SECTION VI

Life Income and Other Gifts

Please note that all information contained in this section is provided for the purposes of illustration only and should not be considered a substitute for independent professional advice. For legal advice or assistance regarding the income, estate and gift tax consequences of planned giving, the services of an attorney, accountant or financial advisor should be obtained.

An Overview of United Church of Christ Life Income Gift Arrangements

UCC Planned Gifts can be made with accumulated assets such as:

- cash
- securities
- bonds
- insurance
- retirement benefits

The Financial Development Ministry makes available a variety of planned gift opportunities that can provide future financial resources for mission and ministry while providing current benefits to donors or their designees.

There are members and friends of our churches who want to make a contribution to the church, but think only of their income as a source for gifting. Many of these same individuals have accumulated assets that could be the source of a significant gift to the church. Perhaps no one has invited them to consider a gift from their accumulated assets. Planned gifts, which are given out of accumulated assets, may provide solutions to would-be donors who feel they have limited income or are concerned about retaining or increasing current income.

This article presents information on planned gifts administered by the UCC through the United Church Foundation, in cooperation with the UCC Financial Development Ministry. The Financial Development Ministry makes available a variety of planned gift opportunities that can provide future financial resources for mission and ministry while providing current benefits to donors or their designees. Wills and bequests were discussed previously in this manual, and planned gifts related to life insurance, gifts with property, and retirement plans are discussed following this article.

United Church of Christ Planned Gifts can be made to benefit any setting of the church: the congregation, the Conference, related educational and health and human service ministries, national ministries of the church, or simply the United Church of Christ. The donor also may name a particular concern within any setting to benefit, such as "to my congregation for the church music program," or "to the United Church of Christ for ministry with youth." Or the donor may combine beneficiaries in one gift, such as "one-half for my congregation's endowment fund," "one-quarter for my Conference's camping program," and "one-quarter for the national and global ministry dealing with peace and justice issues." The UCC Financial Development Ministry staff is pleased to provide information on all ministries in the national setting of the church and will assist the donor in finding information about Conference and other UCC-related beneficiaries.

The ways UCC Planned Gifts can be made include:

- gifts annuities (immediate or deferred payment)
- pooled income fund gifts
- charitable remainder trusts
- revocable trusts
- charitable lead trusts

The following information about UCC Planned Gifts has been provided for the purpose of illustration only. For legal advice or tax assistance, the services of an attorney should be obtained.

United Church of Christ Gift Annuities

A Gift Annuity may appeal to individuals, wishing to make a gift benefiting the church, who:

- feel the need for more income
- have appreciated assets
- are seeking an alternative to rates of return available in CDs or stock dividends
- prefer fixed income

Gift Annuities are not a new idea in the United Church of Christ. Some of our predecessor bodies were issuing "conditional gifts" as early as 1878! Today, a Gift Annuity is an agreement between a donor and the United Church Foundation, where the donor irrevocably transfers an asset such as cash or securities to the Foundation in return for annual payments of a fixed amount to one or two named annultant(s) for life. The fixed annuity payments are based on the age of the annuitant(s) when the gift is made. Upon the death of the annuitant(s), the remaining principal goes to the UCC beneficiary(ies) designated by the donor in the Gift Annuity agreement. There is a $1,000 gift minimum.

Features of United Church of Christ Gift Annuities

- Donors who itemize their deductions on their federal income tax returns will qualify for a federal income tax charitable deduction in the year the gift is made, subject to certain percentage limitations imposed by the Internal Revenue Code.
- The annuitant(s) will receive fixed annual payments for life on a monthly, quarterly, semi-annual, or annual schedule. Part of each payment is tax-free income, until the time the investment in the contract has been fully recovered. At that time, the entire payment becomes taxable as ordinary income.
- If appreciated property is used to make the gift, there will be some capital gains tax incurred by the donor. The capital gain in such an event must be recognized by the donor and may be prorated over his or her life expectancy.
- The Gift Annuity Agreements entered into by donors to benefit the United Church of Christ are administered by Richard B. Osterberg, Esq. of Weston, Patrick, Willard & Redding, 84 State Street, Boston, Mass. 02109. Mr. Osterberg, as agent of the United Church Foundation, serves as manager of the UCC Gift Annuity Fund, which is the repository of all assets transferred to fund UCC Gift Annuities.
- An administrative fee is charged each year against the total assets of the Gift Annuity Fund. Contact the UCC Financial Development Ministry for current information on the fees.
- The annuity payments are based on rates that are fixed for the lifetime of the annuitant(s). UCC Gift Annuity rates are those adopted by the UCC Financial Development Ministry. Currently, the rates adopted are those which have been suggested by the American Council on Gift Annuities, a cooperative endeavor of over 1,300 religious, educational, welfare, and cultural institutions in the United States. For current rates or gift illustrations, contact the UCC Financial Development Ministry.

United Church of Christ Deferred Payment Gift Annuities

A Deferred Payment Gift Annuity may appeal to individuals, wishing to make a gift benefiting the church, who:

- would enjoy receiving a tax deduction now, but would like to defer income to the future
- may be considering retirement planning options in addition to IRAs

A Deferred Payment Gift Annuity is a contract between the donor and the United Church Foundation, where the donor irrevocably transfers a gift of assets to the United Church Foundation in return for annual payments of a fixed amount to pay one or two named annuitant(s) for life. The payments commence at a prearranged time in the future, at least one year from the time the gift was made. The fixed annuity payments are based on the age of the annuitant(s) at the time the gift is estab-lished and the length of time that the payments are deferred; the older the annuitants and the longer the deferral period, the greater the fixed annual payment. Upon the death of the annuitant (s), the remaining principal goes to the UCC beneficiary (ies) designated by the donor in the Deferred Payment Gift Annuity agreement. There is a $1,000 gift minimum.

Features of United Church of Christ Deferred Payment Gift Annuities

- Donors who itemize their deductions on their federal income tax returns will qualify for a federal income tax charitable deduction in the year the gift is made, subject to certain percentage limitations imposed by the Internal Revenue Code.
- The annuitant(s) will receive fixed annual payments for life in monthly, quarterly, semi-annual, or annual payments, commencing on the date selected by the donor. Part of each payment will be tax- free income, until the investment in the contract has been fully recovered. At that time, the entire payment will become taxable as ordinary income.
- If appreciated assets are used to make the gift, there will be some capital gains tax incurred by the donor, due upon commencement of payments. The capital gain in such an event must be recognized by the donor and may be prorated over his or her life expectancy.
- The Gift Annuity Agreements entered into by donors to benefit UCC remainder beneficiaries are administered by Richard B. Osterberg, Esq., of Weston, Patrick, Willard & Redding, 84 State Street, Boston, Mass. 02109. Mr. Osterberg, as agent of the United Church Foundation, serves as manager of the UCC Gift Annuity Fund, which is the repository of all assets transferred to fund UCC Gift Annuities.
- An administrative fee is charged each year against the total assets of the Gift Annuity Fund. Contact the UCC Financial Development Ministry for current information on the fees.
- The annuity payments are based on rates that are fixed for the lifetime of the annuitant (s). UCC Deferred Payment Gift Annuity rates are adopted by the UCC Financial Development Ministry. Currently, the rates are those that have been suggested by the American Council on Gift Annuities, a cooperative endeavor of over 1,300 religious, educational, welfare, and cultural institutions in the United States. For current rates, or gift illustrations, contact the UCC Financial Development Ministry.

United Church Foundation Pooled Income Fund

The Pooled Income Fund may appeal to individuals, wishing to make a gift benefiting the church, who:

- have highly appreciated assets that produce low income
- are comfortable with variable income
- are too young to receive an appealing Gift Annuity rate, and don't want to defer income payments

The United Church Foundation maintains a Pooled Income Fund for UCC remainder beneficiaries. To make a Pooled Income Fund Gift, the donor irrevocably transfers an asset such as cash or securities to the Foundation, where it is invested with similar gifts from other donors to provide variable annual income to the designated life-income beneficiary(ies). The income paid to life-income beneficiaries represents their share of the Fund's annual earnings. Upon the death of the life-income beneficiary(ies), the remaining principal goes to the UCC beneficiary(ies) designated by the donor. There is a $2,000 gift minimum. The UCF Pooled Income Fund will not accept assets subject to indebtedness.

Features of the United Church Foundation Pooled Income Fund

- Donors who itemize their deductions on their federal income tax returns will qualify for a federal income tax charitable deduction in the year the gift is made, subject to certain percentage limitations imposed by the Internal Revenue Code.
- The named life-income beneficiary(ies) will receive a variable annual income for life, paid quarterly. This income is taxable to the recipient as ordinary income.
- If appreciated assets are transferred to the Foundation to fund the gift, the donor will incur no tax on the gain.
- United Church Foundation Pooled Income Fund Agreements entered into by donors to benefit the United Church of Christ are administered by Richard B. Osterberg, Esq. of Weston, Patrick, Willard & Redding, 84 State Street, Boston, Mass. 02109. Mr. Osterberg, as agent of the United Church Foundation, serves as administrator of the Fund, which is the repository of all assets transferred to fund UCF Pooled Income Fund Gifts.
- An administrative fee is charged each year against the total assets of the UCF Pooled Income Fund. Contact the UCC Financial Development Ministry for current information on fees.
- For current information on the performance of the UCF Pooled Income Fund, or for a gift illustration, contact the UCC Financial Development Ministry.

Charitable Remainder Trusts

CRUTs may appeal to individuals, wishing to make a gift benefiting the church, who:

- have highly appreciated property, such as real estate
- are comfortable with a variable income
- are interested in the opportunity to see their gift principal grow

Charitable Remainder Unitrusts *(CRUTs)*

The Charitable Remainder Unitrust provides variable income for the lifetime(s) of one or more beneficiaries, or for a term of 20 years or less, or a combination of the two. Upon the termination of the trust, the remaining principal is transferred to the UCC beneficiary(ies) designated by the donor when the trust was created.

To create a Charitable Remainder Unitrust, the donor irrevocably transfers assets to the United Church Foundation, as trustee. The trustee invests the assets and pays the designated life income beneficiary(ies) a fixed percentage of the trust's current value, as revalued annually. This percentage, which is selected by the donor when the trust is created, may not be less than 5%. Additional contributions may be made to a CRUT.

Charitable Remainder Annuity Trusts *(CRATs)*

CRAT's may appeal to individuals, wishing to make a gift benefiting the church, who:

- have highly appreciated assets such as securities
- are interested in fixed income

The Charitable Remainder Annuity Trust provides fixed income for the lifetime(s) of one or more beneficiaries, or for a term of 20 years or less, or a combination of the two. Upon the termination of the trust, the remaining principal is transferred to the UCC beneficiary(ies) designated by the donor when the trust was created.

To create a Charitable Remainder Annuity Trust, the donor irrevocably transfers assets to the United Church Foundation, as trustee. The trustee invests the assets and pays the designated life income beneficiary(ies) a fixed percentage of the original gift principal. This percentage, which is selected by the donor when the trust is created, may not be less than 5%. There may not be additional contributions to a CRAT.

Features of Charitable Remainder Trusts

- Donors who itemize their deductions on their federal income tax returns will qualify for a federal income tax charitable deduction in the year the gift is made, subject to certain percentage limitations imposed by the Internal Revenue Code.
- There is a $50,000 gift minimum.
- If appreciated property is used to fund a Charitable Remainder Trust, the donor will not incur any immediate tax on the capital gain.
- Income received from a Charitable Remainder Trust is taxed in a four-tier system: First, as ordinary income to the extent of the trust's ordinary income for the year and any undistributed ordinary income from prior years. Second, as capital gain income to the extent of the trust's capital gain income for the year, and any undistributed capital gain income from prior years. Third, as tax- exempt income to the extent of the trust's exempt income for the year and any undistributed exempt income from prior years. Finally, as a tax-free distribution of principal.
- There are a variety of Charitable Remainder Trusts that can meet certain objectives of the donors. For example, a CRUT with a make-up provision will only make a distribution when there has been adequate income—payments may be "made up" in subsequent years, thus avoiding invasion of principal.
- Mr. Richard B. Osterberg, Esq., of Weston, Patrick, Willard & Redding, 84 State Street, Boston, Mass. 02109, as attorney for the UCC Financial Development Ministry, will draft Trust documents for review by the donor's advisors.
- The United Church Foundation may serve as trustee of Charitable Remainder Trusts designating UCC remainder beneficiaries. In cases of a trust funded with real estate, the United Church Foundation will serve as trustee only following the sale of real estate; until such event, the donor, or donor's designee will serve as trustee. An administrative fee is charged against the principal of the Charitable Remainder Trusts. Sample trust documents, current fee schedules, and personalized gift illustrations are available through the UCC Financial Development Ministry.

Revocable Trusts

Revocable Trusts are a gift option that may appeal to individuals, wishing to make a gift benefiting the church, who:

- need to retain access to all their assets
- are interested in arranging for the management of their affairs in the event they are no longer competent

The Gift Annuities, Pooled Income Fund, and Charitable Remainder Trust options outlined in this article are all irrevocable: that is, once the gift is made, the terms of the agreements are fixed. There are also a variety of revocable gift options that a donor may consider. These gift options allow the donor to change the terms or revoke the gift during his or her lifetime, such as including a bequest in a will or naming the church as a beneficiary of a life insurance policy (see "Gifts of Insurance" following this article in this section of the manual).

Donors may create a revocable trust that names the United Church Foundation, another individual, or themselves as trustee. The trustee invests the funds that have been transferred to the trust, pays the income to the donor or designated income beneficiary, and may permit the trustor to make withdrawals from principal or revoke the trust entirely. The donor may name a UCC beneficiary(ies) as the remainder beneficiary(ies) of the trust. Assets remaining in the trust upon the death of the trustor will be distributed according to the terms of the trust.

Features of Revocable Trusts

- Donors can make gift arrangements while preserving their economic security.
- No tax deductions are available for creating a revocable trust. However, upon the death of the trustor, if the trust assets pass to the church, the donor's estate may enjoy a charitable deduction.
- If state law permits, the trust assets will not be subject to probate.
- Donors may establish living trusts and manage their assets while they are able and interested in doing so, and they may arrange for a successor trustee to manage their affairs when they no longer are capable to do so.
- Mr. Richard B. Osterberg, Esq., of Weston, Patrick, Willard & Redding, 84 State Street, Boston, Mass. 02109, as attorney for the UCC Financial Development Ministry, will draft Revocable Trust documents for review by the donor's advisors.
- The United Church Foundation will serve as trustee for Revocable Trusts that name UCC beneficiaries as remainder beneficiaries.

Charitable Lead Trusts

Charitable Lead Trusts may be an appropriate gift option for individuals, wishing to make a gift benefiting the church, who:

- want the church to enjoy income now
- world like to divert income, but retain assets
- are interested in passing assets to children while possibly reducing gift or estate tax

In contrast to other planned gift opportunities, a Charitable Lead Trust provides current income for the church. To create a Charitable Lead Trust, a donor transfers assets to a trust which then provides income payments to a charity for a term of years, or for the life or lives of an individual or individuals. Upon the termination of the trust, the remaining principal is either retained by the donor, or given to a noncharitable beneficiary such as a family member of a younger generation.

The Charitable Lead Trust may take a variety of forms. Some provide guaranteed payments of a fixed sum to the church, while others provide variable payments. In either case, the trust's principal may be invaded to make the payment. Other varieties of lead trusts, sometimes referred to lead income trusts, pay only income to the church.

Features of Charitable Lead Trusts

- This gift arrangement provides current income for the use of the church.
- These trusts provide limited income tax benefits in regard to charitable deductions, but may be useful in reducing estate tax, or in deferring income to a period that will result in reduced taxes for the donor.
- The remainder interest may be retained by the donor or given to family members. This arrangement may reduce the tax cost of making such transfers.
- Mr. Richard B. Osterberg, Esq., of Weston, Patrick, Willard & Redcling, 84 State Street, Boston, Mass. 02109, as attorney for the UCC Financial Development Ministry, will draft Charitable Lead Trust documents for review by the donor's advisors.
- The United Church Foundation will serve as trustee for Charitable Lead Trusts that name UCC income beneficiaries.

How to Make a Planned Gift through the United Church of Christ Financial Development Ministry

1. After careful consideration, an individual who is interested in making a planned gift may contact his or her Conference Financial Development Associate or the UCC Financial Development Ministry directly for gift information, a personal illustration, and an application form. Be prepared to provide names and addresses of donors, beneficiaries, and charitable remainders, as well as birth- dates of donors and beneficiaries and the approximate amount of the gift being considered, as well as the type of gift plan being considered. If appreciated securities are being used to fund a gift annuity, it will be helpful to have cost basis information.
2. The Financial Development Ministry will prepare a personalized and confidential illustration showing terms, payments, tax deductions, and other information about the gift plan, and forward that information with an application and instructions to the prospect or his or her advisors.
3. After consulting with family members and legal and or financial advisors, the donor should return the completed and signed application form with a check to the Financial Development Ministry. If other assets are being used to fund the gift, such as securities, please contact the UCC Financial Development Ministry for transfer instructions. It is important to caution donors not to instruct a broker to sell their appreciated securities. These must be **transferred** to the UCC in order to preserve the tax advantages.
4. The Financial Development Ministry or its agents will prepare gift agreements for signature by the donor. The donor will sign two copies of the agreements, and return them to the Financial Development Ministry for execution. A signed contract will be returned to the donor for his or her safekeeping.
5. The assets will be managed under the auspices of the United Church Foundation. Donors will receive their life income payments from the gift administrator, as well as appropriate tax information for filing. The Financial Development Ministry is prepared to assist beneficiaries in the event they need assistance with their gift plan, a change of address, a request for direct deposit, or any other matter involving their gift.
6. Upon the death of the life-income beneficiaries, and upon the receipt of a death certificate or upon the completion of a term of agreement, the gift administrator will forward the remaining principal of the gift to the designated remainder beneficiary(ies).

For all inquiries contact:
Financial Development Ministry
700 Prospect Avenue East
Cleveland OH 44115-1100
Phone: (800) 846-6822
Fax: (216) 736-2297
E-mail: giving@ucc.org

Special Considerations of Gifts with Property

When securities have increased in value, they must be transferred to the church (or, in the case of a planned gift, to the United Church Foundation) in order to avoid paying capital gain tax on the appreciation.

People can make gifts out of their income or out of their accumulated assets. Although people most often think of making a gift with money, there are a variety of accumulated assets that people can use to make a gift, including:

- securities.
- life insurance (see article in this section of the manual).
- retirement plans (see article in this section of the manual).
- real property.
- tangible personal property, such as works of art or antiques.

There are special considerations for each of these kinds of gifts.

Please note that donors of noncash gifts other than publicly traded securities valued at more than $500 must complete and file Form 8283 with their income tax returns. Independent appraisal is required if the donor claims a gift value of more than $5,000 ($10,000 for closely held stock). There are also Treasury Regulations that require all donors of charitable gifts other than cash to maintain written records of information pertinent to the gift. It is important for the donor to discuss these requirements with his or her attorney or tax preparer. Furthermore, there are mandatory reporting requirements for charities that dispose of gifts of property within two years of receipt.

Securities

Many church members hold securities that have increased in value over what was originally paid for them. Giving these appreciated securities may allow a donor a deduction based on their fair market value. When securities have increased in value, they must be transferred to the church (or, in the case of a planned gift, to the United Church Foundation) in order to avoid paying capital gain tax on the appreciation. Donors may use appreciated securities to make an outright gift or a planned gift. Tax considerations will vary according to the type of gift that is made (see "An Overview of UCC Planned Gifts" in this section of the manual).

Donors also may wish to give securities that have depreciated in value. In this case, the donor should first sell the securities, take a capital loss, and donate the proceeds as an outright gift or planned gift.

Gifts of appreciated securities with long-term capital gain are deductible in the year they were made up to 30% of contribution base (usually adjusted gross income). If the percentage limitation is exceeded, the taxpayer may have an additional five years to carryover the deduction.

Why would church members want to make a gift of securities? Gifts of securities may be attractive to church members because they can offer attractive tax benefits, such as non-recognition or deferral of capital gains taxes and, with some planned gifts, they have the potential of increasing income. Please see your financial advisor or attorney for advice on the tax implications of any gift of securities.

Real Estate

Donors may give real estate in a variety of ways: giving the property outright; giving the property in exchange for life income through a planned gift; giving the property now, but retaining the use of it for life; or giving real estate in their last will and testament.

Congregations may receive gifts of real estate deeded outright to the church. There are a variety of concerns when receiving such gifts of real estate, such as:

- decisions about keeping the property or selling it.
- compliance with reporting requirements mentioned above.
- potential liability in the event that toxic substances are found on the property or someone or something is damaged while on the property.
- the responsibility of management of the property, including proper insurance coverage.
- the responsibility of selling the property, if the property is not to be retained by the congregation.

Some of the largest gifts received through the UCC Financial Development Ministry are gifts of real estate. The UCC Financial Development Ministry may receive gifts of real estate to fund charitable remainder unitrusts (see "An Overview of UCC Planned Gifts" in this section of the manual). When a donor gives real estate, he or she can make a gift of appreciated non-income-producing marketable property and receive a life income and tax benefits. A donor contemplating such a gift should contact the UCC Financial Development Ministry for a gift illustration and detailed information about trust arrangements.

If real estate has increased in value, it may be deeded to the church or charity in the case of an outright gift—or deeded to a trust in the case of a planned gift—in order to avoid paying capital gain tax on the appreciation. Donors also may wish to give real estate that has depreciated in value. In this case, the donor may sell the real estate and take a capital loss. The proceeds from the sale may be transferred as an outright gift or to create a trust.

Gifts of appreciated real estate with long-term capital gain are deductible in the year they were made up to 30% of contribution base (usually adjusted gross income). If the percentage limitation is exceeded, the taxpayer may have an additional five years to carryover the deduction. Please see your financial advisor or attorney for advice on the tax implications of any gift of real estate.

Donors may also consider deeding their real estate to the church now, but retaining the right to use the property for their lifetime. The donors, by entering into an irrevocable arrangement with the church, can stay on the property as long as they live and receive a charitable deduction in the year that they sign the agreement. The deduction will only be a portion of the fair market value of the property. The UCC Financial Development Ministry, in cooperation with the donor's tax advisors, will compute the exact figures.

Tangible Personal Property

Donors may make gifts of any variety of personal property in an outright gift or to fund a planned gift. Such gifts as works of art, antiques, and collections all have gift potential. For example, one UCC member made an outright gift of a used car to the church's endowment fund! Deductions for gifts of tangible personal property vary according to their use by the church. If a donor is considering a gift of tangible personal property, he or she should contact the UCC Financial Development Ministries for more information.

Notes

Charitable Contribution Deductions

The following information about UCC Planned Gifts has been provided for the purpose of illustration only and should not be considered a substitute for independent professional advice. For legal advice or assistance regarding the income, estate, and gift tax consequences of planned giving, the services of an attorney, accountant, or financial advisor should be obtained.

In the case of an outright gift, the charitable contribution is generally the fair market value of the asset transferred. In the case of gift annuities, gifts to a pooled income fund, and charitable remainder trusts, the charitable contribution is the fair market value of the asset transferred, less the present value of the interest retained for noncharitable beneficiaries. However, the gift of an appreciated asset with short-term capital gain results in the reduction of the charitable contribution by the amount of the short-term capital gain that would have been realized if the asset had been sold. Donors may therefore wish to consult with their financial advisors or attorneys regarding the timing of gifts of assets held for less than one year.

The charitable deduction available to a donor for federal income tax purposes in the year a gift is made may be equal to or less than the amount of the charitable contribution, depending on the nature of the gifted property and the donor's adjusted gross income.

To claim a charitable deduction of $250 or more, donors need a contemporaneous acknowledgment from the charity which includes the donee's name, the date and location of the contribution, a description of the contribution, and if the donor received no goods or services in return for the donation, the acknowledgment should so state.

Gift Tax

Planned gifts by means of gift annuities, pooled income funds, charitable remainder trusts, and charitable lead trusts may result in the creation of a taxable gift by the donor.

Professional Tax Counsel

In all planned gift instances, we recommend that the donor contact the donor's professional tax advisor/preparer to ensure maximization of the donor's income tax benefits under the planned gift and satisfaction of any gift tax filing requirements resulting from the planned gift.

Gifts of Insurance

There are many old policies in existence today that have been "forgotten" by the owner and beneficiary. Even when these policies are of a low face amount, they can benefit the desig-nated charitable beneficiary (ies), which may be any part of the United Church of Christ, at the time of the insured's death.

Life insurance can be used in many ways to make a planned gift. Some ways require no additional outlay of capital on the part of the donor; some require only modest payments, which result in relatively substantial gifts; and some provide tax relief for capital gains. All can provide for the future financial support of the mission and ministry of the United Church of Christ.

Using Existing Policies

One option for gifting with insurance is to use a paid-up policy that an individual no longer needs (for example, the family is raised). There are many old policies in existence today that have been "forgotten" by the owner and beneficiary. Even when these policies are of a low face amount, they can benefit the designated charitable beneficiary(ies), which may be any part of the United Church of Christ, at the time of the insured's death. If the charity is made both the owner and the beneficiary of the policy, the donor can take a deduction of the replacement value of the policy on income taxes; an insurance company can give individuals that cost.

If church members are still paying on policies that they no longer need, they can make some part of the UCC the owner and beneficiary of the policies, continue payments, and deduct the premiums and an amount about equal to the cash surrender value as a charitable deduction at the time the ownership of the policy is transferred.

Purchasing New Policies

Another option is to specifically purchase a new policy for the purpose of making a gift. A donor can make the church both owner and beneficiary, and he or she may deduct the premiums. Life insurance is attractive for this type of gifting for a variety of reasons:

- The donor can make modest deductible contributions that can result in a substantial gift.

- The gift is guaranteed and not subject to litigation, probate costs, estate taxes, or claims of creditors.
- There is little or no requirement for supporting legal documents or IRS filings (of course a donor must file and itemize in order to take the tax deduction!).
- Appreciated securities may be used in conjunction with insurance to pay for the premium, providing additional tax relief.
- The cash value of the policy can become an immediate asset of the designated part of the UCC.

Using Insurance to Replace an Asset

Church members may have property that they would like to give now, but do not want to deplete their estate for their children or other heirs. They could consider making a gift of the property and then replacing it with insurance, which is payable to their heirs. The gift of property is not subject to litigation or estate costs because it was given while the donor was living. Further, once the donor makes a gift, he or she no longer risks potential decline in its value. If the assets given in this manner are appreciated securities, the donor will receive a charitable deduction based on the market value of the securities and may avoid paying capital gains taxes on the transfer of the assets.

Naming the Church as a Partial or Contingent Beneficiary

Another option for gifting with insurance is to name the charity as a partial beneficiary to a life insurance policy. For example, if the donor's family is not in need of substantial death proceeds, the donor could retain the family as the major beneficiary, say 70%, and name some part of the United Church of Christ as a 30% beneficiary. The donor would be able to take an income tax deduction if the charity is named as an irrevocable beneficiary, and he or she could deduct a portion of the future premiums on the policy.

If the donor has no immediate family other than a spouse who will benefit from the estate, the donor may consider naming the spouse as the primary beneficiary and some part of the United Church of Christ as the contingent beneficiary.

Making a Gift if Uninsurable

Finally, even if a person is not insurable, he or she can still use life insurance to make a gift. He or she can buy a policy on someone else's life (the donor must have an insurable interest in this person). The donor can then transfer ownership to some part of the United Church of Christ.

Retirement Plans

> A donor can avoid the taxes on IRD by using it to make gifts to the church, and leaving other assets to family members and non-charitable beneficiaries.

Retirement plans may comprise the bulk of church members' accumulated assets, and there are many ways that these retirement assets can be used to accomplish gift plans.

Such plans as Individual Retirement Accounts (IRAs) and Keogh plans allow individuals to accumulate resources tax free and are reportable as income at a later date (for example, upon withdrawal). Donors may name the church as the primary or secondary beneficiary to receive what remains in the IRAs or Keogh plans upon the death of the donor. The financial entity that manages the donor's IRA or Keogh plan will provide the donor with the necessary forms to make this designation. Please note that the donor's spouse will need to sign a waiver if the church is named as primary beneficiary.

In a similar manner, individuals may include the church as a remainder beneficiary in their qualified pension or profit sharing plan. The donor's employer will provide information about how to make such a designation. For example, UCC clergy and lay-workers may contact The Pension Boards for information and the appropriate forms for including the church as a remainder beneficiary in their pension plan.

Choosing to make a gift from such assets may be a very wise way to make a gift, for such assets as IRAs and employee benefit plans may be subject to a heavy tax burden. Income that is earned during life, but paid after death, is called "income in respect of a decedent" (IRD), and is subject to income tax, estate tax, and possibly generation skipping tax. (Note: An IRD asset may pass to a spouse with the estate tax deferred, but is subject to income tax). A donor can avoid the taxes on IRD by using it to make gifts to the church, and leaving other assets to family members and noncharitable beneficiaries.

In addition to designating the church as a primary or secondary beneficiary of an IRA or other IRD asset, the donor might consider creating a charitable remainder trust in their will, which will allow for life income payments to an heir with the remainder going to the church.

Many individuals have their own personal savings plan, which represents their plan for providing for their retirement years. Through ownership arrangements of these assets, such as savings accounts and Certificates of Deposit, it is possible for donors to keep control of the assets during their lifetime, and to name the church as the eventual owner of the asset. This may be particularly attractive to individuals who wish to make a significant contribution to the church, but find it increasingly difficult to make gifts from current income.

In addition to the many ways that retirement plans may be used to make a planned gift, there are a variety of ways that planned gifts can be part of a donor's retirement plan. For more information about both aspects of retirement giving, contact the UCC Financial Development Ministry.

A SUMMARY OF WAYS OF GIVING
Including The Most Common Planned Giving Instruments

Type of Gift	Form of Gift	Size of Gift	Advantages to Donor	Advantages to Church
			All gifts provide the satisfaction of funding mission and ministry now or byond one's lifetime, and reduction of a taxable estate; life-income gifts return payments to the donor for life.	***All gifts provide opportunities for stewardship education, inspiring generous giving of accumulated assets, funding now & future mission & ministry, and building/ strengthening endowments.***
OUTRIGHT	Cash Appreciated Securities Real Estate Insurance Policies Retirement Assets	Unlimited	100% deductible on income tax (up to 50% of Adjusted Gross Income if cash gift or 30% if stock gift over six years) for taxpayers who itemize; no capital gain on appreciated stock.	Funds are available for immediate use by church, association, conference, college, seminary, national ministry or other UCC-related entity.
LIFE-INCOME AGREEMENTS *(IRREVOCABLE)*				
● CURRENT GIVE ANNUITY	Cash Appreciated Securities	$1,000 minimum	● guaranteed, fixed income based on age at time of gift ● tax deduction if donor itemizes ● some income may be tax free ● 1 or 2 people can receive income ● capital gains (if any) reported over donor's life expectancy	● upon death of life-income recipient, church receives remaining principal of gift ● no administrative responsibility or fiscal liability ● gifts made now support ministry into the future
● DEFERRED PAYMENT GIFT ANNUITY	Cash Appreciated Securities	$1,000 minimum	● tax deduction now (if owner itemizes) ● guaranteed, fixed income later based on age at time of gift and period of deferral ● some income may be tax-free ● 1 or 2 people can receive income ● capital gans (if any) reported over donor's life expectancy	same as Current Gift Annuity
● POOLED INCOME FUND	Cash Appreciated Securities	$1,000 minimum	● variable income based on one's proportionate share of Fund's earnings ● tax deduction if donor itemizes ● 1 or 2 people can receive income ● no capital gains tax liability on assets transferred to Fund	same as Current Gift Annuity

Type of Gift	Form of Gift	Size of Gift	Advantages to Donor	Advantages to Church
LIFE-INCOME AGREEMENTS *(IRREVOCABLE)* (continued)				
● CHARITABLE REMAINDER TRUST				
◆ Unitrust	Cash Appreciated Securities Real Estate	$50,000 minimum	● variable income based on elected payout percentage of annual valuation (several types — can be tailored to donor's situation) ● tax deduction if donor itemizes ● bypasses capital gains tax at time Trust is created ● some income may be taxed at lower capital gains rates ● one or more life income beneficiaries	● church receives assets of Trust at the expiration of the term of the Trust or at death of life-income recipient(s) ● no administrative responsibility (except to thank donor and keep record of gift on file) ● no fiscal liability
◆ Annuity Trust	Cash Appreciated Securities	$50,000 minimum	● income is a fixed amount based on elected payout percentage of original gift amount; some income may be tax-free; other benefits as above	same as Unitrust
CHARITABLE LEAD TRUST	Cash Appreciated Securities Real Estate	$100,000 minimum	● the pleasure of seeing one's favorite ministries funded during one's lifetime ● estate and gift tax savings ● possible tax deductions for value of payments made to charity ● assets eventually returned to donor or heirs	church is income beneficiary during donor's lifetime or term of Trust
REVOCABLE CHARITABLE TRUST	Cash Appreciated Securities Real Estate	varies	may be put in place without funding, but if funded, all or part of amount placed in Trust is available if needed by donor	high percentage of revocable Trusts are not revoked, thus giving promise of future funding for work of church

Type of Gift	Form of Gift	Size of Gift	Advantages to Donor	Advantages to Church
INSURANCE POLICIES				
● Church is made owner and beneficiary of policy for which donor continues to pay premiums		Unlimited	● donor receives income tax deduction for cash value of policy when it is transferred ● donor's premium payments may be deducted as charitable gifts ● donor can make large gift in future at small cost now	● church can keep policy and receive face value upon death of insured ● church can borrow on policy ● church can surrender the policy for cash value
● Giving paid-up policies		Unlimited	● tax deduction based on current cash value of policy	same as above
● Name church as beneficiary but not as owner		Unlimited	● donor can make large gift in future at no cost now ● donor can change beneficiary ● donor can borrow on policy	● church receives face value of policy upon death of insured
			NOTE: Life insurance may also be used to replenish the donor's estate for amounts gien for a life-income gift: donor (insured) uses the life income payments to pay premiums of a life insurance policy on the donor; upon the donor's death, the church receives the remianing principal of the life-income gift, while family (or other named beneficiaries) receive insurance proceeds.	
RETIREMENT PLANS		Unlimited	may avoid heavy burden of estate tax, income tax, and possibly generation-skipping tax	church is named beneficiary of Individual Retirement Account (IRA), 401(k), Keogh plan, qualified pension or profit-sharing plan, and receives proceeds upon death of owner
BEQUESTS	Anything one owns at the time of death may be passed on to church, association, conference, national ministry, college or seminary, health and human service institution, or other UCC entity through one's last will and testament. All life-income gifts listed above may be made in testamentary form to benefit family or friends and become available for use by the UCC after the death of the life income recipient(s).			

UNITED CHURCH OF CHRIST FINANCIAL DEVELOPMENT MINISTRY **giving@ucc.org** **(800) 846-6822**