

CHARITABLE REMAINDER TRUSTS

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.

The Foundation will serve as trustee for Charitable Remainder Trusts (CRTs) benefiting United Methodist causes. For CRTs administered by the Foundation, the Foundation will:

- Assure that all distributions are made in a timely manner;
- Assure that appropriate tax reporting information is provided to donors each year;
- Provide donors with quarterly reports on trust activity, including investment performance, distributions and contributions;
- 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 trust (anonymity will be maintained if desired);
- Conduct an annual audit by independent accounting firm; and
- Provide documentation to each donor to substantiate charitable deductions.

CRTs come in two basic types described below. In designing a particular trust, many variations are possible to address specific planning needs. You should work closely with your professional advisor in designing a trust that is appropriate for your particular situation. The Foundation can provide sample documents, but your attorney must approve the formal trust instrument. We will be happy to work with you and your attorney.

CRTs are particularly useful for large gifts (i.e., in excess of \$100,000) funded with highly appreciated property. The CRT is tax-exempt. Therefore, once the property is transferred to the trust, the trustee can sell the property with no capital gain liability. The full sales proceeds amount can then be reinvested by the trust in order to meet the income payment requirements.

Because smaller gifts generally do not justify the expense of creating a charitable remainder trust, donors making a gift under \$50,000 may wish to consider creating a charitable gift annuity. Contact the Foundation for more information about the gift annuity program.

Charitable Remainder Unitrust (CRUT)

A tax-qualified trust wherein the beneficiary (usually the donor or members of the donor's family) receives annual payments and the charity (or charities) receives the remainder value at the termination of the trust. The annual payments are equal to a stated percentage (not less than 5 percent) of the fair market value of the trust's assets. **The trust is revalued annually.** Thus, if investment return on trust assets is greater than the unitrust payout rate, the beneficiary's payments will increase each year. Conversely, if investment return is less than the payout rate, payments will be made partly from principal, and the beneficiary's payments will decline. The charitable income and estate tax deduction are equal to the fair market value of the assets transferred to the trust less the present value of the projected payments to be received by the beneficiary. The donor may make additional contributions to a CRUT at any time during the term of the trust. Such trusts

are usually created for a period of the life of one or more persons or for a definite period of time not exceeding 20 years.

Charitable Remainder Annuity Trust (CRAT)

A tax-qualified trust wherein the beneficiary (usually the donor or members of the donor's family) receives an annual payment and the charity (or charities) receives the remainder value at the termination of the trust. The annual payments from a CRAT are a **fixed amount** for the duration of the trust. The annual payment is equal to a stated percentage (not less than 5 percent) of the fair market value of the trust's assets *at the time the trust is created*. Thus, annuity payments are fixed at the time the trust is funded. Donors may **not** make additional contributions to a CRAT. Unlike charitable gift annuities (where the annuitant is an unsecured general creditor of the charity), annuity trust payments come exclusively from the corpus of the trust, not from the charity. There is, therefore, an upper limit to the amount of the annuity trust payments, if the trust is to be tax-qualified. There cannot be more than a 5 percent probability the trust will run out of money prematurely. If the trust beneficiary lives beyond his or her life expectancy, and the annuity rate is high relative to the trust's investment experience, the trust can be depleted, and trust payments cease. Income and estate tax deductions are similar to those of charitable remainder unitrusts. The duration of the trust may be for a period of the life of one or more persons or for a definite period of time not exceeding 20 years.

Charitable Beneficiary Designations

When the trust terminates, then the remainder value of the trust is distributed to the charity or charities that the donor has designated in the trust document. For example, the trust might direct that 50% of the remainder be paid to a local UM church in Missouri, 25% to Central Methodist University and 25% to the Food Bank of ABC. Alternatively, the donor could designate that the remainder become a permanent endowment at the Foundation that pays its annual income to those same charities in similar proportions.

Please note: The Foundation will serve as trustee for your charitable remainder trust ***only if*** the charitable remainder ***substantially*** benefits one or more ministries of the United Methodist Church in Missouri.

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

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.

The Board maintains discretion with regard to the investment of charitable remainder trusts. Typically, CRTs are pooled for investment in the Foundation's CRT Investment Fund which is administered

exclusively for the investment and administration of CRTs. The CRT Fund’s investment objective can vary depending on the size of the pool and the average projected duration of the trusts in the pool. Under normal market conditions, the Fund will be invested in a portfolio that includes a balance of equity securities (including those of foreign issuers and small capitalization companies) fixed income securities and alternative assets (real estate, natural resources).

The Fund may invest directly in securities or through the use of mutual funds. The Fund utilizes a short term money fund to provide liquidity for income beneficiaries, but will normally be substantially invested in other securities.

The historic annualized net returns* for the Fund as of December 31, 2017 were as follows:

	1 year	3 year	5 year	10 year	Since Inception
CRT Fund	13.8%	5.6%	5.9%	2.5%	5.1% (Jan 2001)

*Historical returns are time-weighted and net of all costs, commissions and fees associated with the investments. Returns for periods greater than 12 months are annualized. Past performance is no guarantee of future returns.

Administrative Fee and Investment Costs

The Foundation assesses an annual administrative fee of 0.65 percent (65 basis points) on the balance of all accounts. 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 CRT Fund are projected to be 0.37 percent (37 basis points). 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 remainder trust 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 trust.

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 trust is established or if we engage a financial institution in the administration of a trust 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 trust. 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 charitable remainder trust 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 who are 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 web page at www.mumf.org

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