



Foundation Focus on Stewardship

Insights from your Missouri United Methodist Foundation

(Use these four articles in your church newsletter. When possible, include pictures, testimonials and profiles of your church members who have remembered your church in similar ways.)

I.

Remember the Church in Your . . . IRA?!

The most cost-effective way to remember your church in your estate plans may be with a simple beneficiary designation on your traditional IRA, 401(k), or other qualified retirement plan.

If left to children, these assets are potentially subject to both estate tax and income tax when received by the children. (In some cases, this could mean that children receive less than fifty cents on the dollar!) If these assets are left to charity, the estate reaps the full benefit of any charitable deduction, the charity pays no tax and other “better” assets can be left to children.

Distribution rules allow great flexibility in naming beneficiaries of retirement accounts. Beneficiary designations can be changed at any time. Your favorite United Methodist church or charity can be named as a beneficiary, co-beneficiary or contingent beneficiary.

Contact your plan administrator or your financial advisor today to request the necessary forms for updating your beneficiary designations. For additional information about this and other types of gift arrangements, contact your Missouri United Methodist Foundation office at 800-332-8238.

II.

Giving Thanks at Year-end

For many, the end of the year is a time to express thanks for God’s blessings and to plan for the future. It is a time for gathering together and for sharing with others.

As you contemplate your gifts to the church in this and future years, consider how you can give most effectively. A little attention to details can maximize tax savings for you *and* maximize resources for your church.

Federal and state tax laws make it possible to bypass income, gift, estate and capital gains taxes on gifts made for charitable purposes. Take time to consider your charitable giving plans in order to take maximum advantage of tax savings to which you may be entitled. Remember, you must *itemize* your charitable deductions on your tax return to claim these benefits.

Gifts of Cash

A gift of cash is simple, immediate and effective. All gifts hand-delivered to your church by December 31 qualify for tax deductibility in the current tax year. If you mail a check, it will qualify as a charitable gift in this year so long as it is post-marked no later than December 31 - even if the check does not clear your account until after the first of the year. (Remember, gifts of cash cannot

be deducted for tax purposes without a receipt. Please include name and address information with your cash gift so that we can issue the proper receipt.)

If you **itemize**, your cash gifts to the church are fully deductible for federal income tax purposes up to 50% of your adjusted gross income. If your total gifts should exceed this limit, the excess may be carried forward for tax purposes for up to five additional years.

Example: Mary Jones makes a cash gift of \$5,000. She is in the 35% federal income tax bracket and the 6% state income tax bracket. Her total income tax savings would be \$2,050.

Gifts of Stock

Gifts of stocks, bonds and mutual fund shares that have increased in value since you have owned them can bring extra tax savings. If you have owned these assets for more than one year, you can deduct the entire value for tax purposes up to 30% of adjusted gross income. (Again, you have five years to carry forward any unused deduction.)

In addition to the income tax savings, the capital gains tax on assets given for charitable purposes is entirely avoided. The total tax savings can often reduce the “cost” of your gift significantly.

Remember, if you sell the stock and give the proceeds, the tax advantage is lost. The stock itself must be transferred to the church or charity. Contact the church office or your Missouri United Methodist Foundation, 800-332-8238, for simple transfer instructions for this type of gift.

For example:

Mary Jones plans to give \$5,000. She is in the 35% federal income tax bracket, 6% state income tax bracket, and the 15% capital gains tax bracket. She owns some stock valued at \$5,000 (\$4,000 of that is long-term capital gain).

	<u>Option A</u> Give \$5,000 in Cash	<u>Option B</u> Sell stock & give proceeds	<u>Option C</u> Give stock directly
Gift Value	\$5,000	\$5,000	\$5,000
Ordinary income tax savings	\$2,050	\$2,050	\$2,050
Capital gains tax paid/saved	\$0	\$600 paid	\$600 saved
Net tax savings	\$2,050	\$1,450	\$2,650

Leave a Legacy

Toward the end of each year, many people review their long-range estate and financial plans. Remembering your church with a gift in your will or trust document is a great way to support life-changing ministry far into the future. Your church can also be named as a beneficiary on an IRA, an insurance policy or other asset. There are even gift arrangements that can be created today that will pay you an income for your lifetime and then benefit your church.

So take some time this season to count your blessings, and make your blessings count for others through the ministries of (*Local Church Name*). Contact the church office or the Missouri United Methodist Foundation, 800-332-8238, for additional information. Always consult your own professional legal, tax and financial advisors regarding all appropriate matters.

III.

The Charitable Gift Annuity

A gift that gives back. . .

Imagine making a gift to your church and receiving fixed payments for life in return. In addition, imagine receiving a current income tax deduction for such a gift and that a significant portion of the payment will be free of tax. This type of gift is not imaginary. It is called a “Charitable Gift Annuity,” and it is an increasingly popular way for many Americans to support their favorite charities and plan for the future.

United Methodists in Missouri are finding that the gift annuity is a great way to benefit the church or ministry of their choice. Our Missouri United Methodist Foundation makes it easy.

Here’s how it works . . .

The gift annuity is created with a simple contract. In exchange for your gift, the Foundation agrees to pay the specified amount quarterly, semi-annually or annually to you for your lifetime. (Gift annuities are also commonly established for the duration of two lives, as with married couples.)

Gift annuity rates are determined based upon the age of the donor(s) at the time of the gift. Once the gift annuity is established the rate does not change. These fixed rates are most attractive for older donors. For an individual, current rates range from 4.7% for a person age 65 up to 9.0% for a person 90 years of age or older.

When the annuity terminates, the gift is distributed to the church or charity designated by the donor. Some donors will instruct that the gift become a permanent memorial endowment at the Foundation paying income annually to their church forever.

Typically, gift annuities are funded with cash from a low interest bearing certificate of deposit or with appreciated stock that pays little or no dividend. Therefore, donors can often increase current cash-flow from a particular asset while making a gift they were intending to make in the future.

Contact the Missouri United Methodist Foundation at 800-332-8238 to receive your free, personalized and confidential illustration.

IV.

Leave a Legacy

When you include a gift to the church in your estate plans you are helping to pass on values and traditions to future generations. Your gift can be made for general charitable use as needs arise, designated for a particular ministry area, or made part of our endowment.

Things You Can Do Today To Leave A Legacy:

1. **Prepare a will.** They say only about 50% of us have one. Without a will, you lose control of the possessions you worked a lifetime to acquire.
2. **Leave a gift in your will for the church and charitable organizations which made a difference in your life.** Imagine the positive impact on our community and our world if everyone made a testamentary donation to our church and a favorite charity.
3. **Leave a specific dollar amount or a percentage of the assets in your will to your church or favorite charity.** What would a tithe of your estate - 10% - do for ministry in our community? Or, consider endowing your annual pledge - forever.
4. **Consider using assets for your charitable gift.** These can include, but aren't limited to: stocks, bonds, real estate and personal property. Such gifts may even provide extra tax savings.
5. **Name your church or favorite charity as the beneficiary of your IRA or pension plan.**
6. **Name your church or favorite charity as the beneficiary of an existing life insurance policy.**
7. **Remember deceased loved ones with memorial gifts to church or charities.**
8. **Encourage family members and friends to leave gifts to church and charities in their wills.**
9. **Ask your financial advisor to include charitable giving as part of their counsel to other clients.** Simply asking the question, "Do you wish to make a charitable gift in your estate plan?" often leads people to consider gifts they might have otherwise simply overlooked.

To learn about planned giving opportunities for your church, call your local church office or the Missouri United Methodist Foundation at 800-332-8238. Also, contact your professional advisors for help. Your advisors can make sure you are optimizing tax advantages and achieving all your life-planning goals.
