees may result in taxable income to the donor in the amount of the fees paid.
6. In situations where advisors retained by XYZ prepare documents or render advice in any form to XYZ and/or a donor to XYZ, it shall be disclosed to the donor that the professional involved is in the employ of XYZ and is not acting on behalf of the donor and that any documents or other advice rendered in the course of the relationship between XYZ and the donor should be reviewed by counsel for the donor prior to completion of the gift.

13. Other

XYZ shall comply with all IRS requirements concerning reporting, giving of receipts, etc. in relation to contributions made to XYZ and shall also comply with all other laws, rules, and regulations concerning contributions made to XYZ and the solicitation by XYZ for those contributions.