

*A Guide to  
Planned  
Giving*



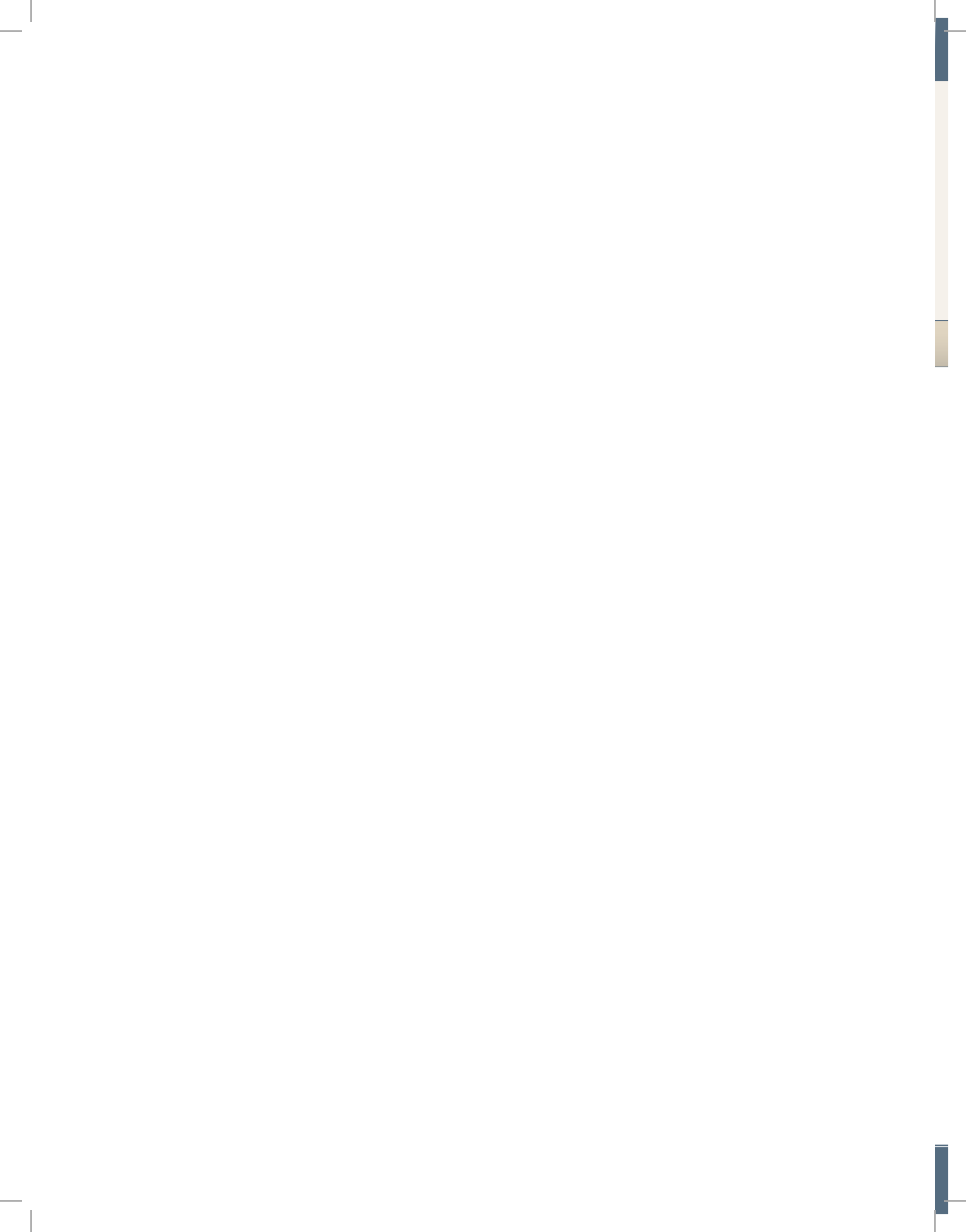


# *What is Planned Giving?*

- The integration of personal, financial and estate planning goals with lifetime or testamentary charitable giving.
- An opportunity for charitable giving in circumstances that may not otherwise allow a donor to make a gift to the Lord's work.

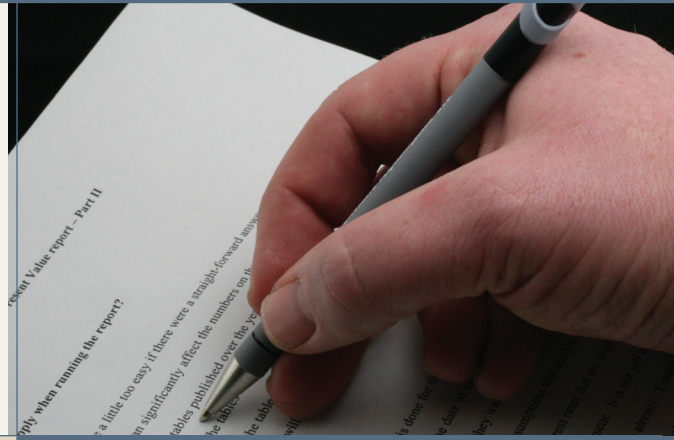
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# Bequest

A gift to ministry organizations at death. A bequest is the simplest type of planned gift to make and one of the easiest to implement.



## The Details

A donor can leave property to ministries by including a bequest in his or her will or trust. Property that passes by a beneficiary designation (such as individual retirement accounts) can be left by designating the ministry as a beneficiary.

### *Specific Asset Bequests*

Many bequests transfer a specific item to a beneficiary. “I give my car to Joshua.”

### *Specific Amount*

Another common transfer within a will is the gift of a specific dollar amount. “I give \$1,000 to Sarah.”

### *Bequest of a Percent of the Residue*

A fractional amount or percent of the residue may be transferred to charity. “I give 50% of the residue of my estate to The Evangelical Free Church of America (41-0721672).”

### *Undivided Percentage of Asset Bequests*

A testator may bequeath or devise an undivided percentage of a particular asset. “I give half of my home to Brian.”

Consider naming

- your local church
- EFCA affiliates such as Camps, Districts
- EFCA ReachGlobal, ReachNational

## The Need

Many people desire to benefit ministries but are unable to donate property while they are alive. For example, a donor may have property that is needed during life to cover living expenses or rising health care costs.

## A Solution

A donor can retain ownership and use of property during life and still benefit ministries by leaving it to the Lord’s work at death.

## The Benefits

### *Gift to Charity*

The charity receives cash or property.

### *Estate Tax Deduction*

The amount given to charity is not subject to federal estate tax.

### *Preserves Lifetime*

### *Flexibility*

The donor is able to use and control property while alive.



# *Gift Annuities*

A gift annuity is an agreement where a donor makes a gift of cash or property and a charity agrees to make fixed payments to the donor for life.

## *The Need*

A donor wants to make a gift to EFCA causes but needs regular payments to supplement income.

## *A Solution*

Donor and EFCA Foundation enter into a charitable gift annuity agreement.

## *The Benefits*

### ***Fixed Payments for Life***

A gift annuity contract provides fixed payments to one or two individuals for life.

### ***Partly Tax-Free Payments***

A portion of each gift annuity payment to the donor is tax-free.

### ***Rates by Age***

Annual gift annuity payouts are based on the donor's age (rates are higher for older donors).

### ***Tax Deduction***

The donor receives a current federal income tax deduction for the present value of the gift to ministry.

## *The Details*

An EFCA Foundation charitable gift annuity (CGA) is a contract between a donor the Evangelical Free Church of America.

### ***Duration***

A donor gives cash or appreciated property to the EFCA Foundation. In exchange, the EFCA Foundation makes fixed payments for the lifetime(s) of one or two individuals.

### ***Payout Rate***

Gift annuity payments are based on a rate schedule. The EFCA Foundation use rates set by the American Council on Gift Annuities (ACGA). Under the ACGA's rates, the older the age of the person receiving gift annuity payments, the higher the rate.

### ***Taxation of Payments***

A predetermined portion of each gift annuity payment is tax-free and the remaining amount of each payment is taxable at ordinary tax rates.

### ***Timing***

A gift annuity contract can begin making payments immediately (a current gift annuity) or defer payments for at least one year (a deferred gift annuity).

### ***Remainder***

Applied to chosen ministry at death of Annuitants.

# Charitable Remainder Trust

A charitable remainder trust receives cash or property from a donor, makes payments for a life, lifetimes or term of years and then distributes the remainder to choice of ministry or charity.

## *The Details*

A donor transfers cash or appreciated property to the CRT. The CRT is a tax-exempt trust that can sell the appreciated property without paying capital gains tax.

### *Duration*

A CRT can last for the lifetime of one or more beneficiaries or for a specific term of years.

### *Annuity vs. Unitrust Payout*

A charitable remainder annuity trust (CRAT) pays a fixed dollar amount each year. By contrast, a charitable remainder unitrust (CRUT) pays an amount equal to a percentage of the trust value at the beginning of each year.

### *Taxation of Payouts*

Most CRT payouts are taxed to the beneficiary as ordinary income and/or capital gain.

### *Payout Flexibility*

A unitrust offers four flexible payout options. A standard CRUT pays a fixed percentage of the trust value. A net income trust (NICRUT) pays the lesser of the trust's net income or the standard amount. A net income with makeup trust (NIMCRUT) is like a NICRUT but can make additional distributions. Finally, a FLIP trust pays like a NIMCRUT until a certain date or event and then "flips" to payout like a standard CRUT.



## *The Need*

A donor wants to turn appreciated property that produces little or no income into a productive asset without paying capital gains tax on the sale of the property.

## *A Solution*

A donor contributes the appreciated property to a charitable remainder trust that will sell the property tax-free and then make payments for life or a term of years.

## *The Benefits*

### *Bypass Gain*

The trust sells property tax-free.

### *Increased Income*

The trust pays a percentage of its value to the trust beneficiary.

### *Charitable Tax Deduction*

The donor receives a current federal income tax deduction.



# *Life Estate Reserved*

Ministry accepts a gift of property – either a personal residence or farm – and the donor retains the right to use the property for his or her lifetime.

## *The Need*

A person may desire to leave his or her house or farm to ministry at death, but would like a current tax benefit.

## *A Solution*

Donors can deed a house or farm to ministry but keep the right to use the house or farm for their remaining lifetime.

## *The Benefits*

### ***Tax Deduction***

The donor receives a current federal income tax deduction for the remainder value of the home or farm.

### ***Preserves Lifetime Use***

The donor is able to use and control the home or farm while alive.

## *The Details*

A donor executes a deed transferring a house or farm to charity. In the deed, the donor retains a “life estate,” that grants the donor the right to live in the home for life.

### ***Duration***

The life estate typically lasts for the life of the donor.

### ***Deed Restrictions***

The deed of the remainder interest to ministry must not be restricted.

### ***Mortgage***

It is possible for a donor to make a gift of a remainder interest even though there is a mortgage upon the residence. That said, the EFCA Foundation usually requires mortgage free property.

### ***MIT Agreement***

The donor agrees to be responsible for the maintenance, insurance and taxes on the property.



# Charitable Lead Trust

A charitable lead trust (CLT) receives cash or property from a donor and makes payments to ministry for a specified period. At the end of the period, it distributes the trust property to a specified beneficiary, usually family.

## *The Details*

A donor transfers cash or property to the CLT. Unlike a CRT, a CLT is a taxable trust. Each year the CLT will report its income and then take a deduction for the amount that it distributes to ministry purposes, any excess is subject to tax.

### *Duration*

A CLT can last for the lifetime of one or more beneficiaries or for a specific term of years.

### *Annuity vs. Unitrust Payout*

Each year, a CLT pays either a fixed annuity amount or available unitrust amount to ministry organizations.

### *Lead Trust Types*

A family receives property and usually distributes it to a family member at the end of the term. A gift tax deduction is available to a donor who creates a family CLT. A grantor CLT receives property that ultimately returns to the donor. The donor gets an income tax deduction when the trust is created. However, the donor has to report trust income on his or her personal income tax return each year.



## *The Need*

A donor wants to give a gift to ministry for a period and pay as little gift or estate tax as possible.

## *A Solution*

A donor contributes property to a trust that will make distributions to ministry for a specified term and ultimately distribute the property to the donor's family or be returned to the donor.

## *The Benefits*

### *Pass Appreciation to Family*

A donor gives property to a lead trust and that property plus growth passes to his or her family with no additional tax.

### *Gift or Estate Tax Deduction*

A donor receives a current federal gift or estate tax deduction for the present value of the payments that will go to ministry.



# *Bargain Sale*

Ministry purchases property for less than fair market value or accepts a gift of mortgaged property.

## *The Need*

Many people desire to benefit the Lord's work but cannot afford to give an entire property to ministry. Other people may have mortgaged property that they are willing to give.

## *A Solution*

Ministry can buy the property at a bargain price or agree to accept the donor's mortgaged property.

## *The Benefits*

### *Immediate Benefit to Donor*

The donor gets a cash payment or debt relief.

### *Bypass Gain*

The donor avoids gain on the part of the property that is a gift.

### *Tax Deduction*

The donor receives a current federal income tax deduction for the part of the property given to ministry.

## *The Details*

A bargain sale works just like any other sale except that the sale price is a bargain (less than the property is worth). The donor transfers an asset to ministry and receives less than fair market value in return.

### *Charitable Deduction*

The donor receives a charitable deduction for the difference between the fair market value of the property transferred and the cash received in the bargain sale.

### *Cash or Debt Relief*

A donor sells the property to ministry and receives a cash payment or debt relief.

### *Bargain Sale*

The donor gets the cash or debt relief he/she desires and the ministry receives a valuable property for less than full price. The difference between the sale price and the appraised value of the property is a gift to the ministry.

# *Donor Advised Funds*

A donor advised fund is a special charitable account that receives cash, appreciated securities, and approved real estate from a donor. Your account is then invested to grow over time, permitting you to recommend grants to your preferred ministries and charities. This is a flexible, low cost alternative to a family foundation.



## *The Details*

The EFCA Foundation Donor Advised Fund (DAF) is an agreement between a donor and the Evangelical Free Church of America.

### *Helpful Service*

Get help with your donations and grants.

### *Making Grants*

Once your DAF account is open, you are ready to begin giving! Simply contact us in writing. You may support most qualified charities and ministries.

### *Charitable Deduction*

The donor receives an immediate charitable deduction.

### *Great Alternative to a Family Foundation*

Unlike a private foundation, DAF gifts generally qualify for a full fair market value charitable deduction and DAFs have lower startup costs. A DAF also permits you to make gifts to charity without unfavorable private foundation restrictions and excise taxes.

### *Low Cost*

Lower cost mean higher grants to more worthwhile causes.

## *The Need*

A donor wants to give a gift to one ministry now, gain an immediate charitable deduction, but wishes to support their local church, EFCA ministries, missionaries, and most secular charitable organizations this year and in the years to come.

## *The Benefits*

- Easy to get started
- Name your fund
- Set your granting schedule
- Make grants to your favorite ministries and causes
- Enjoy immediate tax savings
- Simplify your record keeping
- Let the EFCA Foundation prepare and mail the checks



## *Donor Designated Funds*

Donors who are committed to supporting one or more ministries create a restricted fund through the EFCA Foundation to support the named ministry. If one of the ministries closes down or leaves the EFCA, the program staff at the EFCA Foundation will direct your grant making to a similar EFCA ministry. In this way, your stewardship wishes will continue to do the work you intended.

### *The Need*

A donor wishes to establish a “sustaining fund” for EFCA or EFCA affiliated causes important to them

### *A Solution*

Donor and the EFCA enter into a donor designated fund agreement

### *The Benefits*

#### **Sustained financial support**

A designated fund makes regular grants – year in and year out to support the ministries and purposes most important to you.

#### **Flexibility**

You select the EFCA ministry.  
You set the annual-payout rate.  
You determine the purpose.

#### **Tax Deduction**

The donor receives tax deductions to the full extent of the law.

### *The Details*

An EFCA Foundation Donor Designated Fund is an agreement between a donor and the EFCA Foundation.

#### *Two Types*

1. Utilize an Existing Fund – Talk to the EFCA Foundation for details
2. Create Your Own Fund

- Donor chooses name of the fund
- Donor chooses one or more EFCA or EFCA-affiliated ministries to support. Consider your local church or favorite camp.
- Donor may identify how they wish the funds to be used.
- Grants paid out at rate designated by donor (5% minimum).
- EFCA Foundation Program staff will work with the named ministry to ensure they are willing or able to utilize the funds for the named purpose or purposes.

#### *Funding*

Donor makes an irrevocable charitable gift to the EFCA Foundation (\$5,000 minimum).

You may make both lifetime gifts and estate gifts using cash, stock, and approved real estate.

#### *Benefit your favorite EFCA ministries*

The EFCA ministry or ministries you specify benefit from the fund. Annual grants will be made from both income generated from the fund or from principal. This is NOT an endowment.



## *Biblical Basis to support the Lord's work*

Every Christian is encouraged to prayerfully consider naming ministry within their wills or other estate plans. There are numerous Biblical reasons for good stewards to do this.

### *The Details*

- 1. To prove or demonstrate my love for God.** “I am not commanding you, but I want to test the sincerity of your love by comparing it with the earnestness of others.” (NIV: 2 Corinthians 8:8)
- 2. To help with the carrying out of the Great Commission.** (Matthew 28:19-20)
- 3. To put faith into practice.** “We live by faith, not by sight.” (2 Corinthians 5:7)
- 4. To abound in the grace of giving.** “But just as you excel in everything ... see that you also excel in this grace of giving.”
- 5. To encourage others in the grace of giving.** “For I know your eagerness to help ... and your enthusiasm has stirred most of them to action.” (2 Corinthians 9:2)
- 6. To experience the love of God in all its fullness.** “...for God loves a cheerful giver.: (2 Corinthians 9:6)
- 7. To bring glory to God.** “...men will praise God for the obedience that accompanies your confession of the gospel of Christ, and for your generosity in sharing with them and with everyone else.” (2 Corinthians 9:13)
- 8. To please God.** “...They are a fragrant offering, an acceptable sacrifice, pleasing to God.” (Philippians 4:18)

### *The Praise*

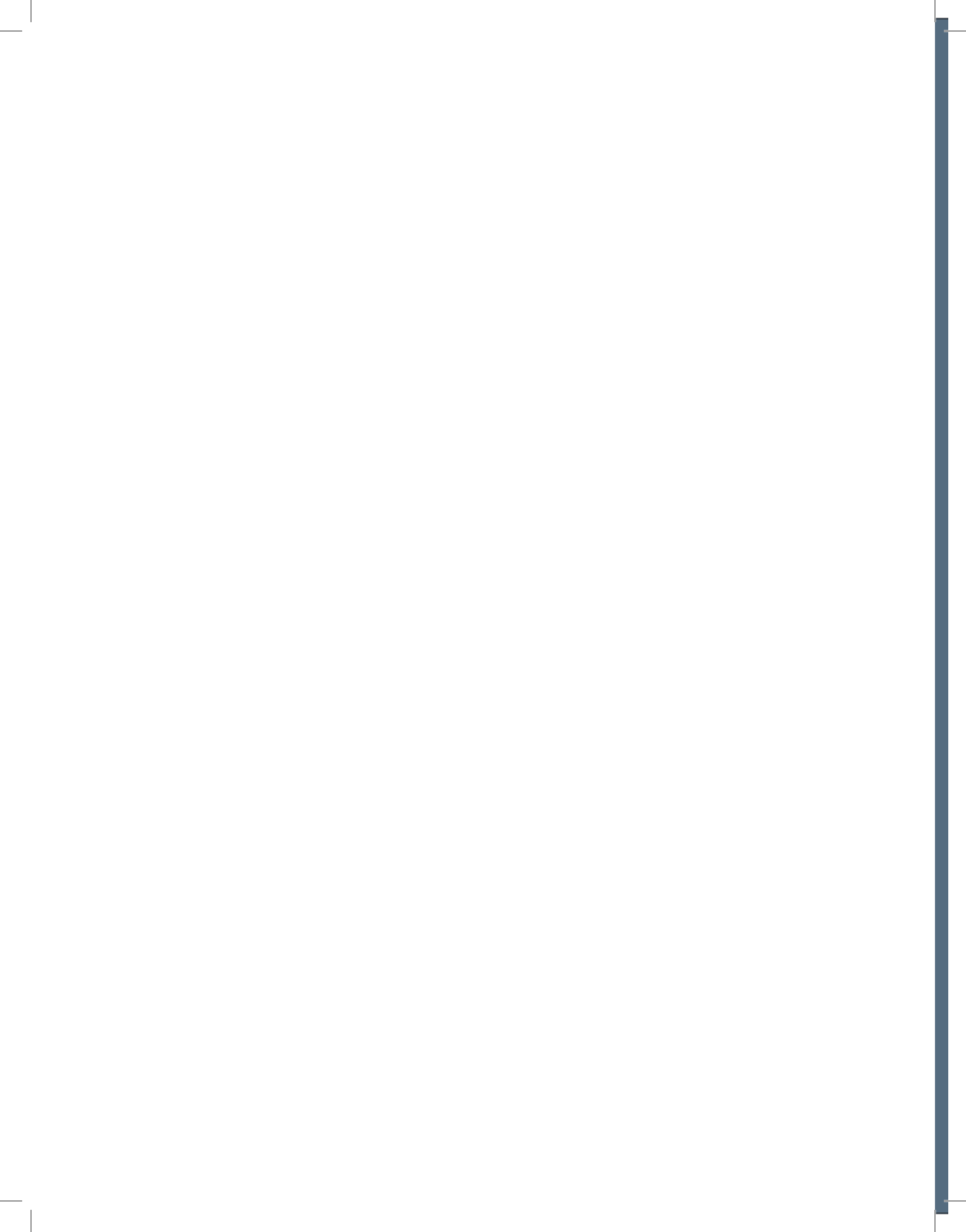
At the EFCA Foundation, we value and praise the Lord for individuals and families who support the current ministry initiatives and the future vision of the Evangelical Free Church of America. Funds are used to support the EFCA's mission to *glorify God by multiplying healthy churches among all people.*

### *The Recognition*

At the EFCA Foundation, we recognize that it is the work of the Holy Spirit that prompts Christians to give (John 15:4-5). We place the giver's relationship to God above our ministry's agenda. (2 Corinthians 4:16-18).

### *The Encouragement*

The EFCA's impact is realized in communities, states, our nation, and around the world. We encourage you to support your local church, district, camps, colleges, seminaries, and the various ministries of the EFCA national office.





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The EFCA Foundation is a ministry of the  
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