

Endowments 101
A Primer from PEER on the
Ministry of Permanent Funds

Presented by
Kim Warner, Manager and Director of Gift Planning
First Presbyterian Church of Dallas, Texas
(kim.warner99@hotmail.com)
214/335-1357

The three legs of the stool called Permanent Funds in the church are Theology, Management and Development. Just as there is a tendency in the church to separate other core elements such as the Gospel and Social Witness, so there is a tendency to take these three legs of the Permanent Funds stool apart and this will be done only with a high price.

Our time together in this session will focus on the overall nature and role of permanent funds in the life of the congregation and specifically on the management policies of a planned giving program with the assumption that they do not operate in a vacuum, but indeed shape the theology and development aspects of the local church.

Seminar Outline

- I. Permanent Funds, Endowment Funds, Congregational Foundations, Trusts, Banks and the “AG Edwards” of the world
 - A. One endowment among many for a church
 - B. “To whom much has been given...” Presbyterians and the transfer of wealth issue
 - C. Discretionary income vs. Accumulated Assets—broadening stewardship

- II. Use of income from permanent funds
 - A. Budget dependence versus budget relieving
 - B. Don’t do it if you can’t publicize it
 - C. If you do it, publicize it!

- III. Permanent fund giving options
 - A. Outright gifts—designated funds, Birthday Endowment Funds, etc
 - B. Wills and their Bequests—Codicils too
 - C. Split Interest Gifts that provide income and/or tax breaks for the donor
 - 1. Gift Annuities
 - a. one life or two
 - b. outright for another
 - c. deferred for self (retirement type planning)
 - 2. Charitable Remainder Trusts
 - a. Annuity vs Unitrust
 - b. Net Income
 - c. Straight
 - d. Net Income to Straight (Flip)

- 3. Charitable Lead Trust
- 4. Life Estate Reserved
 - a. Ordinary for gifting at death or before
 - b. combined with Gift Annuity

IV. Policies and Procedures introductory observations-- *Why they are the foundation of a planned giving program and how they help you know when to say "yes" or "no"*

- A. Options in a Presbyterian setting
- B. When no policy is the policy
- C. A theology of stewardship and the marketing of trust and vision

V. Types of policies

- A. Overall structural and guiding policy
- B. Gift Acceptance policy
- C. Securities transfer procedures

VI. Use of policies

- A. Education and interpretation towards planned gifts/bequests
- B. Causing the "self-yes" or the "self-no"
- C. Enhancing the good times, weathering the tough times
- D. The value and price of being Presbyterian when it comes to permanent funds

VII. Promoting, educating, prodding, encouraging and enjoying the Ministry of Permanent Funds in the congregation

- A. The Birthday Endowment Fund
- B. The Water Torture Educational model
- C. Newsletters and the use of stories
- D. Seminars and other presentations
- E. Celebrating gifts!!
- F. Pyramid of Giving

VIII. Concluding thoughts and discussion if time permits—ha, ha.

Appendix Materials

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- Page 4-5 Exploring Basics of Permanent Funds Ministry
- Pgs 5-8 Survey regarding having a congregational foundation or not
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- Pgs 13-15 Wording for transferring securities
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- Page 21 Pyramid of Giving

Giving away everything now or a great deal more later

If a church receives a sizeable bequest, one of the options is to place these monies in a permanent fund with the provision that it distributes “grants” from income only, which would total approximately 4.5% of the corpus each year. This somewhat patient form of expenditure really means that after 18 years the amount distributed would equal the amount if the whole corpus had been distributed initially, but in fact significant distributions would continue to be made.

To be specific on this observation, using a 4.5% spend rate for distributions and a 6.5% Total Return on investments, after 18 years the grants from \$1,000,000 would total \$1,000,021 and the corpus would have grown to \$1,333,523. At that point the annual distributions, which started out at \$47,925 will have become \$63,909.

(The 6.5% Total Return rate is an estimate from an investment allocation of 60% Equities and 40% Bonds. To make the distributions very predictable and growing at a rate to maintain their buying power in the face of inflation, calculate the distribution on a moving 12 quarter record of investment performance.)

Making Grants With Decency and Order

Year	Corpus	6.5% Total Return	4.5% Spend Rate
1	\$1,000,000	\$1,065,000	\$47,925
2	\$1,017,075	\$1,083,185	\$48,743
3	\$1,034,442	\$1,101,680	\$49,576
4	\$1,052,105	\$1,120,491	\$50,422
5	\$1,070,069	\$1,139,624	\$51,283
6	\$1,088,341	\$1,159,083	\$52,159
7	\$1,106,924	\$1,178,874	\$53,049
8	\$1,125,825	\$1,199,004	\$53,955
9	\$1,145,048	\$1,219,477	\$54,876
10	\$1,164,600	\$1,240,299	\$55,813
11	\$1,184,486	\$1,261,477	\$56,766
12	\$1,204,711	\$1,283,017	\$57,736
13	\$1,225,281	\$1,304,924	\$58,722
14	\$1,246,203	\$1,327,206	\$59,724
15	\$1,267,482	\$1,349,868	\$60,744
16	\$1,289,124	\$1,372,917	\$61,781
17	\$1,311,136	\$1,396,360	\$62,836
18	\$1,333,523	\$1,420,202	\$63,909
			\$1,000,021

Exploring the Basics of Permanent Funds in the Life of a Presbyterian Congregation

1. The place of endowments/permanent funds in congregational stewardship efforts:

Covenant Theology leads us to understand that we are Blessed to be a Blessing and as such the church's theology must include not only good stewardship of its membership and facilities, but a healthy stewardship of both operating and permanent funds. Membership or facilities of a congregation are no different from permanent or endowment funds. They are each an accumulation over a period of time, an "endowment" if you will, and each is a resource for current ministry.

2. The infrastructure of a healthy planned giving program

- A. Clear and well communicated Planned Giving program adopted by the Session noting accounts available for giving and their relationship, if any, to the operating budget
 - B. Prudent investment and spending policies concerning present accounts that have long term or open time horizons
 - C. Expenditures for ministry and mission that fit congregational ethos and policies and are well communicated
 - D. Year round interpretation of A, B, and C to the congregation
 - E. A group of persons who have as their responsibility an understanding of the basics of planned giving and the merits of permanent funds in the life of the church and who will carry out "D" above.
3. The three determining factors in the growth of funds:
- A. How the money is invested
 - B. How much of the funds and their income is expended annually
 - C. How much effort is put into gaining new gifts for the funds
4. The three primary sources of new funds for endowments:
- A. Outright gifts such as memorials etc.
 - B. Gifts through bequests, life insurance or other testamentary means
 - C. Life income contracts such as Gift Annuities, Charitable Remainder Trusts

Survey: Reasons for having or not having a foundation

In 1995, I conducted a telephone survey of 25 congregations in Texas that had significant savings in one form or another. The questions surrounded why or why not did that church have its own foundation. The same questions were asked of each setting and these are the responses with the surrounding quotes signifying that these are their responses.

"Reasons" stated for having a foundation:

1. Keep money away from session.
2. Have the flexibility to do property or other purchases without going to the congregation.
3. Provide technical skills of its trustees focusing in on monetary investment situation.
4. With longer terms of trustees, provide better continuity for "trust function" of foundation.

5. Trustees represent perpetuity and prudence to congregation.
6. Give more accountability for getting task of planned giving/investing done than would take place as committee of Session.

"Reasons" stated for not having a foundation:

1. All money must be under control of Session.
2. Potential exists for perception or reality of different agenda.
3. Simply another organization within the church to maintain.
4. Potential for development of power base in life of church.
5. Very difficult to keep a foundation "missional."

Characteristics of a foundation suitable for a Presbyterian congregation:

1. By design and intent it is subject to the session.
2. Its members represent certain skills such as finance, law, and perhaps even estate planning.
3. Member terms, in either length or repetition, provide greater continuity than the session.
4. Its purpose and goals are clearly supportive of and in total accordance with those of the congregation and, hence, the session.
5. Its thrust in marketing is clearly missional rather than primarily financial.
6. It is held accountable for the encouraging of additional gifts in the form of outright gifts, bequests or life income contracts.
7. Its efforts and results are reported regularly to the session and at least annually to the congregation.

Additional considerations:

- * Relationship of Pastor, finance chair or other officers to this entity.
- * Inclusion of non-financial skills amongst members
- * Clearly defined policies regarding income distribution, disposition of

Advantages of *having* a church based foundation

1. Places money in a distinct setting which still supports the mission of the church, but is not

pooled with the operating budget.

2. Has the flexibility to handle investment instruments supportive of the congregation, but with a greater perspective on the long range aspect of the church's life. For example, securities placed with the congregation must be liquidated immediately, but with a foundation they could be held for a longer period of time.
3. Provides the technical skills of its trustees focusing in on monetary investment situation.
4. With longer terms of trustees, provides better continuity for trust function of foundation.
5. Trustees represent perpetuity and prudence to congregation.
6. Gives more accountability for getting task of planned giving/investing done than would take place as committee of Session.
7. In general, a foundation is a better means of marketing planned giving since persons can understand making gifts, especially large gifts, to a foundation whereas they may not envision making gifts of any size to a committee. Committees have traditionally been simply the expenders of funds from the overall church budget.

Foundation format for a congregation

Although a congregation will design a foundation to suit its own identity and mission, there is a rather generic approach which has proved workable in many Presbyterian congregations. Its simplicity and flexibility are beneficial. It is also rather reflective of the nature of the church. It says three things:

1. There were people here before us and there will be people here after us.
2. We are essentially mission and program.
3. We need a facility for gathering to do and be mission.

The basic format to consider goes like this:

A. An Endowment Fund which is not to be invaded, but rather is to be invested with the long range perspective. It would probably be best served with a no-more-than 5% of fair market value annual draw based on a rolling multi year average. This draw would be split between funds C and D.

B. Designated Funds preferable designed by Session to reflect the desired specific causes within the life of the church. The lack of these funds invites donors to establish their favorite issue with sometimes less than desirable results for the church.

C. A Program and Mission Fund which is invested in long term accounts, but can be invaded for expenditures when the Session decides—or delegates that to another body. Its own income/growth and additional gifts enable this fund to grow with periodic expenditures which are congruent to the life of the congregation and perhaps even budget relieving.

D. A Facilities Maintenance and Capital Fund which is handled like fund B only for the long range purposes of making and keeping the church facilities in healthy shape for good stewardship.

Donors can certainly designate to any one or more of these funds, however, either the Session or Foundation Board needs to adopt a policy which sets the proportional distribution of those gifts which are received without designation. The very establishment of these funds and the surrounding policies are the beginning of the educational effort to encourage their use.

If a church is going to provide for "Named Funds" in honor of individuals, give consideration to a two part simple policy which will prevent an accumulation of accounts too small to merit their special treatment. One part of the policy is a minimum dollar amount such as \$5,000 and the second is the time frame during which that amount must be reached such as five years. If that amount is not reached in that time frame then the funds from this are transferred to some larger already established account doing a similar or comparable mission.

Suggested wording for a Session to consider for oversight of a permanent funds ministry

Permanent Funds Ministry
of _____ Presbyterian Church

1. Establishment of Fund: A planned giving program for the _____ Presbyterian Church of _____, State (hereinafter referred to as “Church”) is hereby established. The adoption of this program will cause the creation of four (4) separate funds within which gifts may be made. The plan and the four funds collectively will be referred to as the Presbyterian Church of _____, State, Permanent Funds Ministry” (hereinafter referred to as the “Program”) and will be administered by the Session. The day-to-day administration of the program may be delegated by the Session to one or more committees.

2. Objectives: The objectives of the Program are as follows:
 - A. To offer an extra dimension of stewardship to the congregation to make special gifts to the church. To actively encourage and invite gifts to the church through a system of education and support to prospective donors

 - B. To establish a system for management of the assets contributed in accordance with a set of guidelines to be established. Such guidelines will be reviewed from time to time by the Session, as circumstances require.

 - C. To provide definite directions for the use to which the principal and/or income of special or deferred gifts will be applied and to make decisions regarding the application of such funds.

 - D. To administer the outright and deferred gifts of assets which require special administration and processing so as to fully carry forth the intent of the donor.

 - E. To protect the mission of the church by reviewing and analyzing the subject matter of any intended gift, and, if necessary, to decline the acceptance of any gift, deemed as not being in the best interest of the Church.

3. Operational Structure: The Program will set up four (4) separate funds, viz:
 - A. The General Endowment Fund

 - B. The Designated Endowment Fund(s)

 - C. The Programs, Mission and Benevolence Fund

 - D. The Capital Facilities Fund

It is intended that the amount of money represented by the annual spending rate from the *General Endowment Fund* and the *Designated Endowment Fund(s)*, and the principal and income accruing to the Church from the *Capital Facilities Fund* and the *Programs, Mission and Benevolence Fund* will be used for needs beyond either the normal operating budget of the Church or other special programs for which temporary special funds or other budgets have been established. In all cases, the donor may provide reasonable written directions for use of his, her or their gifts. Every attempt will be made to comply with the donors' wishes, subject to the church's existing policies and its commitment to further the work of Jesus Christ.

If a gift is offered to the Program that Session deems it not within the existing policies of the Church and its commitment to further the work of Jesus Christ, and the Session is unable to convince the donor to bring the purpose of the gift within said policies and commitment of the church, the Session may decline the gift and return same, without interest or accruals.

If, in the opinion of the Session, the purpose for which a gift was made has over the years become inconsistent with the policies of the Church and its commitment to further the work of Jesus Christ, the Session may recommend that the gift be turned over to another charitable organization that would seek to comply with the donors' request.

4. Permanent Funds: The four (4) funds provided for under the program are as follows, viz:

- A. The General Endowment Fund: The principal of the *General Endowment Fund* will be invested in perpetuity. The annual spending rate shall be five percent (5%) of the total value of the fund. The Session will cause the distributions from this fund to be distributed one-half into the *Capital Facilities Fund*, and one-half into the *Program, Mission and Benevolence Fund*. The Session has the authority to adjust/modify the spending rate.
- B. The Designated Endowment Funds: The principal in each of the *Designated Endowment Funds* will be invested in perpetuity. The annual spending rate shall be five percent (5%) of the total value of each individual *Designated Endowment Fund*, and the Session will cause distributions from each individual Designated Endowment Fund to be used only for the specific purpose for which the gift was intended. The Session may request written instructions, which may include utilization of principal, as concerns the specific purpose for which gifts are made into a *Designated Endowment Fund*. The Session has the authority to adjust or modify the spending rate in order to meet the desired goals of the donors.
- C. The Capital Facilities Fund: The principal and income from this fund are available to be used for special projects and capital projects that enhance the physically esthetic facilities and overall safety of the church building and improvements extending beyond the annual operational budget or other budget programs.
- D. The Programs, Mission and Benevolence Fund: The principal and income from this fund are available to be applied to special programs, extended missions and extraordinary benevolence.

5. Allocation of Funds: It is anticipated that two types of gifts will be received into the program, that being restricted and unrestricted.
 - A. Restricted Gifts: A donor may designate the specific fund (identified above) into which his, her or their gift will be placed. The donor may indicate a preference as to the specific uses to which the gift will be applied. In all cases, every attempt will be made to honor the wishes of the donor.
 - B. Unrestricted Gifts: Each gift which has not been designated to a specific fund (identified above) will be allocated as follows:
 1. One-fourth (1/4) to the Capital Facilities Fund:
 2. One-fourth (1/4) to the Programs, Mission and Benevolence Fund; and,
 3. One-half (1/2) to the General Endowment Fund
 - C. In the event that an unrestricted bequest is greater than the average of the previous three-year's church operating budget then that bequest will be divided 50% into the General Endowment and 50% into a new Quasi Endowment Fund. The purpose of the Quasi Endowment Fund is to provide a period of up to three years during which time the congregation and Session can plan, pray and make the best long-term decisions regarding an unusual blessing. Ultimately, the Session has the authority to determine the distribution of the Quasi Endowment Fund.
6. "Gift": As used herein, the term "gift" shall extend to and include inter vivos transfers, and testamentary dispositions.
7. Gift Review By Session: Although it is contemplated that the majority of gifts made through the Program will be in the form of cash, or other liquid assets, the Session realizes that some gifts may be in the form of real property, or an interest in real property. The Session reserves the right to determine if such real property, or an interest in real property, may carry with it liability which may include, but not necessarily be limited to, environmental issues, lien issues, property tax issues or other matters which might or could create liability for the Church. For these reasons, and possibly others, the Session reserves the right to decline any such gift which might or could present liability or other detrimental issues for the Church.
8. Administration: This Program will be administered by the Session. The Permanent Funds Ministry Committee shall have oversight responsibility for the Program. Both the Pastor and the Treasurer are designated as ex officio members of the *Permanent Funds Ministry Committee*. The Session may designate one of its members as liaison to the *Permanent Funds Ministry*. The Treasurer will cause financial reports of the Program to be presented to the Session at any time, and from time to time, but not less than quarterly.
9. Church Consolidation, Merger or Dissolution: If at any time the _____ Presbyterian Church of _____, Texas, a non-profit corporation, shall be lawfully merged or consolidated with any other church, all of the provisions hereof in respect to the Program

shall be deemed to have been made for and in behalf of such merged or consolidated church which shall be entitled to receive all of the benefits of said funds and shall be obligated to administer the same in all respects in accordance with the terms hereof. In the event of the dissolution of the _____ Presbyterian Church of _____, Texas, a non-profit corporation, the Session shall have the responsibility for the final disposition of all assets of the Program in keeping with all rules, policies and guidelines of the Presbyterian Church (U.S.A.).

10. Amendments: The provisions of this Plan may be amended by a quorum of the *Permanent Funds Ministry Committee* present, subject to final review and approval by the Session. Amendments will be affected by such vote after two readings of the proposed amendments. The first reading shall be conducted at its regularly scheduled (stated) meeting. The second reading and vote thereon shall be conducted at the next regularly scheduled (stated) meeting. Any amendments shall not affect any gifts made to the Program prior to such amendment. All such gifts made to the Plan will be administered in accordance with the provision of this Program in effect at the time the gift was made.

ADOPTED:

Chairperson, Permanent Funds Ministry Committee

Date: _____

ACCEPTED:

Clerk of Session

Date: _____

**SUGGESTED STEPS FOR TRANSFERRING PUBLICLY TRADED STOCK
TO FUND A CHARITABLE GIFT TO CHURCH**

1. Type or write the "Letter of Intent," preferably on the Donor's stationery, if available.

If Securities Are Held in Physical (Certificate) Form

2. Have signature *of the person or persons whose name appears on the stock certificate* guaranteed on Stock Power by a bank officer of a national bank or stockbroker member of NYSE using the "Medallion Guarantee." Please sign **exactly as the name(s) appears on the face of the stock certificate.**
3. On Stock Power, **do not** fill in number of shares or name of stock being transferred.
4. **Do not** sign stock certificates. **Do not** have stock certificates issued to TPF as this can delay your gift date by several weeks.
5. If stock certificates are in your possession, send stock certificates separate from Stock Power by mail, UPS, Fed EX or similar service to:

_____ Presbyterian Church

Attn:

XXXX Avenue,

_____, 99999-9999

6. If acting on behalf of your church, send a resolution authorizing the signer (of the stock power) to transfer the securities, i.e., Clerk of Session signs resolution authorizing Treasurer or Trustee to transfer securities.

If DTC-eligible Securities are Held in [Street Name] in Brokerage Firm Account or Book Entry in Custodial Account:

7. Type or write "Letter of Transfer," preferably on Donor's stationery, and have broker or custodian transfer stock to:

Brokerage, INC.

ATTN:

Address

3333333 Main, Suite 1000

_____, 77056

999/222-6666

For the Account of:

_____ Presbyterian Church

Account # UG _____

Brokerage DTC Account # _____

8. If you wish to have your broker sell the securities, please call the church office to arrange for setting up an account for the church with the brokerage firm to receive the gift of stock or bonds. The securities should not be sold in the donor's account. **Do not have the broker sell the securities until he talks with the church office.**
9. The value of the gift is determined by the mean of the high and low of the selling price of the securities on the date the stock certificates are received in the Foundation offices or are "booked" by our broker.

- 10. If funds are in a Dividend Reinvestment Plan (DRIP), please call the office for specific instructions.
- 11. Please furnish the church with the cost basis of your securities at your earliest convenience for correct tax reporting schedules.

If you, your broker, CPA or legal counsel have questions, do not hesitate to call the church.

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LETTER OF INTENT - TO BE TYPED ON DONOR'S STATIONERY

NAME OF DONOR

Donor's Address

Donor's City

March 5, 2013

Mr. _____, Treasurer
 _____ Presbyterian Church
 Address
 City, State, Zip

Dear _____:

This letter will authorize the transfer of _____ shares of [common or preferred] stock of _____ to _____ Presbyterian Church as a charitable gift.

Sincerely,

 [Name of Donor] Social Security Number Date of Birth

 [Name of Donor] Social Security Number Date of Birth

Cost basis of stock

Acquisition date:

Agreed and accepted this _____ day of _____, 19____.

 _____ Presbyterian Church

By: _____
 _____, Treasurer

LETTER OF TRANSFER - TO BE TYPED ON DONOR'S STATIONERY
SAMPLE LETTER-NEEDED IF SECURITIES ARE HELD BY BROKERAGE FIRM

NAME OF DONOR

Donor's Address

Donor's City

March 5, 2013

Mr. Arnold G. Smith
Jones Brokerage Firm
1234 Main Street
Anytown, State ZIP

Re: XXXX Shares of Common Stock in XYZ Corporation
Held in Account No.

Dear Mr. Smith:

This is to authorize and direct Jones Brokerage Firm to deliver the above referenced XXXX shares of XYZ Corporation common stock to _____ PRESBYTERIAN CHURCH as a charitable gift. by transferring the shares from my/our account through Depository Trust Company to the account of _____ Presbyterian Church as follows:

Brokerage Name
Attn: _____
ADDRESS
City, State, Zip
DTC #____
Credit to Account # UG _____
For _____ Presbyterian Church

Sincerely,

Name of Stockholder

Social Security Number

Name of Joint Stockholder (if any)

Social Security Number



*Now thank we all our God
With heart and hands and voices,
Who wondrous things hath done,
In whom this world rejoices;
Who, from our mothers' arms,
Hath blessed us on our way
With countless gifts of love,
And still is ours today*

Birthday Envelope Endowment Fund

A Presbyterian Dallas church was looking for an idea to raise money to support missions and ministries not covered in the annual budget, and something all ages could embrace. They wanted it to be a tool for teaching stewardship, as well as fun, and something that would give satisfaction to the giver in the knowledge that the funds would make a difference in the life of our church. Hence Birthday Envelope Fund was initiated.

The idea is that in your birthday month you give a dollar for each year of your age as a celebration of your life and “giving back” for the blessing of life.

The program was introduced in January 2001, with a Minute for Mission given by a 95 year-old member (also a trustee on their Foundation Board) and an eight year old. They talked about the gift of life and celebrating this gift by giving a gift. They told about setting up the special fund that would be used for special ministries and missions. Kyle was excited about giving nine dollars next year and Dub was anticipating going to the bank for a loan to make his gift! Balloons signaled the location of cup cakes and Birthday Fund envelopes in the parlor.

Each month, on the first Sunday, posters with balloons are placed at the exit doors leading from the sanctuary. Each poster has a pocket that holds the Birthday Envelopes for those having birthdays during that month. An announcement is put in the bulletin, and the pastor makes a verbal announcement during the service inviting birthday celebrants to pick up their envelopes. It's fun to let children hand out the envelopes. When they are finished, they get to take the balloons home.

Sunday School teachers can use the envelopes as a tool for teaching stewardship. The children would remind their parents to give also.

Once the fund starts producing income, you can have fun deciding what new mission project it will support. By the way, that first church that did this now (early 2010) has over \$146,000 in the account! That amount throws off over \$7,000 a year for distribution—by the kids in their case!

On the inside flap of the envelope, the giver has a chance to inform the church that they have named the church in their will or that they need information about doing so. It also is a tool for getting up-dated addresses and e-mails from members. Several churches in our denomination are starting this program and are not only raising dollars for mission, but are having lots of fun!

Birthday Endowment Fund Start-up

The idea is to give a dollar for every year of life you are on you birthday month. Give back for the “gift of life!” Income from fund enhances ministries and missions beyond annual budget.

1. Select a committee of 3 to 4 persons to oversee this program.
2. Take the outline to the Session for approval.
3. Design posters and envelopes. Send them to the printers.
4. Coordinate the Sunday for startup with the pastor and those responsible for programming.
5. Put an announcement in bulletin about the new Birthday Endowment Program.
6. Lineup speaker(s) for a minute for mission telling about the new program and how it will grow missions and ministries beyond the annual budget.
7. First Sunday of the each month, do the bulletin and verbal announcements to keep the program going throughout the year. Invite members to participate if this is their birthday month.
8. Order cupcakes and balloons for a party after or between worship services. A cupcake and envelop are offered to each member!
9. Solicit a volunteer who is willing to give 30 minutes a week to send a post card to all participants. These can be printed and photo copied (4 to a page) ahead of time and simply addressed and mailed weekly.
10. The following month, print the names of the birthday celebrants from the month before in the newsletter thanking each participant for helping to grow missions and ministries (January’s names will be printed in February newsletter).
11. Periodically, print an up-date article on how the fund is doing. When the first distribution is made, take pictures and celebrate the mission or ministry made possible by this fund.
12. Once a year have a minute for mission on the anniversary of starting the program and maybe a party to celebrate. And don’t forget to have FUN!

Water Torture: Suggestions for Encouraging Planned Gifts in the Local Church

It is suggested that a permanent committee meet periodically to be sure the church is being intentional about planned giving. A report semi-annually to the Session will also be helpful. That committee can create a year long calendar to spread out and pace as many as possible of those suggestions from below which fit a particular church.

1. Make a nicely done poster that can be moved around the facilities periodically. It would either ask the question "Have you remembered the church in your will?" or some example of the merits of a planned gift with the name of person in the congregation to call for more information.
2. Print a simple, but clear brochure noting the merits of planned gifts and specific information about the congregation such as its legal name and suggested wording for a codicil. Place in the narthex or other location and mail to the membership once a year.
3. Depending on the frequency of publication, use the church newsletter to
 - * give personal reflections on the joys of doing a planned gift
 - * tell stories of life income gifts benefiting individuals and then the church
 - * announce recent gifts and interpret previous gifts or funds still making a difference
 - * provide wording for wills inclusion and codicils to wills
 - * tell what previous gifts are now supporting
4. Insert something about the church's endowment committee or foundation in the mid-year mailings of contribution statements.
5. Provide a minute for mission 3 or 4 times a year to keep this opportunity for stewardship before the membership.
6. Plan and provide a planned giving seminar once or twice a year for the whole membership or for particular age groups within the church.
7. Once or twice a year provide a bulletin insert regarding some educational aspect of planned giving or examples of its impact on this congregation.
8. Once a year do a direct mail piece to the membership reporting on the results of planned giving in the life of the congregation and encouraging others to join in on the effort.
9. Establish a "Birthday Fund" in the Permanent Funds Ministry and use the income from this fund to do some mission valued by the congregation. Members are encouraged to make a gift once a year in the month of their birthday in the amount of their age. Mention of the fund is made on the first Sunday of each month as a reminder and this helps raise the profile of the Permanent Funds in the minds of the members.

Partnering Today's and Yesterday's Stewards

In the Presbyterian Church the use of income from endowment generally falls into three categories:

- to sustain and enhance the small congregation ministering in a limited population setting
- to provide funding for missions beyond the budget and beyond the current giving of the church's members
- to provide supplemental income to the budget for a variety of uses

In each of these there is a benefit to tying the amount of income from endowments to the level of giving by current members. Such an incentive creates a partnership of stewardship that brings enhanced satisfaction to today's donors while at the same time honoring the bequests of prior generations. At the same time it also encourages today's members to consider adding their bequests to the endowment as an expression of faith knowing that the future health and ministry of the congregation will be enhanced and not harmed.

The following is an outline of a formula for such a partnership. The details are available when closer consideration is desired.

First determine the three-year average of giving to the annual budget by today's members. This figure (this average) is going to be divided into another three-year average, the hypothetical income from endowments. Calculating a three-year average of 5% of the total endowment arrives at the hypothetical income from endowment. By dividing the first average into the second average (gift income into endowment income) a factor will result that can be used for calculating how much a current pledge will be supplemented by endowment-generated income.

The enhancing or enlarging factor can be used to determine the next year's budget, but the *actual* dollars available will be a reflection of *actual* gift income from members. In order to protect the budget from below par giving by members, four percent (4%) is the lowest percentage of a distribution or spend rate from undesignated endowments that will be available during the year. This "floor" is a means of protecting the budget from *receiving too little* while also protecting the church from *taking too little* from endowments and appearing to be simply building up savings.

By contrast there is a need to protect the endowment for future years and the erosion of buying power by inflation. In order to accomplish this, the maximum percentage or spend rate from endowments that may be used in a given year is six percent (6%). If during the year the giving by members is significant, this upper amount or "ceiling" will come into play limiting the amount from endowments to six percent per year. (3% and 7% can be used for these margins, but caution is suggested for doing so long term.)

There is an example as a part of this piece to illustrate how the matching function from endowment income works.

This plan is offered for consideration by **Texas Presbyterian Foundation** as a further expression of its mission in the ministry of permanent funds. (www.tpf.org) "Partnering Today's and Yesterday's Stewards"© copyright TPF with all rights reserved.

Partnering Today's and Yesterday's Stewards Example:

(Using Total value of Endowment in equation)

2010 Contributions: \$87,235

2011 Contributions: \$84,317

2012 Contributions: \$85,457

Average of these three years: \$85,670

(Total of above years, \$257,009 divided by three)

2010 Value of endowment: \$318,597

2011 Value of endowment: \$297,658

2012 Value of endowment: \$348,543

2010 Endowment times 5%: \$15,930

2011 Endowment times 5%: \$14,883

2012 Endowment times 5%: \$17,427

Average of these three years: \$16,080

(Total of above year's 5% figures, \$48,240 divided by three)

Endowment average divided by contribution average: =.19 becomes the "factor"

(\$16,080 divided by \$85,670)

This factor is used to match any member's next year pledge/contribution to determine how much income from endowment will go into the budget. *Pledges can be used to create the budget. Actual contributions will be used to activate withdrawals from endowment.*

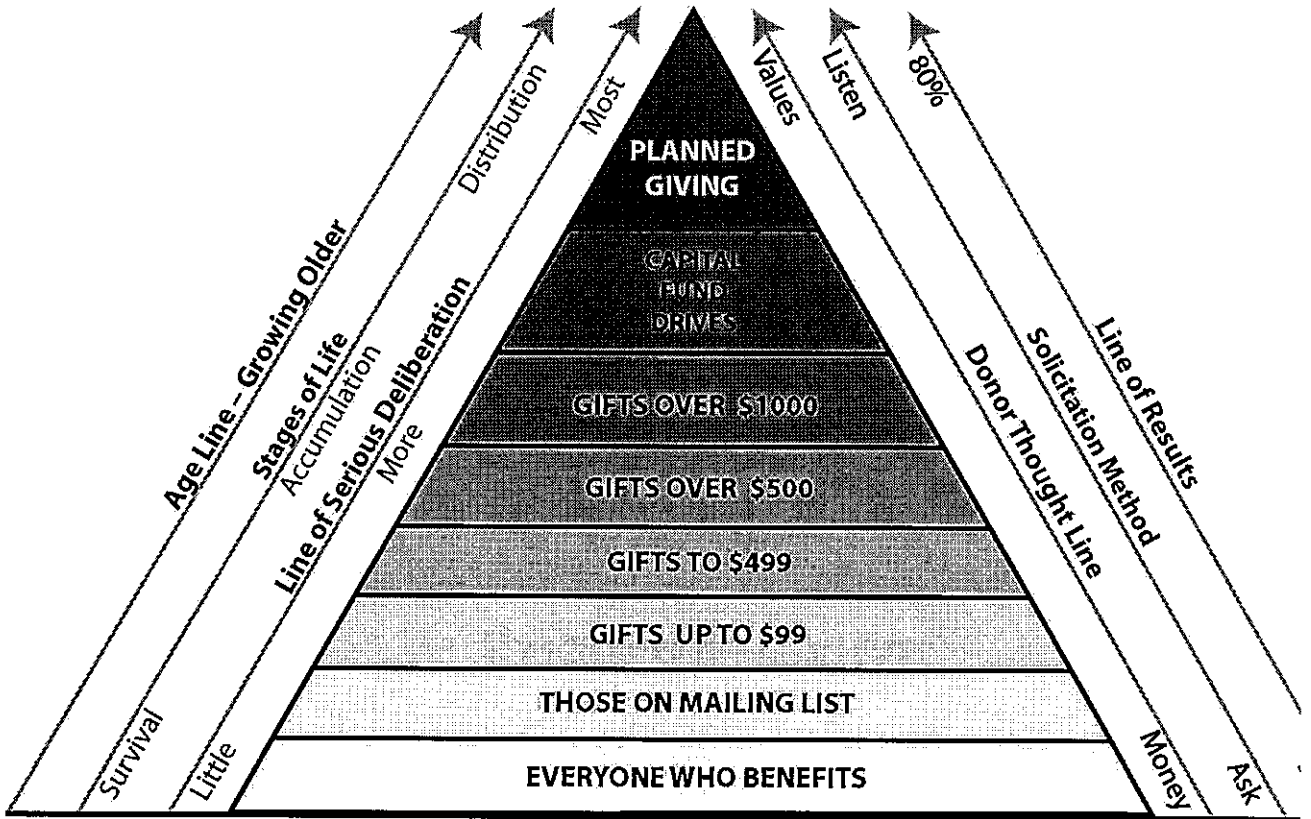
For example, a couple who pledge \$200 a month (\$2,400 for the year) will actually cause an additional \$456 (\$2,400 times .19) to go into the budget building process. Not for IRS purposes, but for the sake of the church their pledge is now worth \$2,856!

The total dollars used in the endowment will not be less than 4% of the three year average of the endowment nor will it be greater than 6% of that three year average. The first protects the budget, the second protects the endowment. If 4% of endowment is not attained through contributions then that amount goes into the budget anyway. If and when during the year the income reaches 6% of the endowment figure, then no more money comes from endowment that year. (If it would prove more interesting, a church can use 3% and 7% for these margins, but the long-term use of them will have significant implications.)

In the above example this means that no less than \$12,864 (4% of endowment average) would go into the budget and no more than \$19,296 (6% of endowment average.)

A date such as June 30 of each year is used to recalculate the match and be ready for the next stewardship campaign.

Pyramid of Giving



The "Pyramid of Giving" is adapted from an article by John S. Ryan, Director of Planned Giving, University of Minnesota, in the November 1984 issue of Fund Raising Management.