



First Presbyterian Church

Giftling Programs

Overview of FPC Planned Giving Programs

To provide for the generosity of Church members who wish to make gifts above and beyond their annual pledges, the church provides Planned Giving alternatives. Planned Giving encompasses a variety of philanthropic strategies that help you provide for the Church while also advancing your own personal and financial objectives.

You can benefit from Planned Giving in a number of ways:

- Ability to make a gift that will make a difference to First Presbyterian Church in line with your objectives
- Expert investment management and diversification from the Presbyterian Church (USA) Foundation
- Ability to create a Legacy or a Memorial
- Ability to create an income for life
- Potential savings on income and capital gains taxes
- Potential savings on gift and estate taxes.

The overall purpose of our gifting program is to provide a financially stronger, more flexible operating framework in which to carry out the purpose and vision of FPC, by taking pressure off the annual operating budget, and providing other sources of money for special needs. As an example, one of the visions of the officers of the Church is that through the generosity of past, current and future members of the congregation, enough money is endowed to provide for the normal on-going maintenance of physical facilities so that funds don't have to be allocated in the annual operating budget for that purpose. Today, that amount would be \$85,000 to \$100,000 per year.

But these gifts do not have to be used for our physical facilities. Indeed, they can be used as the grantors wish: local, national and international Mission, youth group programs, Music and so on. If you prefer, your gift can be undesignated, and it will then be put to work as needed by the Officers of the Church.

The Presbyterian Church (USA) Foundation

The Presbyterian Foundation came into being in 1799, and today has assets of \$1.9 billion, making it one of the largest religious foundations in the United States. The Foundation offers a number of annuity, pooled and trust products that are appropriate for different amounts and income needs. Because the Foundation's sole purpose is to further the work of the greater church and because its investment returns have stood the test of time, we provide information on their products.

A donor may use any provider they choose for a planned gift – they do not have to use the Presbyterian Foundation. Just make sure you name First Presbyterian as the beneficiary of your donation.

The First Presbyterian Church Fund

Non-Permanent Funds

These funds are essential to the growing and ever-changing needs and opportunities of the Church. Donors may make gifts having no restrictions placed on their use (non-designated), allowing the Trustees to use the gifts where the needs are greatest at that time.

Donors may designate how their donation is to be used, however, if they so choose. If this is your wish, think in the broadest terms of what you want your funds used for, i.e. “to enhance the outside areas of church owned property” vs. “solely for the Memorial Garden.” If your intent is to make a designated gift, you are encouraged to discuss this with a Pastor or the Business Manager before making the gift.

Undesignated, unrestricted funds are typically used to:

- Balance the operating budget
- Provide capital maintenance on our physical facilities
- Assist with special/unanticipated needs where the budget is inadequate or non-existent:
 - Pastor’s discretionary funds to provide rent assistance, transportation, food, etc.
 - Provide funds to refurbish the organ
 - Provide funds to replace/repair broken equipment (air conditioners, etc)

Characteristics:

- Funds not used immediately are invested for growth and income by professional money managers chosen and monitored by the Trustees
- These funds have normally come to us through Will Bequests and have ranged in size from a few thousand dollars to hundreds of thousands of dollars, and have, for the most part, been undesignated as to use. (Where undesignated, it is up to the Joint Finance Committee of the Church to recommend to Trustees how the money is to be used).

Permanently Endowed Funds

Endowment funds can also be designated or undesignated as to their use. However, unlike the gifts described above, these funds are a permanent gift to the Church, and only the earnings as defined by the Trustees of the Trust are disbursed to the Church.

Undesignated gifts to the Omnibus Endowment Fund provide the most flexibility to serve the general ministries of the Church, and are preferred because uncertainties always arise even with the best planning.

By sharing your blessings with an Endowment gift, you assure the continuation of your Christian witness far into the future.

Planned Giving Can Be Easy

Planned gifts can be made to First Presbyterian Church during your lifetime or through your will or a trust. Every person's situation is different, and the benefits to the Church and to the person need to be individually addressed. Professional help is available from attorneys, accountants, and financial advisors. In addition the Church has a number of resources listed below under "How to Learn More."

Support Today

To support First Presbyterian Church today, you may consider a permanent Endowment Fund, Donor-Advised Fund, or a Charitable Lead Trust.

ENDOWMENT FUNDS: These are funds that are created by a donor's stipulation that requires an irrevocable gift to be invested in perpetuity. Thus the endowment fund is a means to turn charitable intentions into a permanent stream of income. Gifts can be made to the Endowment Fund during donor's lifetimes, through their estate plan, or both.

- ◆ *Current Gift:* A widower who loves music and has some stock worth \$40,000 wishes to make a permanent gift to the Church for the music program. By donating the stock, the donor receives a charitable tax deduction for the full \$40,000 of the stock (even though he paid \$25,000), and avoids paying capital gains tax on the appreciation. The Church, as a charitable organization can sell the stock and use the proceeds to start an endowment which will pay an income in perpetuity to benefit the music program.

(In order to claim a charitable deduction, you must itemize your taxes)

Through the Presbyterian Foundation an endowment can be funded for \$25,000 (beginning March, 2007).

Note: an existing endowment fund can be added to in any amount. For example, if you feel strongly about the upkeep of the physical facilities, you can add \$100, \$1,000 or more to the FPC Building Endowment Fund at the Presbyterian Foundation.

- ◆ *Future Gift:* Consider Mr. J. Buchanan who honors his pledge of \$2,000 annually to the Church. He has provided through his estate plan a contribution of \$45,000 to the FPC Omnibus Endowment fund which should enable the Church to extract \$2,000 annually to support its mission while keeping his original bequest intact.

Our endowment funds speak to the future and donors to those funds show a desire of those in the present to ensure benefits for generations to come. The endowment funds are vital to the continued success and growth of First Presbyterian Church.

DONOR ADVISED FUND: You can contribute cash or assets into a fund and take an immediate tax deduction. As the donor, you advise the custodian of the fund as to which charitable organizations should receive grants from the funds you deposited. The typical minimum to establish a fund is \$10,000 and 5% or \$500 (whichever is less) must be distributed each year.

CHARITABLE LEAD TRUST: A Charitable Lead Trust exists for a number of years or a lifetime, during which time the trust makes payments to the Church. When the charitable term ends, trust assets are either returned to you or to other persons you name i.e. children. The minimum to set up a CLT is typically \$500,000 and the tax ramifications are very different than other charitable trusts; as a result, this is the most complex of the charitable trusts.

Support in the Future

A gift that benefits First Church in the future can be made through a Charitable Gift Annuity, a Charitable Remainder Trust, by a bequest in a will or trust, or by naming the Church as the beneficiary of a retirement account, insurance policy or other type of assets. These gifts can be designated or undesignated, unrestricted or endowed.

WILL SUBSTITUTE: For non-retirement accounts you can give certificates of deposit, money market accounts and other bank and brokerage accounts by adding a Transfer on Death designation on the account. Your bank or broker can provide this form for you.

RETIREMENT BENEFITS: You can designate the Church as a beneficiary of your retirement plan (Individual Retirement Account, Employer Retirement Plans, etc), either in whole or in part and possibly reduce your estate taxes. (Note: if you are married, your spouse must agree in writing to the beneficiary designation).

- ◆ A donor wanted to make a gift of \$125,000 to the Church, while leaving the same amount to a favorite niece. This donor had planned on gifting cash to the church while naming her niece the beneficiary on her Traditional IRA. However, her advisor pointed out that by retaining the IRA, Income in Respect of a Decedent taxes at her niece's marginal tax rate would be due from either the niece or the estate resulting in taxes that could be as much as \$31,250. This tax is collected as the funds are taken out of the IRA by the niece. The donor decided instead to gift the IRA to the Church (which avoids all taxation on the IRA), and gift non-retirement assets to her niece. As a result, her niece will get a step-up in tax basis and owe no taxes until she sells the assets (which if more than a year later qualifies for capital gains tax).

Note: Financial assets subject to Beneficiary Income Tax or IRD: retirement assets, annuities, U. S. Savings Bonds, deferred compensation, installment sale notes, and deferred lottery winnings.

With one exception, retirement assets cannot be gifted to the Church until death, or they will subject the donor to taxes. The exception is in 2007, for those individuals having an IRA who are 70.5 or older - they can gift up to \$100,000 from their IRA to a charity.

- ◆ Mike, who is 73 is required to take out \$12,352 from his IRA this year for Required Minimum Distributions. Mike would like to make a planned gift to the Church, and so he requests his IRA Custodian to send a check for \$8,000 to the Church, and send him the balance of \$4,352. Mike meets his RMD requirements and while unable to take a charitable deduction for his contribution of \$8,000, he doesn't owe tax (at his marginal tax rate) on that amount either. Mike, who is in a 25% marginal tax bracket, has saved \$2,000 in taxes.

GIFTS THROUGH WILLS In your will, you can designate a specific amount, a percentage, or a specific item of property – securities, real estate, etc.

You can also establish a testamentary trust that provides (1) income to your heirs and the remainder to the Church, or (2) income to the Church and the remainder to your heirs.

Obituary notice: In lieu of flowers, send contributions to First Presbyterian Church.

LIFE INSURANCE Life insurance that is no longer needed for your family’s security may be given to First Presbyterian Church, providing you with a current tax deduction for the “interpolated terminal reserve” – similar to the “cash value” of the policy. The Church might surrender the policy for its cash value, or accept a lesser amount of paid up insurance. Alternatively, if premiums are still due, you might make a charitable contribution to the church each year from which the church makes the premium payments, thus keeping the original death benefit in place. Life insurance qualifies under the 50% rule for a charitable deduction, and can be carried forward for five years.

For either permanent (cash value) insurance, or term insurance, you can change the beneficiary in whole or part to First Presbyterian Church (with your spouses’ written approval). However, by retaining the insurance, the death benefit becomes part of your estate for taxation purposes. In 2007, the Federal Estate tax applies to estates of \$2,000,000 and over, so this may or may not be an issue with you.

LIFE INCOME PLANS These gifts provide income for you and your family member, they provide current tax benefits and estate tax savings, and they free you from financial management concerns. Charitable Gift Annuities, Charitable Remainder Trusts, and Pooled Income Funds fall into this category.

CHARITABLE GIFT ANNUITY

This arrangement provides you or someone you designate with an income for life after which the remainder goes to the Church. The annuity is a contract between you and the Presbyterian Foundation, in which the Foundation, in return for cash or property agrees to pay a fixed sum of money for a period measured by one or two lives. Payments are fixed, and the size of the payments depends on the gift annuity rate offered, the value of the contribution, the number of annuitants, and the ages of the annuitants. Most gift annuitants are retired, want to increase their cash flow, seek the security of guaranteed payments, and would like to save taxes. A charitable gift annuity might appeal to people in the following situations:

- The interest rates on certificates of deposit and savings accounts are relatively low;
- They own appreciated stock or mutual fund shares, and have considered selling some to reinvest for more income, but don’t want to pay capital gains tax;
- They would like to count on fixed payments, which are unaffected by interest rates and stock prices, and which they cannot outlive;
- They want continuation of payments to a surviving spouse without the delay of probate proceedings;
- They would like to provide financial assistance to an elderly parent, a sibling, or other person in a tax-advantaged manner.

- ◆ George (76) and Wilma (74) have a maturing certificate of deposit for \$50,000 that pays them a taxable 3.75%. They contacted the Foundation and after discussing their needs, opened a Charitable Gift Annuity, which will pay them \$3,150 a year, on a quarterly basis. Of this amount, \$1,320 is taxed as ordinary income, and for the next 23.9 years \$1,830 is a tax free return of principal. In addition, they are able to take a charitable tax deduction of \$19,966. With a marginal tax rate of 25%, their tax savings is 4,991, giving them a net cost of the gift of \$45,009, and an effective rate of return of 7.0%

Other benefits of a Charitable Gift Annuity:

- The arrangement requires a simple contract, with no need for a trust agreement
- The annuity income will never go down
- The obligation to pay the annuity is a claim on all the assets of the Foundation
- The start of payments can be deferred, which increases the initial itemized deduction and the annuity rate.

What if appreciated securities are donated?

- ◆ A 67 year old widow makes a gift of \$100,000 of Microsoft stock with an original cost basis of \$25,000. The donor receives a \$40,572 charitable income tax deduction. The widow can deduct this amount up to 30% of her adjusted gross income with a 5 year carry forward. She receives fixed payments of 6.2%, or \$6,200 for life. Each payment is hypothetically taxed as follows:
 - ✓ \$2,480 as ordinary income
 - ✓ \$2,790 taxed as long-term capital gains
 - ✓ \$930 income tax free

CHARITABLE REMAINDER TRUST

This provides for either a fixed (Charitable Remainder Annuity Trust) or variable (Charitable Remainder Unitrust) payment for life, or for a set number of years not to exceed 20, in exchange for your remainder gifts to the Church. This is a more flexible arrangement than a Charitable Gift Annuity, in that there are actually several types of trusts and you can to some degree determine how much income you want to receive from the trust. Typically a trust requires a larger donation (\$200,000 with the Foundation), and is more expensive to set up and administer.

- ◆ Mike (56), a successful businessman, and his wife Susan (54), decide to make a commitment to the Church and reduce the size of their estate. In 2007 they open a Charitable Remainder Unitrust with the Presbyterian Foundation for the benefit of First Presbyterian Church. Their gift of \$250,000 provides them with an income of \$12,500 in year one, and a charitable deduction of \$58,872.

WEALTH REPLACEMENT TRUSTS

Life insurance can be used to “replace” the funds gifted to the Church. Ownership of the life insurance can be held by another person (i.e. adult child) or in an Irrevocable Life Insurance Trust, thereby moving the insurance out of the estate so as not to subject it to estate taxes.

- ◆ Following the example above, Mike and Susan set up an Irrevocable Life Insurance Trust with a Second-to-Die \$300,000 policy, naming their children as beneficiaries. They gift a portion of their Trust income to their children, who in turn gift it to the Insurance Trust to make premium payments on the policy. The result: Mike and Susan make a significant gift to the Church, obtain a major tax deduction now while their incomes are high, and receive a stream of income for life. Their children receive tax free proceeds from the insurance policy that replace the funds put into the annuity.

Planned Giving: Your Gift Really Will Make a Difference

FOUR QUESTIONS TO CONSIDER WHEN REFLECTING ON PLANNED GIVING

Q Why Give?

A Donor's who provide for First Presbyterian Church often do so because they are inspired by the Church's influence on their own lives or the lives of others.

Q What do I care about?

A When you consider your legacy, it is important to reflect on what is most important to you and what has made you own life successful. Where does First Presbyterian Church fit among all the other influences in your life – college, other non-profit organizations, mentors, Hospice, etc.

Q What do I wish to accomplish with my philanthropy?

A Before you set about making a gift, first think about the results you want to achieve. Perhaps you want to fund mission, both in Lancaster and abroad. Perhaps you want to insure that the music program or the buildings are first class. Or maybe you just want to give back to First Church and let your gift be used as determined by the current officers based on the needs of the time. Planned giving can help you fulfill these objectives.

Q How does planned giving fit into my financial life?

A You need to review your finances to determine how this gift should be structured to provide the most benefit to the Church, yourself and your family. You may want to discuss the alternatives with your financial advisor.

FIVE EASY WAYS TO MAKE A PLANNED GIFT

Change your will or living trust to include First Church:

1. Change your will or living trust to include First Church: I give and bequeath to First Presbyterian Church, Lancaster, PA the sum of \$_____ and/or securities or other property described herein, namely, _____), (for non-restricted gifts), or to First Presbyterian Church Endowment Fund (for a restricted gift).
2. Name First Presbyterian Church as sole/partial beneficiary of your retirement plan. Naming First Church as the recipient of your retirement plan after your lifetime (or at the death of the survivor of you or your spouse) avoids all estate and income taxes on plan assets. To change your beneficiary, you notify the plan administrator or custodian, and sign a “Change of Beneficiary” form that they will provide.
3. Change the beneficiary of your insurance to First Presbyterian Church either as sole or partial beneficiary. Alternatively, gift the insurance policy to the Church and take a tax deduction for the cash value of the account.
4. Make an outright gift to an existing endowment fund, or directly to the Church
5. Discuss with your financial advisor or contact the Presbyterian Foundation to learn more about advanced ways to give, such as a Charitable Remainder Trust, Charitable Gift Annuity, Pooled Income Fund or other type of gift.

First Presbyterian Church Endowment Funds

Fund Name	Amount	Fund Purpose/Use of Income
Alice K. Smith Memorial Fund 1021101131	\$13,456	Support the Church Operating Budget; unrestricted
FPC Omnibus Endowment 1021201164	\$24,541	Support the Church Operating Budget; unrestricted
Osman Endowment 1021200914	\$52,197	Help insure the preservation and perpetuation of the Church and its facilities, especially the memorial Garden, and to assist the Senior Citizen members of the congregation.
FPC Building Endowment 1021201184	\$266,709	Capital and Maintenance projects and shall not be used for Mission, Programs, or Personnel
McNinch Endowment*	\$591,000	Supports the Parish visitor Program for homebound senior members of the congregation, and to provide them, where possible, with rides through the beautiful Lancaster Countryside.
Total	\$947,903	

* The McNinch Fund is administered by Fulton Financial Advisors; the others are administered by the Presbyterian Church (USA) Foundation for the sole benefit of First Presbyterian Church of Lancaster.

Building our Endowments is critical to the future mission of the Church. Just as a college can't fund its operations solely on tuitions, the Church can't exist solely on pledges and plate offerings, nor can we depend on bequests. An endowment provides a relatively stable income to support our annual budget.

Gift Procedures

You should notify the Church of your intent to make the planned gift. The Church keeps track of the anticipated donations that it knows of, including donor preferences regarding designation and recognition. The Church promptly acknowledges receipt of gifts, and will insure that appropriate recognition is made.

Minimum Donations by type of gift administered by the Presbyterian Church (USA) Foundation

Gift Annuity.....	\$10,000	<i>(all parties must be 55 or older)</i>
Deferred Gift Annuity	\$10,000	<i>(all parties must be 55 or older)</i>
Pooled Fund Omega (growth)	\$5,000	
Pooled Fund A.....	\$5,000	
Donor Advised Fund	\$10,000	
Charitable Remainder Annuity Trust.....	\$200,000	
Charitable Remainder Unitrust.....	\$200,000	
Charitable Lead Annuity Trust.....	\$500,000	
Charitable Lead Unitrust	\$500,000	
Permanent Endowment Fund	\$25,000	
Additions		any amount

How to Learn more

Planned Giving Committee

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Presbyterian Foundation website www.presbyterianfoundation.org

Disclosure The descriptions and examples discussed in this booklet are highly simplified. This booklet is not meant to provide tax or legal advice. It is recommended that you discuss your intent with a professional before making a gift.