

Unitarian Universalist Church of Augusta

ENDOWMENT FUND

GIFT PLANNING GUIDE

Introduction

Purpose of the UUCA Endowment

The purpose of the Unitarian Universalist Church of Augusta (UUCA) Endowment Fund is to enhance the mission of the UUCA *apart from* the general operation of the congregation.

Generally, no portion of the income generated by the Endowment Fund may be used for the annual operating budget of the congregation. However, in the event of extreme, temporary, and difficult circumstances, the income may be used for support services but only with the approval of the congregation by action in a meeting assembled. Except where authorized otherwise in the terms of the gift, *all principal amount will be retained and only the income expended*.

Once the Endowment Fund has accumulated \$100,000 in principal, income from the Fund will be distributed at least annually for one or more of the following purposes: (1) the physical plant of the Church; (2) community outreach including spiritual and economic needs; (3) the wider mission of Unitarian Universalism; (4) scholarships and grants to Church members for education and training; and (5) such other approved uses.

All assets are to be held in the name of the UUCA Endowment Fund.

Purpose, Duties and Limitations of the UUCA Endowment Fund Committee

The Endowment Fund Committee (Committee) is the Custodian of the Endowment Fund.

The Committee, applying judgment and discretion as it deems wise and prudent, determines whether to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and otherwise manage and control the assets of the Endowment Fund, including stocks, bonds, debentures, notes and other securities. Its determinations are submitted by the Committee to the Board as recommendations for approval. Board approved determinations are subsequently executed by the Committee.

The Committee reports quarterly to the UUCA Board of Trustees (Board) and renders a full and complete audited account of the administration of the Endowment Fund, covering the preceding year, at each annual meeting of the congregation.

Purpose of this Gift Planning Guide

This guide was prepared by the UUCA Endowment Committee with the intention of providing accurate information for UUCA members and friends considering a planned gift to the Endowment Fund. The contents are not intended as legal or financial advice; every donor should consult his or her own professional advisors in the planning of any gift.

There are a number of gift planning strategies which ensure the greatest tax and income benefits for members and friends. A gift plan may even involve a combination of methods. The Committee is available to assist you and your legal advisor to devise a plan of giving that will provide financial security for you as well as provide UUCA with the support necessary to fulfill its mission now and for the future.

The UUCA is a not-for-profit (501)(c)(3) organization. All gifts are tax deductible in accordance with current tax laws.

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Gifts By Will

More gifts are made to charity by bequests contained in a Will than any other way. It is one of the simplest and most flexible forms of gift planning. No document expresses a person's appreciation of life more deliberately than her or his Will. Its language may be legal; its substance may be worldly goods; but it reflects the beliefs which one would like to see perpetuated. Bequests vary in size from modest amounts to thousands of dollars depending on the circumstances of the individual. Charitable bequests are favored by tax laws and are deducted from the value of an estate before taxes are assessed.

There are several types of bequests:

Specific Bequest

A Specific Bequest leaves a specific item or amount. Examples include:

I give and devise a sum of Ten Thousand Dollars (\$10,000) to the Unitarian Universalist Church of Augusta Endowment Fund, 3501 Walton Way Extension, Augusta, Georgia 30909, or its successor, for such uses and purposes consistent with the uses and purposes of the Fund.

I give and devise the sum of Ten Percent (10%) of my net estate to the Unitarian Universalist Church of Augusta Endowment Fund, 3501 Walton Way Extension, Augusta, Georgia 30909, or its successor, for such uses and purposes consistent with the uses and purposes of the Fund.

Residual Bequest

A Residual Bequest provides for the distribution of any assets remaining in an estate after all bequests have been satisfied. For example:

I give and devise all the rest, residue and remainder of my estate to the Unitarian Universalist Church of Augusta Endowment Fund, 3501 Walton Way Extension, Augusta, Georgia 30909, or its successor, for such uses and purposes consistent with the uses and purposes of the Fund.

Contingent Bequest

A Contingent Bequest takes effect only if the person(s) designated in the will to receive a particular portion(s) of the estate predeceases the maker of the Will. For example:

I devise all the rest, residue and remainder of my property of every kind and description (including lapsed devises), wherever situate and whether acquired before or after the execution of this Will absolutely in fee simple to my wife, Sara Brown, if she shall survive me. If my said wife shall not survive me, then I devise all of said property to my children, in equal shares, provided, however, the issue of a deceased child shall take his or her parent's share per stirpes. If at the time of my death I am not survived by my wife, any of my children, or any of my children's issue, I devise all of said property as follows:

1. Ninety Percent (90%) thereof to the Unitarian Universalist Church of Augusta Endowment Fund, 3501 Walton Way Extension, Augusta, Georgia 30909, or its successor, for such uses and purposes consistent with the uses and purposes of the Fund.

2. Ten Percent (10%) thereof to (other charity) located at (address), or its successors, for such uses its governing board shall deem necessary and advisable.

Two of life's certainties, death and taxes, with all of their important aspects seem to get little planning time. A great majority of Americans die without a Will despite the fact that most people have some assets, as well as loved ones about whom they are concerned. We should provide for the well being of loved ones and if able, leave bequests for charitable uses.

The following questions can help you consider major issues in planning the distribution of your estate. These, and others, should be reviewed carefully, and in greater detail, with your legal and financial advisors.

- Do you have a Will? Does your spouse?
- Has your Will been reviewed in the past few years?
- Have there been changes that would affect your Will?
- How are your assets owned? Jointly? Individually?
- Is your spouse or life partner comfortable managing money, or should funds be left in trust? How about your children?
- Where should the property go after your spouse's or life partner's death?
- Have you planned for your children's/grandchildren's educational or other needs?
- Have you arranged for your spouse's/life partner's/parent's long-term health care needs?
- Are there any other beneficiaries? Church? Charities?
- If you own a business, do you have a buy/sell agreement to ease the transfer of the company stock?

If you wish to include a bequest for UUCA Endowment Fund in your Will, you should consult your professional advisors who can advise you as to tax and other appropriate considerations.

Outright Gifts

In evaluating your total financial picture, you may decide that it would be preferable, for tax or other reasons, to make an outright gift of cash or other assets right away.

Outright gifts of cash represent a vital and important source of financial support for the UUCA Endowment Fund. They are the easiest gifts to both make and receive. You are entitled to an income tax charitable deduction equal to the full value of the gift provided that your charitable deductions do not exceed 50% of adjusted gross income (AGI) in the year the gifts are made. (Any unused portion of the deduction may be carried over into the next five tax years.)

Example: *Mr. Generous has an AGI of \$85,000 this year. He contributed \$50,000 to the UUCA Endowment Fund. He can deduct \$42,500 this year ($\$85,000 \times 50\%$); the remaining \$7,500 can be deducted in the next tax year (assuming his AGI is at least \$15,000). Mr. Generous' gift of \$50,000 to the UUCA Endowment Fund is fully deductible.*

Gifts of Securities

A gift of long term appreciated securities provides you with many benefits. They include:

- Income tax deduction
- Reduced estate taxes
- Avoidance of capital gains
- Knowledge you have helped others

A gift of long term appreciated securities enables you to make a substantial charitable gift with a low original cost. When donating appreciated securities, you avoid paying capital gains tax and receive an immediate income tax deduction equal to the full value of the gift, provided that your charitable deductions do not exceed 30% of your AGI. (Again any excess may be carried forward for up to five years.)

***Example:** Ms. Generous donated long-term stock which cost her \$25,000 and is now worth \$90,000. Her AGI is \$120,000 this year. She is entitled to a \$36,000 charitable deduction for the current year ($\$120,000 \times 30\%$) and avoids tax on the \$65,000 appreciation. She is entitled to a deduction of \$36,000 for the next year or 30% of her AGI. The third year, she receives the benefit of the remainder of the \$90,000 deduction.*

Gifts of Real Estate

A gift of real property provides you with many benefits. They include:

- Income tax deduction
- Reduced estate taxes
- Avoidance of capital gains
- Knowledge you have helped others

A gift of real property may be very beneficial for the UUCA Endowment Fund. The benefits depend on a variety of factors including how the property is used, how marketable it is, and whether or not there is a mortgage.

When a piece of unmortgaged property is given outright, the donor receives an income tax deduction for the full market value of the property, and avoids paying capital gains tax. (You may deduct 30% of your AGI for the current year, any excess may be carried over for up to five years.) The UUCA Endowment Fund actually use the property, or sell it and use the proceeds.

Life Income Gifts

Many people who desire to make special gifts are faced with the dilemma of strong charitable intent on one hand, but a need to have sufficient resources to support themselves on the other. Worried that they might "outlive" their resources, they hesitate to commit to a gift that they truly desire to make. A Life Income Gift could be the solution to that dilemma.

Life income plans allow you to make a present gift to UUCA Endowment Fund in return for lifetime income payments. It is as if you are giving away the vine, but are still able to enjoy the fruits of the harvest each year. This is a financial and philanthropic arrangement in which a charitable gift of cash, securities, or any other property continues to provide an income to you, and/or another person named by you for life or other period which you specify (not more than 20

years). After the death of the final income beneficiary, the assets pass permanently to the UUCA.

Charitable Remainder Trusts

A trust, of which there are many types, is simply a legal document appointing someone to manage assets (the trustee) for the benefit of someone (the beneficiary). The beneficiary can be the creator of the trust (the trustor) or others that the trustor might name. The benefits are two-fold: payment of income to one or more beneficiaries and principal to one or more remainderman(men). A trust is not, by nature, complex and expensive.

A Charitable Remainder Trust (CRT) is a type of trust which you need not be extremely wealthy to use and which will benefit UUCA as well as you and your family.

The advantages of a CRT are:

- A secure source of annual income
- An enhanced source of annual income
- An immediate income tax deduction
- An estate tax shelter
- A capital-gains tax break on appreciated securities and other property
- A substantial benefit to a worthy charitable cause

Charitable Remainder Annuity Trusts

An annuity trust pays a fixed dollar amount - at least 5% of the fair market value of the donated assets at the time of the gift. Any income not paid out is added to the principal. If income is insufficient to pay the required amount, the principal is invaded to make up the deficit. Your income tax deduction depends upon your age, the age of the other beneficiaries, the agreed upon percentage of the trust, and fair market value of the assets donated. Once again, there is no capital gains tax for this gift of appreciated property. The Annuity Trust is a good fit for individuals who need an absolute minimum of income.

***Example:** Mr. Giving owns appreciated stock from the company for which he was a lifetime employee. He donates these securities to establish an annuity trust with a value at the time of the gift of \$267,000, naming himself and his wife as lifetime beneficiaries. The trust agreement provides for annual payments to the couple and then to the surviving spouse of \$16,020, or 6%. At the death of the surviving spouse, the UUCA Endowment Fund receives the trust principal for the purposes designated by Mr. Giving.*

Charitable Remainder Unitrust

A unitrust pays a variable income. An agreed upon percentage (at least 5%) of the fair market value of the trust's assets, as valued each year, is to be paid annually. You may elect a "standard unitrust" where excess earnings are always reinvested in the trust, and in which principal is invaded to pay the elected percentage rate when earnings are insufficient to do so. Or you may choose a "net income unitrust" where either the agreed upon percentage or the actual income from the trust is paid, if the amount is less than the agreed payout rate. A variation on this option is a "net income with make-up" provision which allows deficiencies in payouts to accrue during low-income years to be "made-up" in years when earnings exceed the agreed payout rate.

The tax considerations are the same as an annuity trust. However, a unitrust can be more flexible. A unitrust can also provide a hedge against inflation. One variation allows for more growth while another provides for more income. It is simply a matter of what you want to accomplish, as well as the beneficiary's lifetime needs. Also, the document can be drafted so that you can make additional transfers of assets into the trust at any time.

Example: *Mr. Investor transfers the certificates of two stocks he bought 40 years ago into a net income unitrust with an annual payout rate of 6%. The value of the stocks at the transfer was \$160,000. The couple will receive an annual payment of 6% of the value of the trust as valued each year. If the income on the trust is less than 6%, then the actual income is paid. If the amount earned is greater than 6%, the trust principal grows by the difference. At the death of the surviving spouse, the remaining principal will be paid to the UUCA Endowment Fund.*

Charitable Gift Annuity

A charitable gift annuity (CGA) is a combination of a gift to charity and an annuity contract. You transfer assets to the UUCA Endowment Fund; in return, we agree to make regular, fixed payments to you for the rest of your life. The transaction is both a purchase of an annuity and a charitable contribution. By its very nature, a CGA allows a higher return than most investments.

You receive a charitable income tax deduction for a portion of the value of your gift. Any capital gains tax on appreciated securities is spread over the life of the annuity, and some of the annuity is tax-free for a certain number of years, depending on the age(s) of the beneficiary(ies). Annuity payments may begin immediately, or they may be deferred to some time in the future. The longer the wait, the higher the income and the greater the tax deduction.

Example: *Mr. and Mrs. Thoughtful, ages 68 and 73, donate \$50,000 from a Certificate of Deposit (CD) to the UUCA Endowment Fund for a gift annuity. The couple, and then surviving spouse, will receive lifetime annual payments of \$3,550, paid quarterly. Of this amount \$614.15 is tax-free; and \$2,935.85 is taxable income. The Thoughtful's charitable deduction for the remainder is \$37,513.23 and their expected return is \$72,420.*

Charitable Lead Trust

With a Charitable Lead Trust, you can provide immediate support for the UUCA Endowment Fund while transferring assets to your heirs at a greatly reduced transfer tax cost. The lead trust pays income to the UUCA Endowment Fund for a term of years. On termination of the lead trust, the trust assets revert to you or, more likely, your heirs. Although the amount placed in a qualified lead trust is subject to gift and possibly estate taxes, the present value of the total payout to charity is subtracted from this amount in determining how much is actually taxable. The trust can be written for a term of years that would make the taxes negligible.

Example: *Mr. Williams funds a Charitable Lead Trust with \$1,000,000 in stock for 10 years to help fund the UUCA Endowment Fund. The Endowment Fund will receive the income from the trust every year for the next 10 years. At the end of 10 years, the stock is then distributed to his three children.*

Life Insurance

Life insurance can play a very creative role in gift planning. By using life insurance, you may be able to make a charitable gift much larger than you ever thought possible.

UUCA Endowment Fund as Beneficiary:

For a new or existing policy, you can name the UUCA Endowment Fund as a sole or primary beneficiary or partial beneficiary. The Endowment Fund can also be named as an alternate beneficiary, that is, someone to receive the proceeds of the policy if the first or second person you name predeceases you. By naming the Endowment Fund as a beneficiary, you retain ownership of the policy and have access to the policy's cash value. You also have the right to change the beneficiaries. No income-tax deduction is allowed; however, the estate will receive a charitable deduction.

UUCA Endowment Fund as Owner:

You can make the UUCA Endowment Fund the owner of a new or existing life insurance policy. In doing so, and continuing to pay the premiums, you are allowed to take a charitable deduction for those payments. As an alternative, gifts of the amount of the premiums could be made to the Endowment Fund, with the Endowment Fund paying the premiums. As long as we are not under any obligation to pay the premiums with the donations, you may take a charitable deduction for those gifts. If the policy is paid up, your deduction is equal to the replacement value of the policy, unless that value exceeds the tax or cost basis.

Example: *Ms. Forsythe always wanted to make a really significant donation to the UUCA Endowment Fund, but felt that she was unable to give as much as she wanted to give. Now, Ms. Forsythe is 40 years of age and has decided to make this gift using life insurance. By making annual tax-deductible contributions of \$855 for five years, she will have completed the funding of a \$50,000 policy. At the time of Ms. Forsythe's death the UUCA Endowment Fund will receive the \$50,000. As requested by Ms. Forsythe, this money will be added to the Endowment Fund for scholarships.*

Asset Replacement:

After making a gift to the UUCA Endowment Fund, some individuals choose to use the tax savings produced by the charitable deduction, and/or increased income, to purchase and pay the premiums on a life insurance policy whose proceeds might be equivalent to the value of the gifted property. By using this method, you can increase your income, make a substantial charitable gift, reduce estate taxes, and still leave your loved ones the inheritance you want them to have.

Example: *Mr. Pepper wants to give a significant gift to the UUCA Endowment Fund. He would also like to leave his 2 children, Michael and Ashton, additional funds, which would not be taxed, in his estate. He funds a Charitable Remainder Trust with stock that he bought 50 years ago for \$50,000 and is currently valued at \$200,000. At 6% payout this trust pays him \$12,000 annually. Mr. Pepper then sets up a \$200,000 life insurance trust payable to Michael and Ashton at his death. He funds this irrevocable trust with part of the income that he receives from the Charitable Remainder Trust.*

Remainder Interest Gifts

You may consider giving your residence or vacation home to the UUCA Endowment Fund, but retain the right to use it for life. This allows you a significant tax deduction at the time of the gift, and the continued enjoyment of your home as long as you (and/or your spouse) live. Your tax deduction depends on you (and your spouse's) age. The estate or gift tax deduction is equal to the value of the remainder interest on your home.

Example: *Mrs. Smith, age 78, donates her home - the house and the land - to the UUCA Endowment Fund and reserves the right to live there for her remaining years. At the time of the gift, the land and the house have a value of \$140,000. Her charitable deduction is \$75,938.20 for the remainder of the interest.*

GIFT PLANNING TABLE

Overview of Some Planned Giving instruments

Type of Gift	Form of Gift	Benefit to Donor	Benefit to Nonprofit
Outright Gift	<ul style="list-style-type: none"> • Cash • Securities • Real Estate • Insurance • Personal Property 	<ul style="list-style-type: none"> • Deductible for tax purposes 	<ul style="list-style-type: none"> • Funds availability

BEQUESTS: Anything one owns at the time of death may be passed on to an organization or person through one last will and testament. Moreover, all forms of life income gifts may be in testamentary form to benefit family or friends and will then become available for use by named organizations.

LIFE INCOME GIFTS - Charitable Remainder Trusts

A. Charitable Remainder Annuity Trust	<ul style="list-style-type: none"> • Cash • Securities 	<ul style="list-style-type: none"> • Fixed income • Tax deduction in year that gift is made • No capital gains tax on appreciated gift 	<ul style="list-style-type: none"> • Ensures substantiated future funding
B. Charitable Remainder Unitrust	<ul style="list-style-type: none"> • Cash • Securities • Real Estate 	<ul style="list-style-type: none"> • Can be tailored to donor's situation • Permits deferred income • Includes Real Estate 	<ul style="list-style-type: none"> • Ensures substantiated future funding
C. Charitable Gift Annuity	<ul style="list-style-type: none"> • Cash • Securities 	<ul style="list-style-type: none"> • Fixed Income for Lifetime • Tax deduction in early years of gift 	<ul style="list-style-type: none"> • Portion of funds can be available to organization • Ensures future funding • Upon death of insured, remaining principal paid to organization
D. Charitable Lead Trust	<ul style="list-style-type: none"> • Cash • Securities • Real Estate 	<ul style="list-style-type: none"> • Allows property to be passed to others with little or no shrinkage due to taxes 	<ul style="list-style-type: none"> • Ensures substantial future funding
Remainder Interest Gifts	<ul style="list-style-type: none"> • Real Estate 	<ul style="list-style-type: none"> • Significant tax deduction at time of gift 	<ul style="list-style-type: none"> • Ensures substantial future funding

INSURANCE POLICIES

A. Organization is made owner and beneficiary of policy currently in force	<ul style="list-style-type: none"> • Life Insurance 	<ul style="list-style-type: none"> • Donor gets income tax deduction for value of policy when transferred • Future premium payments may be deducted as a gift • Donor can make large future gift at a small present cost 	<ul style="list-style-type: none"> • Organization may borrow on policy • Organization may cash in on policy • Organization may receive face value of policy at insured's death
B. Paid-up policy is given to organization	<ul style="list-style-type: none"> • Life Insurance 	<ul style="list-style-type: none"> • Tax deduction based on current value of policy when transferred 	<ul style="list-style-type: none"> • Organization may keep policy and receive face value upon death of insured
C. Organization is named beneficiary of policy but not owner	<ul style="list-style-type: none"> • Life Insurance 	<ul style="list-style-type: none"> • Enables donor to make large future gifts at small present cost • Donor may change beneficiary later Donor may borrow on policy 	<ul style="list-style-type: none"> • Upon death of insured, organization will receive face value of policy

Summary

The UUCA meets its near-term needs through your annual canvass contribution to the Congregation's operating budget. However, the operating budget does not cover long term, unanticipated-emergent, or legacy needs. For this, the UUCA needs your support. A gift to the UUCA Endowment fund does this and satisfies the Congregation's will of supporting physical plant, community outreach, UU mission and scholarship goals.

The method by which you contribute will determine the tax benefits. Each person's situation is unique; we encourage you to consult your legal and financial advisor. A member of the UUCA Endowment Committee will be happy to meet with you and your advisor to discuss which method of giving would best meet your particular situation.

The UUCA is a not for profit 501 (c)(3) organization. All gifts to the UUCA Endowment Fund are tax deductible in accordance with current tax laws.

The current legal title is:

The Unitarian-Universalist Church of Augusta, Georgia Endowment Fund

For additional information, please contact one of the Committee members or write:

Unitarian Universalist Church of Augusta
Attn: Endowment Committee
3501 Walton Way Extension
Augusta, Georgia 30909

706-733-7939