



St. John's Lutheran Church

CAPITAL APPEAL - Creative Giving Guide

The following is a brief list of gifting techniques which may be used. Many can be used together to structure a personal gifting plan for the donor. Excluded is a gift of cash since that needs little explanation.

Gifts of Appreciated Assets

A gift of assets which have appreciated in value is one of the most common gifting strategies. The asset should, in relative terms, be "substantially appreciated" if the giver wishes to receive tax benefits as a result of the charitable gift.

Gifts of Stocks and Bonds

Funding charitable giving with appreciated stocks or bonds can be very advantageous to both the donor and the church. The donor will avoid paying any capital gains taxes while receiving a full value charitable deduction, and the church will receive a very liquid asset. To claim all these benefits, the stocks/bonds must be transferred to the church rather than selling the stocks or bonds and donating the proceeds, which then turns the gift into an ordinary cash gift. Kairos or a tax accountant can advise you about the most advantageous way to make the transfer. (recent economic realities have, of course, rendered this gifting option less advantageous than was it historically. There are exceptions. Your portfolio may be among those exceptions)..

Gifts of Appreciated Real and Personal Property

Many people possess assets that could make a good gift to their church. This is a discussion worth having. One word of caution about real and personal property gifts: they should be discussed in advance with the church to determine the appropriateness of this action.

For instance, unless the gift is germane to the "business" of

the church, the donor should sell the personal property and give the proceeds to the church. The key word is VALUE. It should be marketable and its market value should be ascertainable. If the market value is thought to be above \$5,000, an appraisal must be conducted prior to acceptance by the church. An asset which may have value to a donor may have little market value.

The most important consideration of charitable giving is charitable intent. Charitable intent is the personal desire and intention of the donor to make a gift of value to a charitable organization. Of secondary importance are the financial issues, which may include tax considerations, estate planning concerns, or the type and size of gift. If there is a sincere desire and intent on behalf of the donor, almost any asset is of value.

Gifts of Real Estate

An unencumbered piece of real estate that is readily saleable in the marketplace can be a wonderful gift. In fact, real estate is one of the most often given assets because it is easy to gift.

Gifts of Life Insurance

Some people have accumulated cash in insurance policies which they give to the church. Others purchase new policies with the church as beneficiary or name the church beneficiary of an existing policy. Donors may also give the entire policy as an outright gift. The charity may wish to accept the policy ownership and continue to make premium payments in order

to collect the proceeds at the time of the donor's death. Due to recent estate tax law changes, many donors may find their insurance policies, which were purchased for estate taxes, may not be needed and may be an excellent charitable gift.

Gift Annuity

The donor funds a gift annuity with an appreciated asset and gives it to the church; in turn the church distributes a lifetime (or defined period) of income to the donor (and or spouse). This is an excellent way to convert a substantially appreciated asset into an income source for the donor.

Caution: Tax advantages should never be assumed. The various gifting strategies have certain tax implications which may or may not affect a specific donor's personal income tax liability. For expert assistance, consult your Kairos Consultant, and ultimately, a tax attorney or tax accountant.



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Ways that you can extend your giving potential to help support the mission of your church.

Charitable Trusts

- 1) Assets are held in a trust. The trust can distribute income to the donor until death (or defined event) causes the asset to be distributed to the charity.
- 2) In a lead trust, assets are held in a trust. The trust distributes income to the charity until death (or defined event) causes the asset to be distributed to the donor's estate or family.

Priority Budgeting

Some people may choose to rearrange their priorities in order to give greater gifts to a capital fund appeal. Priority budgeting may lead to postponing a planned expenditure such as a new car, sailboat, vacation home, etc. One couple delayed the purchase of a new sports utility vehicle and applied the same monthly payments toward the capital fund appeal, enabling them to give an additional \$20,000.

Re-Channeling a Present Expenditure

Many families have incurred short-term heavy expenditures for special needs. An example would be while their children attend college. They learn during those years to budget their money so they can cover those expenditures. The same philosophy applies when budgeting money to support their church's vision.

Gifts from Extra Work

One man was in the process of retiring when the church undertook a capital fund appeal. He secured a new job and gave the first three years of his retirement income to the church. Another woman worked an extra year beyond retirement and gave the full amount to the building project.

Gifts from Increases in Income

Many people have incremental salary increases, overtime, or bonuses which they include as part of their gift to their church.

Gifts of Unexpected Cash

A couple unexpectedly received an inheritance of several thousand dollars. They decided to give the entire inheritance to their church to expand their gift to the building project. Other people give their income tax refunds.

Gifts of Income

Various types of investments distribute interest or dividends. If the donor is not using the distribution for current income, rather than be reinvested, the interest or dividends may be assigned, for a defined period, to the charity. The donor retains ownership of the asset.

Home Equity

Taking out a home equity loan to support your church is a very real option. Refinancing your home can lower your cash outlay, thus freeing up money to support your church. (Recent economic realities require all of us to utilize this option with caution as it pertains to our unique circumstances.)

IRA Charitable Rollover

Individual Retirement Account (IRA) owners, starting at age 70-1/2, may make charitable gifts totaling up to \$100,000 per year from their IRAs tax free when made directly to qualified public charities such as your church. Annual contributions must be made directly from the IRA to the charity, and they may be used to satisfy the Minimum Distribution amount that must be made each year after age 70-1/2. Spouses may also make a \$100,000 gift each year as well, and gifts may be made to a variety of charities as long as the total does not exceed \$100,000 per person per year.

To make a charitable Rollover Gift, contact your IRA custodian and ask for the IRA Charitable Rollover form. Contributions must flow from the IRA directly to the church.