

CHARITABLE GIFT ANNUITIES

Donor Information

January 1, 2018

The Missouri United Methodist Foundation

The services of the Missouri United Methodist Foundation are available to all individuals who wish to provide charitable gifts in support of the ministries of the United Methodist Church in Missouri. Our mission is to provide expanded opportunities for charitable giving and to serve as a mechanism for perpetual administration of endowment gifts.

For charitable gift annuities administered by the Foundation, the Foundation will:

- Assure that all payments are made to the annuitant(s) in a timely manner;
- Assure that appropriate tax reporting information (Form 1099) is provided to the annuitant(s) each year;
- Ensure a diversified and competitive long-term investment program for all assets;
- Provide recognition of donors by notifying the charitable beneficiaries at the inception and termination of the gift annuity arrangement (anonymity will be maintained if desired);
- Obtain an annual audit through an independent accounting firm; and
- Provide documentation to each donor to substantiate charitable deductions.

The Foundation gift annuity program can be used by anyone seeking to benefit a United Methodist church, agency or related institution. With a gift annuity you can receive a current income tax deduction and a guaranteed payment stream for life (or the lives of two persons), and make a significant gift to your favorite ministry. A gift annuity may be funded with cash, appreciated securities, or other property.

In exchange for your gift, the Foundation signs a contract agreeing to provide the stated annuity payments. This agreement is backed by the Foundation's annuity reserves and general assets (currently valued in excess of \$12 million). All annuitants are unsecured general creditors of the Foundation. During the term of the annuity, all gift annuity funds are invested in the reserve. When the annuity terminates, the residuum (the value of your original gift, plus earnings, less payments and expenses) benefits the ministry or ministries you have designated.

The current value of your projected annuity payments is less than the current value of the assets used to create the gift annuity. The difference is the charitable gift. This gift is deemed to be completed and irrevocable at the time the gift annuity is created and is, therefore, deductible for current income tax purposes and is not an asset of your estate.

Annuity payments are fixed in their amount and payable for the annuitant's lifetime (or the joint lifetimes of two annuitants). The Foundation follows the annuity rates recommended by the American Council on Gift Annuities. These rates are based on the age of the annuitant(s) and are intended to produce at least a 50 percent residual value to the charity. In any event, no matter how long the annuitant might live, the Foundation is obligated to make the periodic annuity payments.

A portion of each annuity payment is taxable as ordinary income, and part is a tax-free return of the donor's cost basis. If long-term capital gain property is used to create the gift annuity, a portion of each annuity payment is taxed at the capital gains rate.

The higher rates available to older persons and the fixed payments make gift annuities particularly attractive for seniors. Gift annuities are often funded with low-yield assets such as cash from a low-interest Certificate of Deposit or low-dividend stock. Thus, donors may be able to increase current cash flow while accomplishing their intended gift.

Donors making a gift in excess of \$100,000 (especially when funded with highly-appreciated stock or real estate) may wish to consider creating a charitable remainder trust. Contact the Foundation for more information about charitable remainder trusts.

Gift annuities are easy and cost-effective. Prior to finalizing a gift annuity agreement, the Foundation provides a detailed illustration of your gift annuity for you to consider and discuss with your professional advisors.

Then, simply complete an application and return it with your gift. Finally, the Foundation will provide the gift annuity contract for your review and approval. Tax reporting information is also provided.

Deferred Charitable Gift Annuity

The Deferred Charitable Gift Annuity (DCGA), like the standard gift annuity, is a combination of a gift to charity and an annuity. With the DCGA, however, payments start at a date that is one or more years in the future. The payment start date may be fixed at the time the DCGA is created, or the start date can be determined at a later date by the annuitant within a pre-determined range of years (this is called a *Flexible* DCGA).

Annuity payment rates may be substantially higher with a DCGA due to the period of deferral. DCGAs are most attractive to persons in their 50s and 60s who do not need current income but would prefer a larger annuity payment at a future time. Many view the DCGA as a way to supplement retirement income. For additional information about DCGAs, please contact the Foundation office.

Medicaid Concerns

The Deficit Reduction Act of 2005 enacted substantial changes to the Medicaid eligibility rules. If you or your spouse are disabled, blind, or institutionalized, or are otherwise planning to enroll in Medicaid in the next 60 months, please note that certain transfers – including charitable gifts – may result in some period of ineligibility to receive Medicaid benefits. We strongly urge you to consult a qualified elder law attorney prior to creating a charitable gift annuity, charitable remainder trust, or other charitable gift arrangement.

Investment

Your charitable gift annuity payment is a fixed amount that will not vary and is not dependent on the investment returns of the Foundation. Nevertheless, the assets that are entrusted to the Foundation to

benefit United Methodist churches and UM-related agencies and organizations are invested with care and prudence.

The Foundation maintains a diversified portfolio of investments to provide competitive investment performance results for all managed funds. The Foundation takes seriously its stewardship responsibility as a manager of many different donor funds. Responsibility for managing the Foundation’s investment portfolio is vested in the Board of Directors through its Investment Management Committee. The committee works closely with the Foundation’s professional investment advisors to set policy, establish performance benchmarks and continually monitor the performance of the Foundation’s portfolio against these policies and benchmarks. The Foundation invests assets with a strategic allocation among a variety of equity, fixed income and alternative investments.

All charitable gift annuities are pooled for investment in the Foundation’s Balanced Investment Fund. The Balanced Fund began in 1990. As of December 31, 2017, the **average annualized return** of the fund since its inception in 1990, **net** of all costs and fees, was **7.7%**. The Fund may invest directly in securities or through the use of mutual funds.

Administrative Fee and Investment Costs

The Foundation assesses an annual administrative fee of 0.65 percent (65 basis points) on the balance of all funds under administration. The administrative fee is deducted quarterly (1/4 of the annual amount) from each account. The administrative fee partially offsets operating expenses of the Foundation (e.g., auditing, in-house accounting, account reporting and administration). The administrative fee is subject to modification and may be increased or decreased at the sole discretion of the Foundation’s Board of Directors.

The investment costs include all costs associated with the holdings of the Fund (i.e., mutual fund expense ratios) and investment advisory services. Investment costs are charged to the investment pool. The total annual investment costs for the Balanced Fund are projected to be 37 basis points (0.37%). Although the Foundation strives to minimize costs, unforeseen costs may arise and portfolio holdings may change resulting in alteration of this projection.

Assets Under Management

An independent audit of Foundation assets is performed annually. Complete audits for current and prior years are available for review. Total assets under management are as follows:

	December 31, 2016	December 31, 2017
	Audited	Unaudited
Unrestricted Net Assets	11,479,277	12,967,251
Temporarily Restricted Net Assets	6,533,989	3,723,541
Permanently Restricted Net Assets	8,294,624	14,304,455
Agency Investment Accounts	60,056,336	66,829,522
Charitable Gift Annuities	2,314,908	2,900,648
Charitable Remainder Trusts	1,782,008	654,544
Total	\$90,461,142	\$101,379,961

Privacy Notice

In the course of arranging and administering the charitable gift annuity you have established with the Missouri United Methodist Foundation, we have occasion to obtain nonpublic information about you, as well as to keep records containing that information. Even though such information is necessary in order for us to fulfill our responsibilities, we regard it as confidential. Pursuant to the Gramm-Leach-Bliley Act of 1999, we are providing you with this notice to help you understand the nature of the information in question and the ways in which we honor your privacy.

Types of Nonpublic Personal Information Obtained -- We obtain information such as your date of birth, your Social Security number, and data related to the assets you have contributed for your gift annuity.

Methods Used to Obtain Information – The information is obtained orally and/or in writing from you and, in certain cases, from persons or institutions you have authorized to provide us with information.

Disclosure of Information – Nonpublic personal information about you is disclosed to other persons or entities only as necessary and only as required or permitted by law. For example, such disclosure may occur when we engage advisors to assist us with questions that arise at the time a gift annuity is established or if we engage a financial institution in the administration of a gift annuity once it has been established. We require any person or entity that receives nonpublic personal information from us to treat such information as confidential.

In order to thank and recognize donors and to encourage others to give charitably, the names of donors are published, with their consent, in the Foundation newsletter and annual report. No such publication of your name occurs, however, if you request anonymity.

Protection of Your Privacy – We insure that nonpublic personal information about you is available only to those who need it for purposes of enabling us to fulfill our responsibilities with regard to your gift annuity. We do this through a combination of procedural, physical, and technological safeguards designed to protect confidentiality.

We appreciate very much the trust you have placed in the Missouri United Methodist Foundation by establishing a gift annuity with us. If you have any questions about the information covered in this notice, please contact the Foundation office.

Foundation History and Mission

The Foundation is a charitable not-for-profit corporation organized and existing under the laws of the State of Missouri. The Foundation was established and authorized in 1967 by the Missouri East and Missouri West Conferences of the United Methodist Church. The Missouri East and Missouri West Conferences officially merged into a single entity known as The Missouri Conference (“Conference”) effective January 1, 2003. The work of the Foundation is directed by a twenty-three member Board of Directors nominated by the Foundation and elected by the Conference.

The Foundation was chartered for the general purpose of soliciting and receiving gifts, donations and bequests of money and property to be used for the furtherance of the religious, charitable and educational efforts and activities of the United Methodist Church in Missouri. The Foundation is a

qualified public charity and has established its exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

A Foundation staff person would be delighted to visit with you about your gift and help make the necessary arrangements. Also, visit our website at www.mumf.org

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MUMF Current Year/Disclosure Statements & Donor Info/Donor Information CGA 2018