

# Planned Giving FAQ's

## ***Will my givers stop or decrease their giving if they make a large planned gift?***

Answer: No

When a giver decides to evaluate their charitable giving through the lens of assets, it is transformational for both the giver and the church. The vast majority of people do not have lots of cash; instead, non-cash items such as real estate, stocks, mutual funds, bonds, etc. Planned giving does two things. It lowers taxes and allows the giver to trade a gift for income leading to larger gifts, not smaller ones.

Stewardship 101 is the fundamental principle of paying only the required taxes that are due while, utilizing gift planning strategies to allow charitable dollars to go further. It isn't a principal of 'more giving' rather 'smarter giving' to the things that we want to support. In fact, planned gifts, rather than cannibalizing annual giving, actually trigger increases in annual gifts, according to new research by Russel James Ph.D., CFP, of Texas Tech University.

Dr. James Ph.D., CFP, has been conducting an in-depth analysis of charitable bequests and found that givers who added a charitable beneficiary to an estate plan increased their average annual giving by more than \$3,000 after making the planned gift. The research supports a 2007 study by Indiana University, which found that givers who had included a charity in their wills gave more than twice as much to charity in annual gifts as donors who did not have a charity in their wills.

## ***Is my church demographic right for planned giving?***

Answer: Yes

You have heard it said, "there are two constants in life; death and taxes." A holistic gift planning ministry provides strategies for all age demographic givers. Even the youngest of churches will have givers that inherit wealth. In fact, it's predicted that over \$68 trillion of wealth will be transferred from Baby Boomers to Gen X and Millennials over the next 5-20 years. Your aging congregates need to know how to leave a legacy of ministry to the next generation through planned gifts. Additionally, Gen X and Millennial congregates should be aware of the opportunities to fund ministry today and for the future by generously giving a portion of the wealth that they've inherited.

No matter the age demographic of your church, you need to consider a planned giving program as part of a comprehensive generosity ministry.

## ***What Type of Ministry Manages Planned Giving***

Answer: Depending on the leadership structure of your church, there are several recommended directions for managing a planned giving ministry.

*Here are some suggested options:*

1. Stewardship/Generosity Ministry: If your church has a dedicated on-staff stewardship pastor, then the development and management of planned giving should be kept within their ministry. The stewardship ministry should recruit financial volunteers to help educate givers on planned giving.
2. Planned Giving Committee: If your church has members that are financial professionals, forming a committee to handle planned giving will increase creditability and giver relationship development.
3. A MortarStone Coach can work with you and guide you through both setting up and managing your planned giving ministry. We will train staff and have conversations with both your givers and their advisors.

## ***Should I use Financial Volunteers for a Planned Giving Ministry?***

Answer: YES - If you have volunteers that are highly-active at your church, ask them to assist you and the ministry.

As stated in the previous question, enlisting the help of financial volunteers from your congregation will increase credibility and develop more significant relationships. Your church is full of professionals that need a place to use their God-given talents, why not allow them the opportunity to grow the church with their expertise.

## ***What is the First Step in Starting a Planned Giving Ministry?***

Answer: The first step to starting a planned giving ministry is knowing your givers.

Using MortarStone to assess the givers at your church, demographically will help you identify the best options for pursuing planned gifts. You should understand the following about your givers:

- Age
- Giving Frequency
- Gift Amounts
- Giving Capacity
- Preferences/Causes
- Church Involvement
- Professional Engagements/Career

# Planned Giving FAQ's

## ***What types of planned gifts are right for my church?*** Answer: Keep It Simple

The first rule for anything new is to – keep it simple! Gift planning can do two things; reduce taxes and create income. On the surface, it seems simple enough yet can get complicated fairly quickly, depending on the giver's objectives. The well-prepared church should focus its marketing and education efforts on three categories:

1. Bequest – an end of life gift
2. Donor-Advised Fund
3. Split Interest Gift (e.g., gift annuities, pooled income fund, CRTs, etc.).

**Bequest/Estate Plan:** This type of planned gift is the most popular and easiest for a church to administer. The giver signs a one-page form agreeing to give the church either a fixed amount or a percentage of the overall estate once it's liquidated. Future gift amounts, along with the documents memorializing the gift, must be tracked to ensure giver intent is met upon death. A will or trust is a living document that changes. As such, a 'set it and forget it' mentality will cost the church and most likely frustrate the giver's heirs without proper management. It is for this reason a 3rd party is best suited to educate and manage this program.

**Donor-Advised Fund (DAF):** A DAF is like a charitable checking account that the giver sets up. They are usually funded with appreciated assets and are not required to make a distribution. A DAF allows a giver to manage all of their charitable giving in one place. They can fund the account for the entire year or throughout the year. When they want to make a gift, they 'advise' the custodian and the proceeds are distributed. The charitable deduction is given when the funds go in. However, DAFs can grow over time if gifts are not distributed. The three largest companies that administer DAFs are all investment management firms (Fidelity, Schwab, Vanguard). It is for this reason the church should provide education as the custodian will have little to no desire to see those assets distributed to charity.

**Split-Interest Gift:** A split-interest gift benefits two parties – the giver and the charity. For this document, we will discuss three common split-interest strategies.

**Charitable Gift Annuity (CGA):** It involves a contract between a donor and a charity, whereby the donor transfers cash or property to the charity in exchange for a partial tax deduction and a lifetime stream of annual income from the charity. When the donor dies, the charity keeps the gift. A CGA can be either a predetermined time span or for life of the donor(s).

**Charitable Remainder Trust (CRT):** The central idea of a charitable remainder trust is to reduce taxes. This is done by first donating assets into the trust and then having it pay the beneficiary for a stated time period. Once this time-frame expires, the remainder of the estate is transferred to the charities deemed as beneficiaries. CRTs are the ideal planning vehicle for those with substantial assets. Some common variations of a CRT'S would be CRAT, CRUT, CLUT, CLAT – well, basically, the alphabet soup of gift planning is represented here. CRT variations are determined by who gets the money when, and for how long.

**Pooled Income Fund (PIF):** A PIF is one of the most underused charitable planning vehicles in gift planning circles today. It is, in concept, a mutual fund that all donors can give to, receive a substantial tax deduction and income for life. The PIF, for most churches, is an absolute MUST when it comes to a gift planning ministry, and this is why.

- The PIF is set up by the church.
- Any giver can give to it without having to set up a foundation or CRT, thus getting a split-interest benefit.
- A new PIF provides a charitable deduction unmatched by other gift planning vehicles (e.g., CGA).
- Every church that has debt should have a PIF.
- Every church that is growing should consider using a PIF to fund capital projects.

Much like a CRT, when the giver(s) pass away their 'shares' or interest in the PIF remit to the charity. As a financing vehicle, it is akin to a declining interest rate loan that you never payback.

## ***Question: How Can I Get My Senior Leadership's Approval for Planned Giving***

Answer: Education is your best tool for getting leadership to approve a ministry.

Consider having a MortarStone coach do a half-day event with your leadership. We will provide the following:

- A review and critique of your case statement
- Assess the giving gain of a gift planning strategy
- Work with the team to create a budget or church need that isn't met through the general offering
- Develop collateral that is culturally appropriate and highlights the needs of the ministry and how your givers can use their resources to help bridge that gap.

Your senior leadership team might not understand the importance of planned giving and the opportunities it allows for sustainable long-term funding. For these reasons, it is essential to educate them about the need for this type of ministry.

# Planned Giving FAQ's

## ***Who Sets Up and Administers Planned Gifts***

Answer: MortarStone, financial institutions, and law professionals

MortarStone has outside legal counsel that can advise you with setting up and administering the various types of gift vehicles. All trust administration is done through a third party that has experience in administering gifts. We do not recommend using local people either in the church or in the community unless they have extensive experience in this area.

It is important not to get overwhelmed with the process of setting up the administration of gifts, rather to outsource it to people and organizations that specialize in this area.

## ***Who Educates My Givers on Planned Giving Options?***

Answer: The church should educate givers on the value of giving not only from their cash or a 'first fruits' concept, but also from their assets. MortarStone partners with the church to further the education with easy to understand marketing of how everyday givers are using gift planning strategies to accelerate generosity. The church's role is to educate on 'why to give' and MortarStone will educate the giver and their advisors on 'how to give'.

This includes customized case studies to help people understand the benefits for the giver, their heirs and the Kingdom (through the church). Donor fatigue can be a real problem for churches that have big vision. A gift planning ministry with customized education is paramount for those that want healthy and generous givers.

## ***What Types of Communication Materials Do I Need for Givers?***

Answer: There are several communication materials/medias that you will need to have established before speaking with givers.

MortarStone provides a Gift Planning Made Simple program that helps you develop the following for your givers:

1. Website Pages & Connection Forms
2. Printed Education Pieces: informational flyers, church giving brochure, church bulletin inserts, email announcements, pre-service Power Point slides
3. Social Media posts and links to planned giving information
4. Education Events