

# Congregational Endowment Guide

A helpful resource for your planned giving program

Brought to you by Thrivent Financial for Lutherans and  
the Lutheran Community Foundation



# Contents

- 1** Committing to the Future
- 7** What Is an Endowment?
- 15** Mechanics of an Endowment
- 27** Marketing the Endowment Fund
- 41** Giving to the Endowment Fund
- 46** Endowment Fund Resources
- 51** Frequently Asked Questions About Giving

# Committing to the **Future**

*Every heart has a voice ... listen to its song.*



## Committing to the Future .....

**T**he word “stewardship” conveys both theological and Biblical meanings. In his book, *Financial Meltdown in the Mainline*, Loren Mead writes, “We are given the things of this world in trust from God and therefore are called upon to return a share to God.” In this discussion of stewardship, Mead cites a study that traces the use of this word among church leaders. Some 100 years ago, church leaders “latched onto the word ‘stewardship,’ trying to get church members to become steady, regular supporters of mission endeavors. Their intent was so they could make commitments and plans for the future.”

Endowment funds and planned giving programs are means for a congregation to make commitments and plans for its future. They are to be understood in the context of a congregation’s overall stewardship for the financial support of its mission. This overall plan has several components, including:

- Annual budget campaign
- Periodic capital campaign
- Designated giving
- Endowment and ongoing planned giving program

A congregation’s understanding of its mission is essential to the





creation and ongoing support of an endowment fund. This clear understanding of mission is owned by clergy and lay leadership alike, as well as the members of the congregation.

Thrivent Financial for Lutherans and the Lutheran Community Foundation are pleased to offer this guide to your congregation. It is our intent to provide information that will bring value to your congregation as you consider how an endowment fund and a planned giving program will support your mission.

For further information or assistance regarding an endowment and planned giving, contact the Thrivent Financial representative in your area. Our entire organization is here to be of service to you and your congregation. For specific questions regarding endowments and planned giving, contact the Lutheran Community Foundation or your Lutheran church body foundation. You also may wish to contact your church body foundation for additional resources and materials for establishing an endowment.

## Objectives

How can an endowment fund help your congregation fulfill its mission and vision? A church cannot fulfill its mission and vision if it doesn't have adequate resources, both now and in the future. An endowment fund may be the right way for your church to be a good steward of the gifts entrusted to it, and thus ensure its vitality for years to come.

Whether your congregation is considering establishing an endowment fund, or seeking to re-energize an existing one, this guide can help. It can be used by clergy, lay leadership, endowment committee members, or anyone who has responsibility for your congregation's financial health.

---

## What This Guide Is, and What It Is Not

This guide is filled with basic information on endowments. Since endowment funds are only successful if people know about them and use them, we have also included ideas on ways to help inform the members of your congregation about your endowment fund and how they can participate in it.

---

Any congregation wishing to create an endowment fund should work with a team of professionals, which may include a qualified attorney, financial planner or professional and/or tax specialist. As one of these professionals, your Thrivent Financial representative can help put you in touch with the appropriate people.

However, this guide cannot provide everything a congregation needs to know about creating or maintaining an endowment fund. Endowment funds are complex financial tools, involving legal and tax concerns beyond the scope of this guide.

You will find that this guide does not endorse a particular way of distributing or managing endowment funds. These are decisions each congregation must make on its own, based on its own needs and philosophy. However, this guide will help you through the decision-making process.

The guide is divided into five main sections:

### What Is an Endowment?

This section provides general information about endowment funds and how they work, as well as information to help your congregation decide if creating an endowment fund is appropriate. A glossary of endowment terms also is included.

### The Mechanics of an Endowment Fund

Here you will find more detailed information about how endowment funds can be set up and managed. A “decision tree” is included to help you find a management structure for the endowment that best suits your congregation’s mission and needs. Sample bylaw and mission statements will help you integrate the endowment within your larger church mission.

## **Marketing the Endowment Fund**

In this section, you will learn how to communicate effectively about the endowment fund to your potential donors. An endowment is only successful if potential donors understand its purpose and how they can use it to meet their own charitable-giving needs. Included is a guide for creating your marketing plan, a list of potential marketing techniques, and a guide to roles and responsibilities in the endowment process.

## **Giving to the Endowment Fund**

This section provides detailed information on how to make gifts to an endowment fund and how to determine which types of gifts are appropriate in a variety of circumstances. Additional information on ways to make gifts is available from the church body foundations and the Lutheran Community Foundation. See page 45 for contact information.

## **Endowment Fund Resources**

Use this section to learn more about some of the organizations, products and services that you can use not only for creating your endowment fund, but for investing its assets, as well.

## **Frequently Asked Questions**

The answers to 13 questions frequently asked by an organization or by potential donors when setting up an endowment fund are included in this guide, starting on page 51.

Thrivent Financial representatives are available to help guide you through the endowment process, and can answer questions you may have about this guide and offer suggestions about how it can best be used in your congregation. They can also provide additional materials to help your congregation understand and use an endowment fund.

## What Is an **Endowment**?

*The difference between just getting by and bringing the mission to life.*



# What Is an Endowment?

**W**ebster's Dictionary defines "endowment" as "funds or property donated to an institution, individual, or group to produce income." For your Lutheran congregation, that income can mean the difference between just "getting by," and the security of bringing your congregation's mission and vision to life for generations to come.

## Mutual Stewardship

Endowment funds are partnerships between Lutherans and their congregations—partnerships based on the idea of mutual stewardship. By supporting the endowment fund, Lutherans act as stewards to and for their congregations. And by using the income generated by the endowment to fulfill its mission, your congregation acts as a steward to and for your members and the community.

## Local Control

An endowment fund is a single pool of resources set up by your congregation to receive gifts. Distributions from the fund are typically consistent with one of the following policies:

**Income only:** Distributions are made only from the income (usually interest and dividends) the endowment fund produces; the principal remains intact. Because the principal is left untouched year after year and increases as people contribute to the endowment fund, the fund will provide a secure financial base from which the congregation can realize its future vision.

**Percent of value:** Because determining "income" is difficult since long-term endowment investors tend to invest for growth using balanced portfolios that are heavily invested in equity mutual funds, some congregations have moved to a distribution policy based on a percentage of the fund value. Usually the percentage is between 4 and 6, meaning that in years when investment return in the fund exceeds that percentage, the fund grows. This growth permits distributions in other years when market performance is poor. The ability to make regular annual distributions in spite of market performance is believed by many to support a more active endowment program that generates more interest and commitment to giving. The Uniform Management of Institutional Funds Act (UMIFA), which has been adopted by most states, addresses the total-return approach along with other issues. Donors to the endowment should be informed of the possibility that principal will be spent if this approach is adopted.

---

## Donor Choice

When making gifts to the endowment, donors can designate if the gift should be used for a particular purpose or whether the congregation should decide how to spend it. Keep in mind that donor designations may restrict the use of the gift to a purpose that is not consistent with the fund's mission or that cannot be adequately funded.

Encouragement of undesignated gifts provides the flexibility to meet needs where they exist.

Gifts of cash, life insurance, and assets that can easily be converted into cash, such as publicly traded securities, are appropriate to donate to an endowment fund. Other assets, such as certain types of unencumbered real estate, closely held stock, livestock or crops, also may be appropriate gifts. But they should be accepted only when consistent with a gift-acceptance policy that has been carefully considered and adopted by the endowment committee so that any risks or liabilities can be minimized or eliminated. Gifts to endowment funds are easy to facilitate during life and after death, and can provide significant tax advantages to donors whether they give cash, stock, real estate or other assets.

## Tax Advantages

A gift to an endowment fund qualifies for a current income tax charitable deduction and for an estate tax deduction. Donors can use the amount of the income tax charitable deduction to purchase a life insurance contract to replace the amount of their gift for their family heirs. The proceeds of this life insurance contract may be exempt from estate taxes. Donors can realize even greater tax savings by giving an appreciated capital asset instead of cash, because this allows them to avoid paying capital gains tax on the appreciation. A Thrivent Financial representative can provide additional information on the advantages of gifts to endowment funds.



---

## **Long-Term Benefits**

When your congregation chooses to set up an endowment fund, it is making a commitment to its members to act as a good steward of the donated assets. And when donors give to the endowment fund, they are creating a legacy of stewardship that can last for years to come.

## **Endowment Fund Terms**

As your congregation proceeds with its endowment fund discussions, having knowledge of frequently used endowment terms can prove helpful. Following is a list of common endowment terms with brief descriptions.

### **Annuity**

An investment from which a person receives income payments for a specified time period.

### **Asset**

Anything owned by a person, business or institution that can be sold or exchanged. Examples of assets are cash, real estate, stocks and bonds.

### **Beneficiary**

In most cases, a beneficiary is either the recipient of an inheritance as designated in a will, or the recipient of the proceeds from a life insurance contract. Beneficiaries can be individuals or institutions, such as a school or a church.

### **Bequest**

The giving of assets, such as stocks, bonds and personal property, through a will.

### **Capital Gains Tax**

Tax on the profits from the sale of a long-term capital asset, such as appreciated stock, real estate or a bond fund.

### **Charitable Gift Annuity Agreement**

A method of donating to charity in which a person gives an asset, such as cash or stock, to an organization, and the organization signs a contract agreeing to pay the donor, or another individual, a fixed income throughout his or her lifetime. Charitable gift annuities may be offered only by qualified charities meeting the regulatory requirements for gift annuities in the donor's state of residence.

### **Charitable Lead Trust**

A method of giving to charity in which a person transfers an asset to a trust. The trust then pays the charity an income for a designated term. After the term is up, the assets in the trust are returned to the donor or someone the donor designates, such as a spouse or children.

---

### **Charitable Remainder Trust**

A method of donating to charity in which a person transfers an asset to a trust. In return, the trust pays the donor or another person an income stream for life or a specified term. At the end of the trust term, the remaining assets are passed on to the charity.

### **Church Body Foundation**

Lutheran church body foundations exist to support and sustain ministries of the church by connecting donors with ministries, as well as meeting the donors' charitable intent.

### **Community Foundation**

Publicly supported foundations operated by and for the benefit of a specific community, such as a faith community, or a geographic region. They receive their funds from a variety of individual donors, and provide a vehicle for donors to establish endowed funds without incurring the costs of starting a foundation. Community foundations are administered by a governing body or distribution committee representative of community interests.

### **Deed**

A document that describes the transfer of the legal title to real estate from one party to another.

### **Direct Gift**

The transfer of an asset, such as cash, stock or real estate, directly to a charity.

### **Donation/Charitable Gift/Gift/Contribution**

Assets or services given to a charitable organization, such as a church.

### **Endowment**

Funds or property donated to an institution, individual or group to produce a stream of income.

### **Estate**

All the assets, such as stocks, bonds, real estate and cash, a person possesses at the time of death.

### **Estate Tax**

Tax imposed by government on assets in a person's estate.

### **Financial Services Professional**

Someone whose job is to help people analyze their finances and make decisions about financial matters, such as insurance, investments and taxes.

### **Income Tax Deduction**

An expense that reduces a person's taxable income. Examples of tax-deductible expenses are charitable gifts, mortgage interest, and some medical expenses.

---

**Interest**

The cost of using money, which is usually calculated as an annual rate. Interest can either be an amount owed on a loan or an amount earned on an investment.

**Mission**

A statement describing an organization's purpose.

**Planned Giving**

A method people use to map out how they and their estate will make charitable gifts throughout their lifetime and after their death.

**Premium**

Refers to the fee paid to an insurance company for insurance protection.

**Principal**

The amount of money put into an investment or the amount owed on a loan, excluding the interest.

**Split-Interest Gift**

A type of charitable donation that allows the donor to maintain an interest in the gift.



---

**Steward/Stewardship**

Someone who manages a person's or institution's finances and other resources. Religious connotations suggest that stewardship is how people and churches manage their gifts from God.

**Tax Advantages/Tax Benefits**

Benefits or advantages offered by any financial transaction that decrease a person's taxable income or allow someone to avoid paying certain taxes, including income, estate or capital gains taxes.

**Tax Adviser**

Someone whose job is to counsel people on matters related to taxes, including income taxes, capital gains taxes, and estate taxes.

**Tax Implications**

The positive or negative consequences of any financial transaction that affect the amount a person pays in taxes, including income taxes, capital gains taxes, and estate taxes.

**Taxable Income**

The amount of a person's income that is subject to federal income taxes.

**Trust**

A legal arrangement in which property or assets are held by one party for the benefit of another party.

**Vision**

Describes how an organization will accomplish its mission.

**Wealth Replacement**

A method people use to replace the gift they have made to charity so that the amount they pass to their heirs is not reduced. It involves purchasing a life insurance contract with the money a person saves in taxes or earns through additional income when he or she gives to charity.

## Mechanics of an **Endowment**

*Congregation endowments, when planned and nurtured, help expand ministries and outreach.*



# Mechanics of an Endowment .....

## Five Steps to Creating and Growing an Endowment

Endowment funds are an excellent way for congregations to act as good stewards, because they help ensure that the gifts received will continue to benefit the congregation for years to come. Just as being a good steward requires careful planning and attention to detail, so does creating and growing an endowment fund.

The following five steps provide a broad overview of the endowment process. These steps will help your congregation understand the “big picture” of what is involved in setting up an endowment. More detailed information on creating and growing endowment funds can be obtained from legal and financial professionals, including a Thrivent Financial representative. When setting up an endowment, you may want to work with an attorney, an accountant and a tax adviser.

---

The “Identifying the Need for an Endowment” worksheet, found on page 21, is helpful for this step.

### Step 1: Identify the need for an endowment

Many churches rely on annual pledge drives to fund their programs, without giving much thought to longer-term financial needs. An endowment fund can help ensure that your congregation’s mission is carried into the future. To determine whether an endowment is right for your congregation, start by introducing the concept at a church council meeting.

At the same meeting, the church council should:

- Review the mission statement of the congregation;
- Identify ways the mission is being accomplished; and
- Review the financial strategies in place that will allow your congregation to continue accomplishing its mission.

If the council finds its current financial strategies are inadequate, an endowment should be considered.

### Step 2: Learn what an endowment is and what it can do

An endowment is a fund set up by a congregation to receive gifts and bequests from multiple donors and is intended to be maintained on a long-term basis, providing support of the congregation’s mission into the future.

A congregation can set up an endowment in one of four ways:

- It may establish, invest and manage its own fund.
- It may establish its own fund through a church body foundation, such as the ELCA Foundation, the LCMS Foundation, or the WELS Foundation, or hire an independent fund manager.

- 
- It may set up an endowment fund under the umbrella of a community foundation, such as the Lutheran Community Foundation.
  - It may establish its own public foundation, separate from the congregation itself.

Your Thrivent Financial representative can help you decide which method is best for your congregation.

### **Step 3: Identify the needs and causes that will be supported by the endowment**

Distributions from an endowment fund should be used in ways that are consistent with the congregation's mission and vision. In addition, congregations should consciously and proactively identify separate goals for annual pledge drives, capital campaigns and the endowment fund.

Examples of endowment fund uses include:

- Mission and outreach.
- Provide college and seminary scholarships. Congregations should be sure to acquaint themselves with current IRS guidelines pertaining to scholarships.
- Enhance the religious-education program.
- Support local, regional, national and international mission programs.
- Support youth programs in the community.

### **Step 4: Establish the endowment fund**

Before the fund is established, the congregation will want to select an endowment committee to oversee the fund and prepare a fund agreement. To do this, the congregation should take action to:

- Approve the establishment of an endowment.
- Authorize the election of an endowment committee.
- Approve a transfer of start-up funds to the endowment.
- State the guidelines for distributions from the endowment.
- Authorize the congregation to execute the endowment fund agreement.
- Authorize the endowment committee to approve future fund transfers.
- Authorize the church council to adopt the bylaws for governance of the endowment committee.

Once the bylaws are amended, an endowment committee that represents the diversity of the church membership should be formed.

---

See the “Sample Amendment to Bylaws” on page 23 for an example of how congregational bylaws may be amended to accommodate the endowment.

Also, the most successful endowment committees recognize that an endowment fund can be grown more effectively and quickly through additional contributions than through investment return. So, having individuals on the committee who are willing and able to promote the mission of the endowment fund and ways to give to the congregation should be a priority.

Next, bylaws for the endowment committee can be prepared and adopted. These bylaws usually include at least the following:

- Mission/Purpose of the Endowment Committee.
- Establishment and Operation of the Endowment Committee (number of members, terms, number of meetings, filling vacancies, majority vote for decision-making).
- Duties of the Endowment Committee.
- Distributions from the Endowment Fund (percentage of value of fund or based on income).

Often the endowment committee will separately adopt an investment policy and a gift-acceptance policy.

---

Sample bylaws are available from the church body foundations and the Lutheran Community Foundation.

After the endowment fund is created, start-up funds, as stated in the amended bylaws, can be transferred to the endowment. The endowment funds should be invested in ways that are consistent with the investment policy.

**Step 5: Create a business plan that includes both marketing and communication components**



---

Most likely, the congregation will have to be educated about what an endowment fund is and how they and the congregation will benefit from it. Start by identifying and categorizing potential donors. People have different reasons for giving to their congregation. Some are motivated by their sense of stewardship. Some want their support to continue after their death. Some believe giving is an obligation. Appealing to all types of donors is important. While you may communicate differently to different audiences, always create clear and consistent messages about the needs and goals of the endowment fund.

---

See the “Marketing the Endowment” section of this guide for more information on marketing and communication strategies.

A marketing plan will help you reach all audiences. You will want to tell potential donors about the ways they can give to the endowment fund and explain the advantages of each giving method. Examples of marketing tools to do this are:

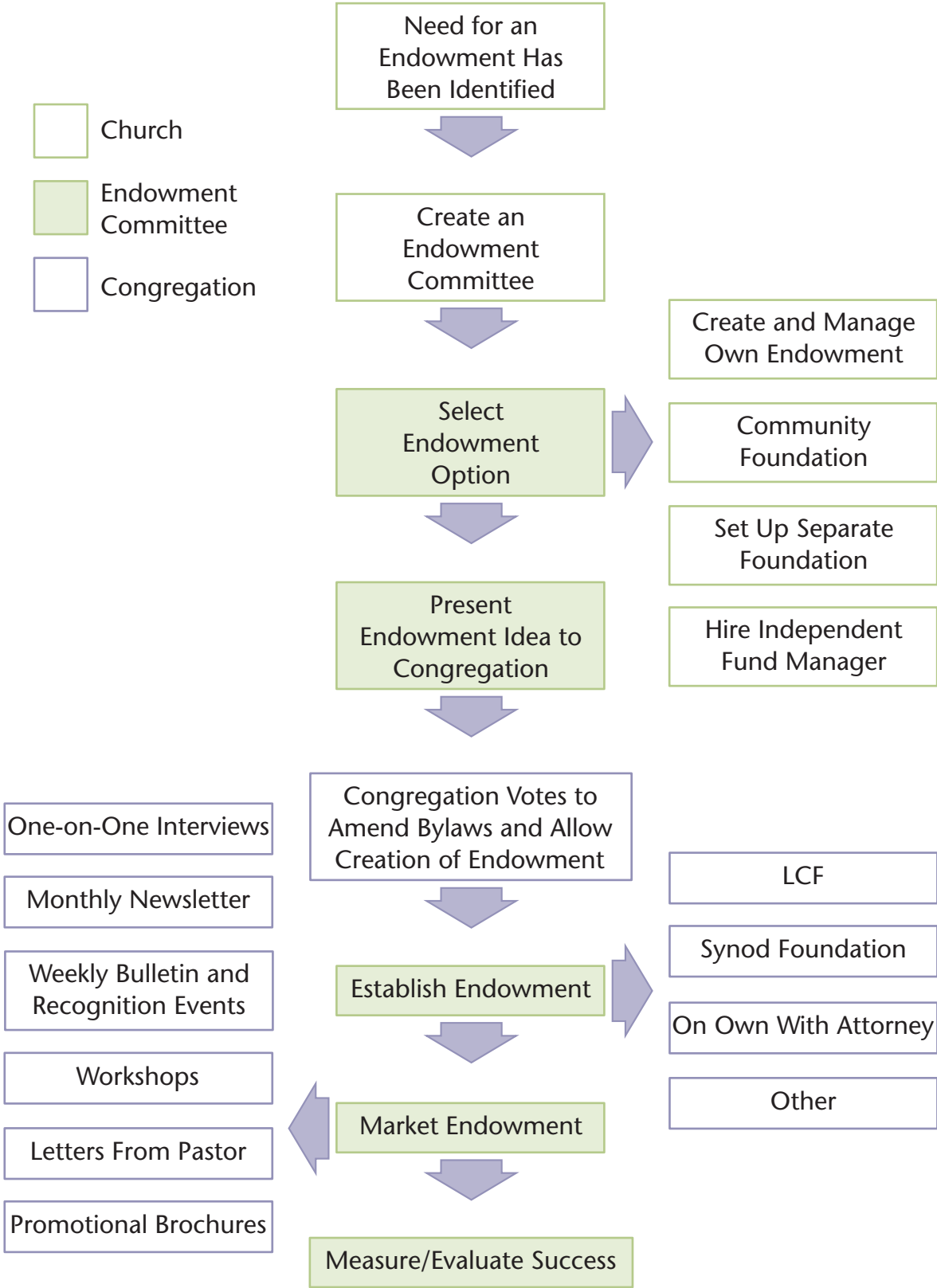
- Financial planning workshops that include a charitable-giving component.
- Charitable-giving brochures.
- Articles in church bulletins.
- Articles in newsletters.
- Mailings.
- Meetings with potential donors.

For an overview of the entire process, please review the chart on the next page.



# Starting an Endowment for Your Congregation

- Church
- Endowment Committee
- Congregation



## Identifying the Need for an Endowment

**Step 1:** Describe the mission and vision of your congregation.

---



---



---

**Step 2:** List ways your congregation's mission/vision is put into action.

*(Examples might include: mission programs, evangelism, outreach, worship, youth development, scholarships or building activities.)*

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_

**Step 3:** For each of the above programs, think about the means your congregation has in place to ensure that resources are available to carry them out in both the short- and long-term. Match the *program* with the *means* in the chart below.

- *Short-term means* might include a stewardship drive, library fund, building addition fund, food-shelf contributions, etc.
- *Long-term means* might include a foundation, designated accounts, etc.

Program	Short-Term Means	Long-Term Means

Many congregations find that although they have several means in place to ensure the short-term support of their programs, they do not have anything in place to support their mission in the long term. An endowment fund can help. Ask your Thrivent Financial representative for more information on creating and growing an endowment fund.

---

## Sample Mission Statement for a Church Endowment Fund

Most congregations have a mission statement—words that capture the essence of what the congregation is trying to achieve and what it is all about. Simply put, a mission statement should convey a congregation’s reasons for being.

Since an endowment fund is a means by which a congregation helps to ensure its ability to carry out its mission, your endowment should have its own mission statement. The statement should be completely consistent with your congregation’s overall mission, while clearly spelling out the endowment’s reasons for being.

The following is an example of a typical mission statement for a congregational endowment fund. You can use this as a model as you craft a mission statement that fits your congregation’s specific needs and overall mission.

**Mission Statement:** Provide vehicles and structure for members who have the ability and desire to benefit (Church Name) through charitable giving that is consistent with its mission of witnessing to the message of salvation through Jesus Christ on both a local and global level. The purpose of the Endowment Committee is to enable (Church Name) to promote funding of specific needs that support its mission and ensure its financial stability. The committee will seek to provide a perpetual source of income to benefit five current categories:

1. Missions: Local, regional and world projects.
2. Education: College and seminary scholarships.
3. Youth: Support for youth of all ages.
4. Worship and Music: Support for the worship life of (Church Name).
5. Capital Projects: Major renovations and building of new facilities.

---

## Sample Amendment to Bylaws for a Church Endowment Fund

When a congregation creates an endowment fund, it typically amends its bylaws to ensure a structure is in place for establishing, managing and using the fund. The exact wording will vary from congregation to congregation, but the amended bylaws should at least provide for the following:

- Approve the establishment of an endowment.
- Authorize election of an endowment committee.
- Approve transfer of start-up funds to the endowment.
- Establish guidelines for distributions from the endowment.
- Authorize officers to execute the endowment fund agreement.
- Authorize the endowment committee to approve future fund transfers.
- Authorize the council to adopt bylaws for governance of the endowment committee.

The following is a sample of what a typical congregation's bylaws might look like after they have been amended to establish an endowment fund. Your congregation may wish to customize this language to suit your specific needs. Sample bylaws are also available from your church body foundation or the Lutheran Community Foundation.

### **Section (X): Endowment Committee**

A. The endowment committee shall consist of seven voting members, one of whom shall be elected by the Church Council from its own membership, and six of whom shall be elected from the congregation on a staggered basis for three-year terms by the congregation at annual meetings. Actions of the committee must be agreed to by at least four of the voting members. The committee shall meet at least two times per year. The Church Council shall have the authority to appoint members to the committee to fill vacancies which occur on the committee. The term of the appointment shall be until the next annual meeting of the congregation. This includes the authority upon establishment of the committee to appoint the initial seven members to the committee.

---

B. The duties of the committee are:

To utilize the “FOUNDATION” for the creation of the Endowment Funds with the two initial funds being the “General Endowment Fund” and the “Outreach Endowment Fund,” and to create additional Funds as may be needed to fulfill specific requirements of donors.

To determine and fulfill procedures and policies for the soliciting, processing and dispositions of grant requests in accordance with the requirements and limitations of the various Funds.

To educate the congregation about the Funds, promote the Funds, and solicit donations in an appropriate manner.

To report at least annually to the congregation new gifts received, investment returns earned by the Fund, the size of the Funds, details of specific grants given, a list of all grant requests, and disposition on requests.

To assist donors in the process of making gifts to the Funds.

To establish policies and procedures for accepting or rejecting proposed gifts by donors.

To act as the designated adviser to the “FOUNDATION” with respect to all operational matters, including requests for distribution from the Funds.

C. The “CHURCH NAME General Endowment Fund” shall be established to strengthen and extend God’s mission through the Lutheran Church, reaching out in response to human need, by making grants for promoting Christian religion and Christian charity, and supporting education for Christian life and service. In any given year, minimum grants of 15% of that year’s total grants must be designated to each of the three purposes for which the “CHURCH NAME General Endowment Fund” is established: promoting Christian religion, promoting Christian charity, and supporting education for Christian life and service.

---

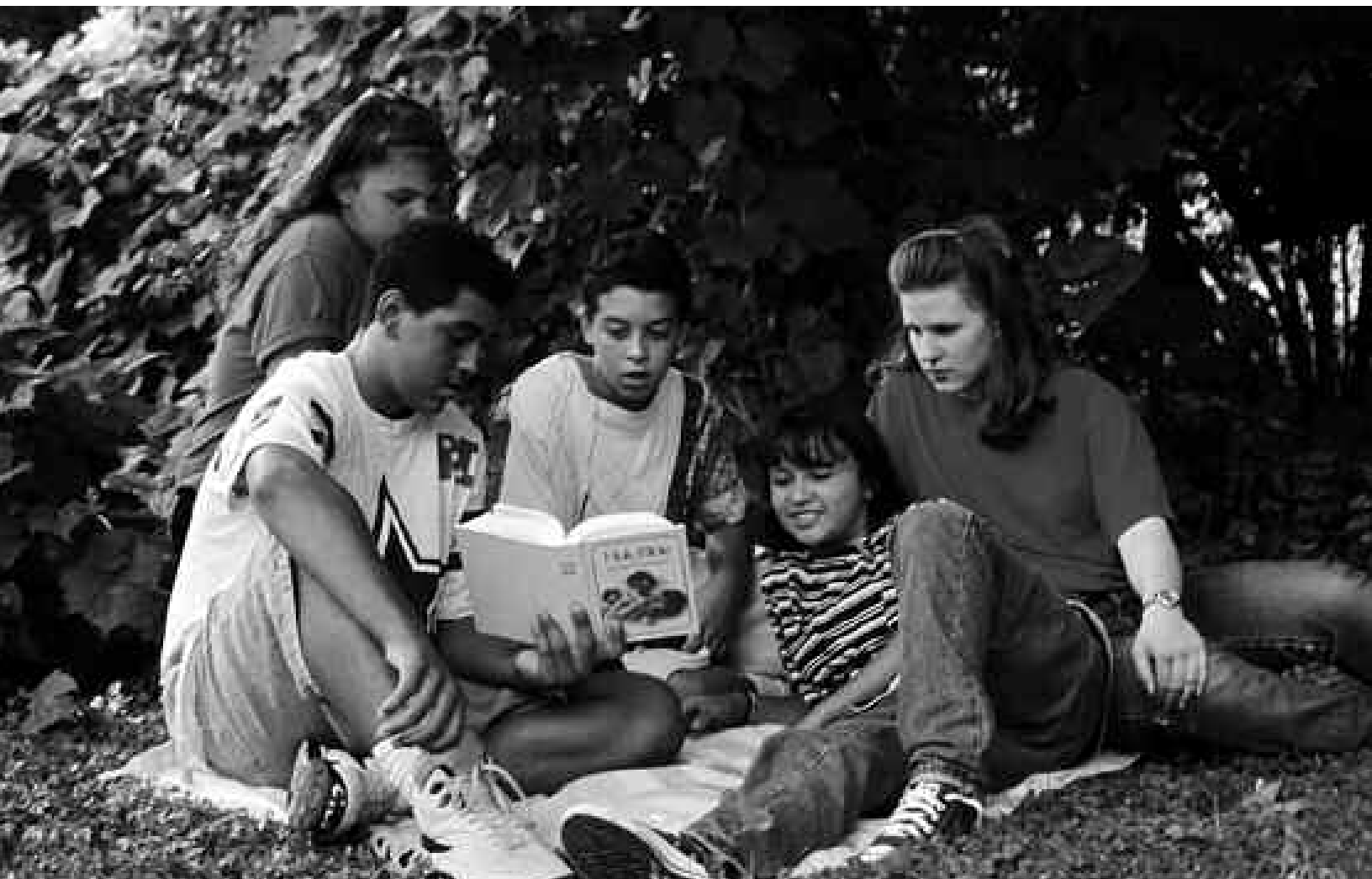
The remaining 55% of the year's total grants may be allocated to these three purposes in any manner as the committee shall determine. Grants can only be given to legally qualified recipients as defined by the "FOUNDATION." No grants made from the "General Endowment Fund" can be used for CHURCH NAME's normal operating expenses. The congregation may request, and the Committee may choose to make grants for, special projects of the congregation, capital improvements for the congregation and other purposes.

D. The "CHURCH NAME Outreach Endowment Fund" shall be established for the same purposes for which the "CHURCH NAME General Endowment Fund" is being established. In any given year, grants are to be awarded in the same manner, and the same minimum grants are to be made for each of the three purposes stated above. The only difference in the two funds is that grants from the "CHURCH Outreach Endowment Fund" cannot be made to the congregation for any purpose.

E. In the event the incorporated body known as "CHURCH NAME Lutheran Church," or its successor(s), cease to exist, then the "CHURCH NAME General Endowment Fund" and the "CHURCH NAME Outreach Endowment Fund" and all other funds which have been created over time that are held by the "FOUNDATION" shall be allocated for the support of projects, programs and activities of the "SYNOD OR OTHER CHARITY NAME" or its successor, promoting Christian religion and Christian charity, and supporting education for Christian life and service. If there is no successor to the "SYNOD OR OTHER CHARITY NAME," then the funds held at the "FOUNDATION" shall continue as a permanent fund for the unrestricted charitable purposes of the "FOUNDATION."

# Marketing the **Endowment Fund**

*Endowment funds grow more quickly with additional gifts than by investment return.*



# Marketing the Endowment Fund .....

## **Telling People About the Endowment: Creating a Marketing Plan**

“Marketing” may sound like a term that doesn’t have much to do with congregational or religious life. But all marketing really means is that you provide opportunities for church members to learn of the benefits and value of what you can provide. When your adult-education committee notifies parishioners on their upcoming programs, that’s marketing. When a fund-raising committee advertises a bake sale in the church newsletter, that’s marketing.

Congregational endowment funds need to be marketed, just like any other service or program offered by the church. Marketing is largely about communication—telling people the fund exists, explaining why it was created, describing the ways people can contribute and the advantages of doing so, and helping the members understand how they can participate.

You can market your endowment in many ways. The biggest challenge will be communicating the right messages consistently to the appropriate people in the most effective manner.

### **Where to Start?**

Effective marketing requires planning. Typically, the responsibility for marketing planning falls to either a subgroup of the endowment committee, or the committee as a whole. Be intentional about creating a marketing plan as a part of your congregation’s overall endowment process, and assign the responsibility for doing so where it makes the most sense for your congregation. Working with your congregation’s stewardship committee is important so that both current and future financial needs are addressed.

### **Defining Goals and Objectives**

The first step in creating a marketing plan is to define the goals and objectives of the plan. What do you want to accomplish through marketing? How will you determine whether or not you are successful? The goals and objectives of your congregation’s endowment marketing plan will depend on circumstances unique to your congregation. Generally, however, your marketing goals and objectives may look something like this:

---

### Endowment marketing goals

- Support the endowment fund's goals of raising \$X,XXX in contributions over [time period].

### Objectives for congregations starting endowment funds

- **Raise awareness**—Tell potential donors that the fund has been created and explain why.
- **Educate**—Help potential donors understand how they can participate and what the advantages are of doing so.
- **Show connection to mission and vision**—Explain how the endowment fund is aligned with and supports the mission and vision of the congregation.

### Objectives for congregations seeking to revitalize existing endowment funds

- **Increase awareness**—Make potential donors more aware of the fund.
- **Show results**—Highlight tangible ways the fund has benefited the congregation.
- **Motivate participation**—Make potential donors aware of opportunities for and benefits of contributing to the endowment to motivate them into participating.

### Writing key messages

The next step is to devise overall key messages for the endowment program. Key messages are the two or three essential concepts that all audiences should know about your endowment fund. While at times you may choose to tailor messages for individual audiences (you may emphasize different benefits of giving to the endowment to a young parents' group than you would to a seniors' group, for example), the overall key messages should serve as the cornerstones for all communication about the endowment.

Your key messages should speak to the role of the endowment fund in supporting the mission and vision of your church. It is important to discuss these messages with your pastoral staff and other congregational leaders before finalizing them. Because these key messages will be used extensively throughout your marketing materials, they need the support of your congregation's leadership.

---

### Sample key messages

Your congregation's key messages might look something like this:

- Supporting our endowment fund is one of the best ways you can ensure that our congregation's mission and vision will thrive for years to come.
- Contributing to the endowment fund is a way to be a sound financial steward of God's gifts because, in so doing, you give a portion of what you have back to God.

### Identifying Key Audiences

Every member of your congregation will have a different reason for participating (or not participating) in the endowment fund. Some give out of thanksgiving; some give because a specific church program has helped them or someone close to them; some give because of the tax advantages; some give because they feel it's "the right thing to do."

It is not realistic for the marketing plan to identify the specific giving "hot buttons" for each individual member of your congregation, but it is important to identify what the endowment can offer from several perspectives and to communicate these benefits to your range of potential donors. That way, you are more likely to reach diverse groups of people with messages that speak to them as individuals. And that means more people will participate in the endowment.

### Considering Perspectives on Giving

Think about the most effective ways to position the endowment to your potential donors. The following examples illustrate several ways to approach talking about endowments. Many of these may be appropriate in your congregation:

- **Biblical context**

An endowment fund operates on stewardship-based principles. By using contributions wisely, the endowment contributes to the long-term health of your congregation and thus ensures that the church's Christian mission can continue in the future. The Biblical basis for stewardship, and the endowment's role in it, is a message to be delivered by the pastoral staff and other spiritual leaders within your congregation.

- **Donor/personal stories**

It can be very effective for potential donors to hear directly from their peers about giving to your endowment and what it means to them. The endowment committee should approach a person who has participated in the endowment, and who is well-liked and respected in your congregation, to share their thoughts on giving. The person could give a short talk during Sunday services or write his or her personal story for the church newsletter.

---

- **Impact stories**

For many people, participating in the endowment will come down to whether or not they believe the funds are actually being put to good use. For this reason, it's important to publicize the results of endowment distributions. This information could be highlighted in your church newsletter, as well as shared in an endowment "annual report." The annual report could be sent to members and friends of the congregation, letting them know how your endowment is growing and what the proceeds are being used for.

- **Growing the church**

Making sure potential donors understand the need for your endowment fund is a key element in inspiring participation. For most congregations, the endowment fund is created because there is no other mechanism in place to ensure the long-term vitality of the church. Share your church's balance sheet with the congregation. Show them how the numbers stack up with and without an endowment. A logical, financial demonstration can be very effective with certain potential donors.

- **Mission and vision**

Everyone in the congregation should understand that the goal of your endowment fund is to support the mission and vision of your congregation and the church. The endowment should have a mission statement that reflects this principle (see sample *Mission Statement* in the "Mechanics" section of this guide). This idea should be a part of all communications in support of the endowment.

- **Financial benefits**

Many people aren't aware of the tax advantages and other financial benefits of giving to your endowment fund. Through seminars, workshops and newsletter articles, potential donors can learn how giving to your endowment fund can be a smart financial decision.

---

## Delivering the Messages

Each of the previously described perspectives on giving to your endowment fund should be delivered to potential donors through a communications method best suited to the topic and most likely to reach people who will respond. For example, the messages about the tax advantages of giving to endowment funds are better suited to an educational seminar than a Sunday sermon.

In deciding which communication tools to use, first review the ways your congregation already communicates with its members. These might include:

- Church bulletins
- Sermons
- Newsletters
- Workshops
- Temple talks
- Recognition events
- Personal letters from the pastor, committee chairs, etc.

For more information about these options, see page 37.

Match up each existing communication tool with one or more of the “Perspectives on Giving” outlined above, as well as with additional perspectives generated by your endowment committee. For approaches to giving that wouldn’t be well-served by any of your existing communication vehicles, think of new vehicles. Your Thrivent Financial representative can help you with communication resources like:

- **Custom seminars and workshops** on endowment funds, the different ways to contribute to them, and the financial advantages of contributing.
- **One-on-one charitable intent interviews** can be a framework to help members of your congregation discover their personal charitable intentions through a relational interview with a fellow parishioner or a Thrivent Financial representative.
- **A brochure you can customize** to announce the creation of your endowment fund to your congregation.
- **Letters** from your pastor or endowment committee chair.

It may be helpful to create a grid showing which messages will be delivered by which communication tool. Your grid might look something like the chart on the right.

## Communications Grid

Message →	Donor Stories	Impact Stories	Growing the Church	Mission and Vision	Financial Benefits	Biblical Context
Communication Tools ↓						
Church Bulletins	✓	✓	✓			
Sermons				✓		✓
Newsletters	✓	✓	✓		✓	
Workshops					✓	
Temple Talks	✓	✓	✓	✓		
Recognition Events	✓	✓		✓		✓
Personal Letters	✓	✓	✓	✓		✓
Brochure			✓	✓	✓	✓
Charitable Intent Interviews				✓		
Endowment Annual Report	✓	✓		✓		

For more information on marketing communications vehicles, see the “List of Marketing Options” on page 37 of this guide.

## Tips for Executing Your Marketing Plan

Your Thrivent Financial representative can provide ongoing counsel and advice on executing your marketing plan. Here are a few tips to consider:

- Don't limit your marketing efforts to members of your congregation. Friends of the congregation, former members, community leaders and visitors can also play a role in supporting the endowment.
- Market your endowment year-round. Use your communications vehicles on a deliberate, ongoing basis. Routinely place articles in your church newsletter. Schedule regular workshops.
- Have an “Endowment Emphasis” period. Consider a time when it doesn't conflict with the congregation's stewardship drive. January through March may be a good time because it doesn't conflict with the fall stewardship drive. Your endowment committee could deliver the annual report during this time, as well as hold a series of temple talks highlighting donor and impact stories.

---

## Marketing Worksheet— Creating a Marketing Plan in Six Steps

### Step 1: Identify objectives

Write the objectives of your marketing plan here:

---

---

---

### Step 2: Identify key messages

Write the overall key messages of your congregation's endowment fund here:

---

---

---

---

### Step 3: Perspectives on giving

What can your endowment fund offer to potential donors? What are some aspects of the endowment you might highlight for various groups of potential donors? Use the examples on pages 30 and 31 to come up with a few more.

---

---

---

---

### Step 4: Communication tools

Write down the communication vehicles your congregation already uses. Then, with the approaches you've outlined in Step 3 in mind, try to think of additional communication vehicles to support them.

---

---

---

---

**Step 5: Communications grid**

See the sample communications grid on page 33. Now, create your own grid, matching up the messages with the best communication tools.

Message ➡						
Communication Tools ↓						

**Step 6: Timeline**

Create a timeline for executing your marketing plan. Remember, year-round consistency, supplemented by a seasonal emphasis period, can be a very effective approach.

**Your Thrivent Financial Representative Is Here to Help**

Creating a marketing plan can seem like a daunting task. But by following the steps outlined here, and working together with members of your endowment committee and your Thrivent Financial representative, you can create a plan that will help your endowment—and your congregation—grow and prosper.

---

## Endowment Fund Processes and Procedures

### Months 1-3:

- Short articles in church bulletin or institutional newsletter.
- Select Endowment Fund Committee members.
- Initial tasks include:
  - Mission statement for the fund.
  - Decide who will manage the assets.
  - Decide who will focus on promoting gifts to the fund.

### Months 4-6:

- Short articles (continued).
- Hold an informal forum to inform members of the fund and generate ideas and enthusiasm.
- Make announcements about gift ideas in church services or institutional meetings.
- Endowment Committee tasks:
  - Develop a planned giving brochure.
  - Organize a workshop for financial professionals within the congregation or institution.
  - Plan a workshop for church members/potential institutional donors.

### Months 7-9:

- Short articles (continued).
- Continued announcements.
- Hold a separate workshop on other financial issues to continue stewardship theme.

### Ongoing:

- Workshops (quarterly).
- Announcements.
- Brochures/flyers.
- One-on-one meetings with prospective donors.
- Educate on how the fund is supporting the mission of the congregation/institution.
- Plan a recognition event, such as a dinner, to celebrate the endowment's growth.

---

## List of Marketing Options

There are many ways to communicate to potential donors about your congregation's endowment fund. Some will involve taking advantage of communications vehicles your congregation may already use, like a monthly newsletter. Some will require your congregation to try new ways of communicating, such as a financial seminar.

Whichever means of communication your congregation chooses, it's important to remember that different messages require different ways of communicating. The following list provides some methods your congregation may want to consider for communicating about your endowment:

**Church bulletins/newsletters.** Some of the best ways to communicate about the endowment fund, bulletins and newsletters are appropriate vehicles for many different endowment messages, including updates on funds collected, disbursements made, and long-term goals for the fund. Regular newsletters are also excellent opportunities to present a series of articles on the different ways people can give to your endowment and the associated tax advantages.

**Temple talks.** Temple talks are useful as a forum for donors to share their thoughts on the importance of the endowment fund, and to present stories on how the fund is impacting your congregation's ability to fulfill its mission. Temple talks can also be used to present information on the recent financial struggles of the Lutheran church, as well as to talk about how the endowment fund's mission supports the overall mission and vision of the church.

**Sermons.** Sermons should be reserved for a discussion of the Biblical context of stewardship and how the endowment supports this ideal. Your pastor should not be put in the position of "fund-raiser."

**Workshops.** Workshops are particularly effective for presenting financial information about the implications of donating to your endowment. There are many ways to give to an endowment fund, and each method offers unique tax advantages to the giver. A workshop explaining these methods, presented by a credible financial adviser, can be very helpful in encouraging participation in the endowment.

---

**Personal letters from the pastor and/or endowment committee.**

Mailings to potential donors' homes can be effective if they touch on the right messages. A letter from your pastor should talk about the endowment's role within the Biblical context of stewardship and how that relates to the mission and vision of your congregation. A letter from your endowment committee can be used to announce the official creation of your endowment fund and can solicit participation more directly.

**Brochure/annual report.** A brochure summarizing the mission and goals of your endowment, as well as outlining what the endowment's proceeds will be used for, can serve as an effective introductory piece. Such a brochure might also include brief information on the ways donors can give. In subsequent years, an annual report can be distributed to all donors. This report would include financial information on how your endowment is growing, impact stories on what the proceeds are being used for, and donor testimonials.

**One-on-one charitable-intent interviews.** Such interviews can help potential donors discover their own charitable dreams and chart a course for using the endowment fund to help make those dreams come true.

### **Marketing the Endowment: Roles and Responsibilities**

One of the biggest challenges in marketing a congregational endowment is deciding "who does what." It's an important question because the person or group delivering a message can have a large influence over how the message is received. A message about the Biblical context of stewardship would be more credible coming from your pastor than from the finance committee. A message about the tax advantages of charitable remainder trusts is likely to be more credible coming from a financial professional than from the pastor.

In general, all communications about your congregation's endowment fund should come from one of two sources: your endowment committee and your pastor. The communications roles of the pastor and the committee can be defined as follows:

---

### **Role of the pastor**

The primary communications role of your pastor is to proclaim the mission and vision of your congregation and explain how the endowment fund furthers your mission and vision. While your pastor is the proclaimer of the Biblical message of stewardship, it is important not to put your pastor in the role of “fund-raiser.”

Your pastor can fulfill his or her communications role in several ways, including:

- Sermons
- Letters
- A message in the endowment brochure/annual report

### **Role of the Endowment Committee**

Essentially, it is your endowment committee’s job to do everything your pastor doesn’t do. In addition to creating and administering the endowment fund, this includes promoting the fund through a variety of communications means, including:

- Writing/placing articles in your church bulletin and/or newsletter.
- Organizing workshops for the congregation on various topics related to the endowment.
- Creating and distributing the endowment fund annual report.
- Working with the pastoral staff to find appropriate ways for the pastor to promote the endowment.

See the section on “Creating a Marketing Plan” for more ideas on communicating about the endowment.



## Giving to the **Endowment Fund**

*Hear the song from the heart of the giver instead of asking them to sing the music put in front of them.*



# Giving to the Endowment Fund .....

## Types of Charitable Gifts

There are many different ways for a donor to contribute to a congregational endowment fund. Each type of charitable gift is unique in what it does, the tax advantages it offers, and the most appropriate time to use it.

The following lists the most popular ways to contribute to an endowment fund and some of the advantages of each. For more detailed information on these giving options, talk to your Thrivent Financial representative, accountant, tax specialist or attorney.

### Direct gifts

A direct gift is when a donor gives an asset, such as cash, stock or real estate, directly to the endowment fund. All potential donors can use this method, regardless of age, the size of their estate, or the amount of their gift. A donor who makes a cash contribution is eligible for an income tax deduction, while a donor who makes a gift of an appreciated long-term capital asset, such as stock, is eligible for an income tax deduction *and* can avoid paying capital gains taxes on the asset's appreciation. A donor must itemize his or her deductions to receive a charitable income tax deduction.

### Bequest

A bequest is when someone gives assets, such as stocks, bonds and personal property, through his or her will. Any potential donor who has a will, regardless of age, the size of their estate, or the amount of their gift, can make a charitable bequest. The value of the gift is removed from a person's estate, which reduces the amount owed in estate taxes.

### Qualified asset beneficiary designation

When a potential donor names another person as the beneficiary of a qualified retirement investment (401(k), TSA, IRA, etc.), the asset will be exposed to income taxes, and depending upon their net worth, estate taxes. These taxes can greatly reduce the amount the beneficiaries actually receive. Instead of naming another person as the individual beneficiary, a donor can name the endowment fund of the congregation, which is not required to pay taxes. By doing so, the donor's estate receives a tax deduction at the donor's death. This giving option is most appropriate for donors aged 40 and older.

### Charitable life insurance

Donors can use life insurance to make a donation in a number of ways. They can:

- Transfer ownership of a life insurance contract they already have to the endowment fund;
- Cash out a current policy and give the proceeds to the church;

- 
- Purchase a new life insurance contract and name the endowment fund as the owner and beneficiary; or
  - Designate the church as the beneficiary of a life insurance contract they continue to own.

Charitable life insurance is an appropriate giving vehicle for most donors. If the ownership is transferred to the church and the church is the beneficiary, the premium payments may be tax deductible. All potential donors can use this method, regardless of age or the size of their estate.

### **Charitable gift annuity**

To make a gift through a charitable gift annuity, a donor gives an asset, such as cash or stock, to a qualified charity that meets the state regulatory requirements for offering gift annuities. The church body foundations and the Lutheran Community Foundation offer gift annuities that may benefit the congregation. The charity signs a contract agreeing to pay the donor a fixed income throughout his or her lifetime. The tax benefits include income tax deductions, capital gains deferral, gift tax deductions, and estate tax deductions. This is an irrevocable gift.

Immediate gift annuities tend to be most popular with donors who are 70 years old and older because they provide a fixed income stream. Gift minimums for charitable gift annuities vary by charity, but are typically lower than those required to fund a charitable remainder trust.

### **Charitable remainder annuity trust (CRAT)**

Donors give through a CRAT by transferring a one-time contribution of cash or publicly traded securities to a charitable remainder annuity trust. This is an irrevocable gift. The trust pays the donor, or someone the donor designates, a fixed income for life or a specified term. At the end of the term, the principal remaining in the trust is passed on to the endowment fund. A CRAT is most appropriate for donors aged 65 and older whose gift is worth at least \$50,000. The tax benefits include income tax deductions, capital gains tax avoidance, and estate tax deductions.

### **Charitable remainder unitrust (CRUT)**

Donors give through a CRUT by transferring cash or a capital asset, including real estate, to a charitable remainder unitrust. This is an irrevocable gift. The trust then pays the donor or someone the donor designates a fluctuating income, based on a percentage of the trust's value, for life or a specified term. Unlike a CRAT, donors can make additional contributions to a CRUT. At the end of the term, the principal remaining in the trust is passed on to the endowment fund.

---

A CRUT is most appropriate for donors aged 50 and older who can contribute at least \$100,000 over the life of the trust in cash or capital assets. The tax benefits include income tax deductions, capital gains tax avoidance, gift tax deductions, and estate tax deductions.

**Testamentary charitable remainder trust**

In this arrangement, a donor names a charitable remainder trust as the beneficiary of cash or capital assets in a will or living trust and includes provisions that will establish the trust. After the donor dies, his or her estate gets a tax deduction and the trust pays the surviving spouse or someone else the donor designates an income for their lifetime. After the death of the survivor, the remainder of the trust is passed on to the endowment fund. A testamentary charitable remainder trust is most appropriate for donors aged 40 and older who can contribute at least \$50,000 for a CRAT, and at least \$100,000 for a CRUT.

**Charitable life estates**

In this arrangement, donors deed their primary residence, vacation home or farm to the endowment, but reserve life estates in the deed. This arrangement allows them to maintain ownership of the property and continue living there for the rest of their lives. After the donors die, the property belongs to the congregation without the need for a probate proceeding. Tax benefits include income tax deductions, gift tax deductions, and estate tax deductions.

**Charitable Proposals**

It is often difficult to describe a particular charitable giving technique and the advantages that it can provide to a potential donor. The Lutheran Community Foundation and your church body foundation can provide computer illustrations showing the benefits of charitable remainder trusts, gift annuities and life estate gifts. These proposals provide visual and mathematical illustrations of the impact of a particular gift. This may include calculating the donor's income tax deduction, determining the amount of income that a donor could receive in return for making a gift, and/or estimating the amount that the charity is likely to receive.

The proposals can be useful to help explain a particular charitable giving technique and its consequences to a potential donor. Afterward, the donor can keep the proposal and review it while deciding whether to make that particular gift. The proposal is also suitable for the donor to share with his or her professional advisers. It contains many complex calculations that the donor's professional advisers could refer to, if necessary.

---

## Template Resource List of Individuals—Who Can Assist With Your Endowment

### Attorney

Street Address  
City, State, ZIP Code  
Phone

### Attorney

Street Address  
City, State, ZIP Code  
Phone

### Accountant

Street Address  
City, State, ZIP Code  
Phone

### Thrivent Financial Bank

2000 E. Milestone Drive  
Appleton, WI 54919  
887-225-8345

### Pastor

Church Name  
Street Address  
City, State, ZIP Code  
Phone

### President of Church Council

Church Name  
Street Address  
City, State, ZIP Code  
Phone

### Thrivent Financial Representative

Street Address  
City, State, ZIP Code  
Phone

### Lutheran Community Foundation

625 Fourth Avenue South  
Suite #200  
Minneapolis, MN 55415  
800-365-4172  
[www.TheLCF.org](http://www.TheLCF.org)

### Synod Foundations

WELS  
2929 N. Mayfair Road  
Milwaukee, WI 53222-4398  
414-256-3888

### ELCA

8765 W. Higgins Road  
Chicago, IL 60631  
773-380-2889

### LCMS

1333 S. Kirkwood Road  
St. Louis, MO 63122-7295  
314-996-1266



## Endowment Fund **Resources**

*Create an endowment that responds to the changing life and needs of the congregation.*



Thrivent Financial is committed to helping maintain and grow Lutheran congregations across the country. We are here to help by bringing together organizations, products and services designed to help you create your endowment fund and invest its assets. These include the Lutheran Community Foundation, Thrivent Financial Bank Trust & Investment Services, and the Thrivent Financial Managed Investment Accounts. Each is described in more detail on this and the following pages.

### **Lutheran Community Foundation: *Flexible Options for Endowment Funds***

The Lutheran Community Foundation (LCF) offers congregations and other nonprofits a flexible option for building an endowment for whatever purpose they choose. Like the 300-plus organizations already participating, your organization can create a flexible fund to help build an ongoing, perpetual source of income. By becoming a part of a larger investment pool through the LCF, smaller organizations are allowed greater flexibility and a smaller minimum investment than they'd typically find on their own. In addition, the LCF has a close working relationship with Thrivent Financial for Lutherans and its field force.

#### **Benefits of establishing an endowment fund through LCF**

- Turnkey operation.
- Simple and flexible plan.
- Part of a larger investment pool with assets of more than 300 endowments under management.
- Choice of three investment portfolios with varying risk levels.
- Supporters have access to tools for outright and planned charitable gifts, and can give anonymously.
- No administration on your part—focus on fund-raising.
- Fund-raising expertise and resources available.
- Quarterly reporting.

#### **What's required**

- \$25,000 minimum.
- Desire to establish future support or increase funds available for your charitable/outreach programs.

For more information, contact your local Thrivent Financial representative or visit the Foundation's Web site at [www.theLCF.org](http://www.theLCF.org).

The Lutheran Community Foundation is a public charitable foundation serving donors and the community through charitable funds. Thrivent Financial for Lutherans is a fraternal benefit society based in Appleton, WI, and Minneapolis, MN. The two organizations are independent of each other.

## **Thrivent Financial Bank Trust & Investment Services: *Meeting the Needs of Your Congregation***

Thrivent Financial Bank's Trust & Investment Services professionals are committed to providing discretionary investment management services to your church's endowment and foundation accounts. As a wholly owned subsidiary of Thrivent Financial for Lutherans, we will provide caring and innovative financial solutions to meet your unique needs.

### **We can help your congregation by:**

- Providing investment management for endowment and foundation accounts.
- Using asset allocation strategies consistent with your organization's philosophy and governing standards.
- Utilizing a variety of investment options to meet your investment objectives.
- Providing ongoing portfolio management.
- Providing periodic investment reviews.
- Giving you easy online access to account information.

### **About the Trust and Investment Services**

- The minimum investment varies, based on unique investor considerations.
- In addition to the Trust and Investment Services team professionals, your local Thrivent Financial representatives work with you to define an investment philosophy customized to your church's needs.

For more information, call Thrivent Financial Bank, toll-free, at 877-225-8345; visit our Web site at [www.thrivent.com/bank/trust](http://www.thrivent.com/bank/trust); or contact your local Thrivent Financial representative.

Trust and investment management services are not deposits, are not Federal Deposit Insurance Corporation (FDIC) insured, are not insured by any federal governmental agency, and are not guaranteed by Thrivent Financial Bank.

## **Thrivent Financial Managed Investment Accounts: *Help for Congregational Investments***

Thrivent Financial for Lutherans offers managed investment accounts to those congregations that would benefit from having customized management of their investments and risk. You would work closely with a Thrivent Financial Senior Financial Consultant or Financial Consultant to determine what options meet your needs best.

### **How these accounts can help your congregation**

- Expert advice for long-term planning and asset allocation
- Aid in articulating funding goals
- Higher level of portfolio diversification
- Single-statement reporting
- Dedicated account person

### **What's available**

- A range of brokerage levels and fee structures
- Broad array of investment opportunities and risk levels
- \$25,000 minimum per fund (\$250,000 needed to open an account)
- Possible fill-in for existing endowments
- Can move existing endowment over to WRAP account

For more information, contact your local Thrivent Financial Senior Financial Consultant or Financial Consultant or visit our Web site at [www.thrivent.com/investments](http://www.thrivent.com/investments).

Registered representative for securities offered through Thrivent Investment Management Inc., 625 Fourth Ave. S., Minneapolis, MN 55415-1665, 800-THRIVENT (800-847-4836), the investment adviser and a wholly owned subsidiary of Thrivent Financial for Lutherans. Member NASD. Member SIPC. Fee-based financial planning services are available through your financial consultant or senior financial consultant, and these security transactions are handled by RBC Dain Correspondence Services, a division of Dain Rauscher Inc. Member New York Stock Exchange and Securities Investor Protection Corp. (SIPC). Investments are not FDIC-insured.

# Frequently Asked Questions About Giving

*Each member can give according to his or her ability.*



# Frequently Asked Questions About Giving .....

*The purpose of the following is to provide general information in response to questions you may have or may receive from potential donors. It is not intended to provide specific advice or recommendations for any individual. We suggest that donors consult with their attorney, accountant or tax adviser with regard to their personal situation. Information provided by Thrivent Financial for Lutherans.*

## **1. Do I Need a Will?**

Most likely. Without a will, the laws of the state will determine who will receive your assets and who will manage your estate. As a result, the state may not include all of the persons or charities that you would like to benefit. A will allows you to appoint a guardian for your minor children, choose a representative to carry out your wishes, and determine the final destination of your estate assets.

Making a charitable bequest (i.e., giving assets to charity through a will) is the simplest way to make a planned gift. The donor states in his or her will the amount or percentage of assets that are to pass to a designated charity. The donor receives an estate tax deduction for the amount of the bequest. There is no limit on the amount that can be deducted for estate tax purposes.

Some may wish to designate their church or favorite charity as the “residual beneficiary” of their estate. After they have designated certain amounts to children, friends and charities, they may wish to name a charity as the residual beneficiary to receive the balance of their estate after all other distributions have been made.

## **2. What is Planned Giving?**

“Planned giving” means mapping out a plan for making gifts to church and charity. A caring person integrates planned giving into his or her financial strategies during different phases of life. Many individuals consider planned giving when they decide how to transfer their estates to the places and people whom they want to benefit from a lifetime of hard work. In addition to fulfilling their charitable goals and acknowledging (financially and spiritually) their gratefulness to God, donors may receive tax benefits and lifetime incomes through several types of tax-favored plans.

Planned giving takes many forms and is tailored to meet the needs and goals of the donor. Each person’s dreams make each gift unique and important. Martin Luther stated, “The heart of the giver makes the gift dear and precious.”

---

### 3. How Can Life Insurance Be Used to Make Charitable Gifts?

Charitable gifts of life insurance provide an easy way for the donor to make charitable contributions with minimal current costs. In many instances, a gift of life insurance involves a small out-of-pocket premium each year, yet produces a significant benefit to a charity.

There are many ways to make a charitable gift of life insurance. First, an existing contract may be given to charity, in which case all ownership rights must be assigned to the charity and the charity named as beneficiary. If no further premium payments are due on the contract, the donor will receive a charitable income tax deduction for the replacement value of the contract. However, if premiums remain to be paid on the contract, the donor will receive a charitable income tax deduction for the lesser of the interpolated terminal reserve value of the contract, or the total value of premium payments paid. The donor will also receive additional deductions for future premium payments.

Second, a donor may purchase a new contract naming the charity as beneficiary. If the donor makes an absolute assignment of the contract to the charity, the donor will receive a charitable income tax deduction for each premium payment made on the contract. As long as the charity is the owner of the contract, the proceeds will be excluded from the donor's estate.

Finally, a donor may designate a charity as the beneficiary of a life insurance contract that he or she continues to own. Although the donor will not receive an income tax deduction for the gift, he or she will receive a charitable estate tax deduction for the amount of the death benefit passing to charity. Donors can also name a charity as a contingent beneficiary, providing the charity with the death benefit in the event that the primary beneficiary predeceases the donor.

### 4. Is it Possible to Give Something to Charity and Still Receive an Income for Life?

Yes. There are a couple of ways to receive a lifetime income stream from a gift to charity. One way is through the use of a charitable remainder trust (CRT). It works like this:

- An asset is put into a special trust called a charitable remainder trust that is regulated by federal law, and is invested.
- The donor receives an income tax deduction for part of the value of the gift and income from the trust for his or her lifetime or for a term of years.
- After the donor passes away, the money remaining in the trust is distributed to charity. This is an irrevocable gift.

---

If a donor has an appreciated asset (such as stock or real estate that has increased significantly in value), the income stream from the CRT could be greater than if the donor sold the asset outright and invested for income. This is because charities (unlike an individual) do not have to pay capital gains taxes on the sale of appreciated assets. Thus, the full, fair market value of the asset can be reinvested to provide income back to the donor. A donor who makes a gift of appreciated stock or real estate to a CRT is entitled to a charitable income tax deduction that is a portion of the full, fair market value of the contributed asset.

Another way is through a charitable gift annuity. It works like this:

- A donor gives an asset, such as cash or stock, to a qualified charity that meets the state regulatory requirements for offering gift annuities. The church body foundations and the Lutheran Community Foundation offer gift annuities that may benefit the congregation.
- The charity signs a contract agreeing to pay the donor a fixed income throughout his or her lifetime. The tax benefits include income tax deductions, capital gains deferral, gift tax deductions, and estate tax deductions. This is an irrevocable gift.

## **5. Can I Leave My Home to Charity and Continue to Live in it During My Lifetime?**

Yes. Making a gift of a remainder interest in a personal residence, vacation home or farm can provide a donor with income tax benefits from the newly created charitable gift without affecting his or her current income or standard of living.

In this arrangement, a donor deeds his or her personal residence, vacation home or farm to charity but, in the deed, reserves a life estate in the property. At the time that the gift is made, the donor is entitled to a charitable income tax deduction for the present value of the charity's remainder interest in the property. During his or her lifetime, the donor continues to enjoy the full use and possession of the property. This includes paying taxes on the property as well as other maintenance costs. Upon the death of the donor, the charity takes possession of the property without a probate proceeding.

---

## 6. What are the Advantages to Making a Charitable Gift During My Lifetime?

A donor who is going to make a gift to charity must decide whether to make the gift while living or at death. Making a charitable gift while living provides several benefits over making a gift at death, including:

- A charitable income tax deduction.
- The removal of future appreciation on the asset from the donor's estate.
- The option of receiving an annual income stream each year in return for the gift.
- The opportunity for the donor to see his or her gift being put to good use.

In addition, making a lifetime gift, just as with a gift made at death, removes the value of the gifted asset from the donor's estate, reducing any associated estate tax liability.

## 7. Can I Receive a Charitable Income Tax Deduction for Making a Gift of Securities?

Yes. In fact, if your securities (stocks or bond funds) have appreciated since you first bought them and if you have owned them more than a year, you can gift them to charity at a significant discount to you.

Here's a hypothetical example of how this could work:

Jane Anderson bought \$3,000 of stock in Acme Bug Food Company. Six years later, the stock is worth \$8,000. She would like to make a gift to her church's mission fund in South America. She could sell the stock, which would net her \$7,250 in a 15% capital gains tax bracket. She could then give this money to her church and be entitled to an income tax deduction of \$7,250.

If Jane had given her church the stock instead of the cash, the result would have been more favorable. The church could have sold the stock for \$8,000, and would not have had to pay any capital gains tax. Plus, Jane would have received a charitable income tax deduction of \$8,000 (the full, fair market value of the stock), even though the total cost of her gift would have been only \$3,000 (her original cost basis).

---

## **8. Can I Leave a Significant Gift to Charity While Not Depleting My Children’s Inheritance?**

Yes, through the use of “wealth replacement” life insurance. Using this technique, a donor transfers assets to charity. In return, the donor will be entitled to a charitable income tax deduction and, depending on the gift, may receive an annual income stream in return. These tax savings and/or income payments may be used to pay the premium payments on a life insurance contract with a face value equaling the value of the gifted asset. If an irrevocable life insurance trust or adult children hold the life insurance contract, the value of the contract will be excluded from the donor’s estate. Upon the death of the donor, the beneficiaries of the contract will receive the death benefit income tax and estate tax free. It is a win-win-win situation for the donor, the charity and the donor’s family.

## **9. How Can I Ensure That My Assets Go to My Heirs Rather Than to the IRS?**

There are three places your money and assets can go after your death: your heirs, a charity or Uncle Sam. By planning carefully, you can control how much goes to whom. You can leave as much as you want to your spouse without paying estate taxes (the marital deduction). In addition, you can ensure that the IRS gets less of your estate by making charitable gifts. The charitable estate tax deduction is unlimited.

If you have a sizable estate, consider how charitable giving can shrink your estate for tax purposes. It provides an opportunity for you to support the causes that are important to you rather than supporting the causes important to the U.S. government via the IRS. You do not have a choice about whether to give your estate away, but you do have a choice about who will ultimately receive it.

---

## **10. What Are the Benefits to Leaving My Qualified-Retirement-Plan Assets to Charity?**

Here's one example: If you leave your qualified-plan balance to someone other than your surviving spouse or charity, it could be subject to extreme income and estate taxation. The amount of tax depends on the size of your plan and the marginal income tax bracket of the beneficiary. The reason for this excessive taxation is that Congress intended the plans for retirement, not inheritance.

Many people find that they do not need the retirement income that these plans provide, so they let their plans continue to grow tax deferred. If you have planned to leave your qualified assets (and nonqualified tax-deferred assets such as nonqualified annuities) to children or others, you may want to examine the potential tax implications. One alternative could be to name a charity as beneficiary of the assets, thereby avoiding all income and estate taxation and providing a benefit to your community.

## **11. How Can I Make a Large One-Time Gift to My Church Without Disrupting Others' Interest in Annual Stewardship Campaigns?**

A large, lump-sum donation can interrupt the flow of donations to annual stewardship drives and capital campaigns. As an alternative to making a large, outright gift, one may consider making a contribution to an endowment fund. An endowment fund is set up by a charitable organization to receive gifts from multiple donors. Distributions from the fund are taken in a manner to make sure that the fund grows and is available to support the organization's mission in the present and the future. When the endowment distributions are used in support of a specific mission of the organization, as opposed to solely supporting the operating fund, annual stewardship is typically not affected. A gift to an endowment fund qualifies for a current income tax deduction and for a gift or estate tax deduction based on the fair market value of the gift.

---

## 12. What is a Charitable Gift Annuity?

A charitable gift annuity is a private contractual agreement between a donor and a qualified charity that meets the requirements of the state of the donor's residence. The donor makes a gift of cash or other property to the charity. In return, the donor, or another designated individual, receives a fixed income annually from the charity for the lifetime of the annuitant.

A donor who makes this type of gift will receive a charitable income tax deduction for the value of the charity's interest, as long as he or she itemizes deductions on his or her income tax return.

## 13. What Are the Benefits of Making a Charitable Gift Through My Will?

Charitable bequests (i.e., assets given through a will) provide substantial tax benefits and may be the most appropriate charitable-giving technique for a person who is charitably inclined and yet wants to retain control of the assets during his or her lifetime. A donor who makes a bequest to a charity will be entitled to a charitable estate tax deduction for the value of the charity's interest, effectively removing the value of the gifted asset from the donor's estate.

Charitable bequests may be made in a variety of ways. The simplest way is to make an outright bequest of an entire asset. In return, the donor's estate will get a deduction for the fair market value of the asset on the date of death. However, a donor may also make a bequest of a partial interest in an asset (such as a gift to a charitable remainder trust). The donor's estate will receive a deduction for the present value of the charity's interest in the asset. No matter which technique is used, the tax advantages to the donor can be significant.



***Thrivent Financial for Lutherans®***

625 Fourth Ave. S., Minneapolis, MN 55415-1665  
www.thrivent.com • e-mail: mail@thrivent.com  
800-THRIVENT (800-847-4836)



LUTHERAN  
COMMUNITY  
FOUNDATION

625 Fourth Ave. S., Suite 200  
Minneapolis, MN 55415  
800-365-4172  
www.TheLCF.org

The Lutheran Community Foundation is a public charitable foundation serving donors and the community through charitable funds. Thrivent Financial for Lutherans is a fraternal benefit society based in Appleton, WI, and Minneapolis, MN. The two organizations are independent of each other.