

ACHIEVING PERSONAL GOALS...  
FURTHERING MINISTRY INTERESTS



# A CHRISTIAN GUIDE TO GIFT PLANNING



A ministry of the Evangelical Free Church of America -- Minneapolis, MN

# ABOUT THE EFCA FOUNDATION

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The EFCA Foundation, a ministry of the Evangelical Free Church of America (EFCA), is national in scope and carries out our purpose nationally, regionally, and locally through EFCA member ministries. Each ministry in its own way helps accomplish our broader mission, which is *to glorify God by multiplying healthy churches among all people*. The EFCA Foundation helps resource this vision and mission.

We encourage individuals and families to name local churches, regional district ministries, national, and international EFCA ministries within gift and estate planning documents. We are committed to Biblical principles of stewardship and serve donors on a no-obligation, confidential basis.

The EFCA Foundation offers a variety of gift plans – such as gift annuities, charitable trusts, designated funds, and donor advised funds – to individuals and EFCA affiliated ministries. While we actively encourage the preparation of wills and living trusts, we leave it to individuals in consultation with their attorneys to finalize these essential documents.

Our mission is to provide trusted charitable gift and estate planning services to help meet personal planning goals while furthering the Lord's work.

This information is not intended as tax, legal or financial advice. Gift results may vary, consult your personal financial advisor for information specific to your situation.



# WHAT IS GIFT PLANNING?

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- A process that helps givers meet their personal stewardship goals while helping ministries fulfill their charitable missions
- Integrates personal, financial, and estate planning goals
- Informed by both Biblical principles and tax laws



# COMMON TYPES OF GIFTS

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Outright

Bequest

Beneficiary Designation

Charitable Gift Annuity (CGA)

Charitable Remainder Trust (CRT)

Charitable Lead Trust (CLT)

Life Estate Reserved (Gift of Remainder)

Donor Advised Fund (DAF)

Designated Funds

## **THE NEED**

Many people regularly support the Lord's work with cash, but are unaware that other assets may also be given during their lifetime.

## **THE SOLUTION**

Donors can benefit ministry right away and save income taxes by using cash, appreciated securities, real estate, insurance policies, and retirement assets.

## **THE BENEFITS**

**Gift to Ministry/Charity**  
Ministry benefits now with cash or property.

**Tax Deduction**  
A full charitable deduction is available and there may also be capital gains and estate tax savings.

**Flexible**  
Givers can reduce assets they no longer need.

## **THE DONOR**

Outright gifts may be made by anyone with assets.

# OUTRIGHT

A gift to ministry today helps further the mission and impact of causes most important to you.

## **THE DETAILS**

### **Cash**

Write a check or set up automatic payment.

### **Appreciated Securities**

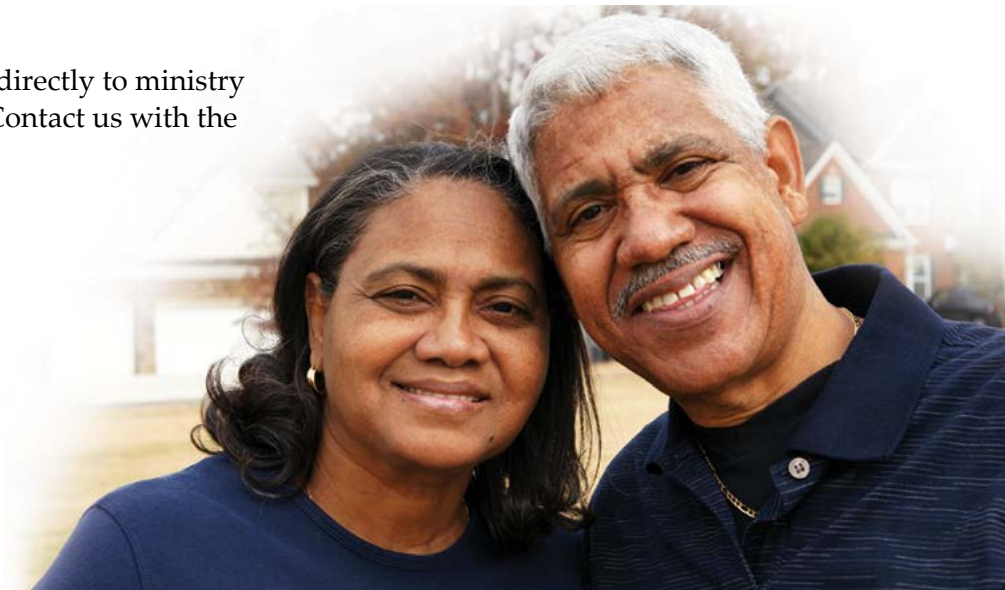
Considered the most tax-efficient way to give during your lifetime. Contact us for transfer instructions.

### **Home & Farms**

Real estate gifts may be given directly to ministry if no longer used or desired. Contact us with the details.

### **Insurance Policies**

Consider making ministry the owner and beneficiary of a policy, giving paid-up policies, or naming ministry as beneficiary but not owner. Call us for the benefits and process.



## **THE NEED**

Many people want to give to the Lord's work but are unable to donate property during their lifetime. For example, a giver may have property that will be needed during life to cover living expenses or rising health care costs. The giver may be able to donate this property through his or her estate.

## **THE SOLUTION**

Donors can retain ownership and use of property during life and later benefit ministry by leaving the property to the Christian ministry at the time of their death.

## **THE BENEFITS**

### **Gift to Ministry/Charity**

The charity/ministry receives cash or property.

### **Tax Deduction**

The amount given to a qualified charity is not subject to federal estate tax.

### **Flexible**

Givers are able to use and control property during their lifetime.

## **THE DONOR**

Bequests are gifts that anyone can make.

# BEQUEST

**A gift to ministry at time of death. A bequest is the simplest type of planned gift to make and one of the easiest to implement. Bequests cost you nothing during your lifetime.**

## **THE DETAILS**

A giver can leave property to ministry by including a bequest in his or her will or trust. Property that passes through a beneficiary designation (such as individual retirement accounts) can be left by designating the ministry as a beneficiary.

### **Specific Asset Bequests**

Many bequests transfer a specific item to a beneficiary.

*"I give my car to Joshua."*

### **Specific Amount**

Another common transfer via a will is the gift of a specific dollar amount.

*"I give \$1,000 to Sarah."*

### **Bequest of a Percent of the Residue**

A fractional amount or percent of what is left of the estate may be transferred to ministry.

*"I give 50% of the residue of my estate to Amanda and 50% to the Evangelical Free Church of America."*

### **Undivided Percentage of Asset Bequests**

A testator may bequeath or devise an undivided percentage of a particular asset.

*"I give half of my home to Brian."*



**Bequests to the Evangelical Free Church of America are appreciated.**



## **THE NEED**

A giver holds financial assets but is unable to donate them during his or her lifetime.

## **THE SOLUTION**

Givers retain ownership and use the property during life and still benefit ministry causes at the time of their death.

## **THE BENEFITS**

### **Gift to Ministry/Charity**

The ministry receives cash.

### **Tax Deduction**

The amount given to a qualified charity is not subject to income or federal estate tax.

### **Flexible**

Givers are able to use and control property during their lifetimes.

## **THE DONOR**

Gifts by beneficiary designation can be made by anyone with financial accounts.

# BENEFICIARY DESIGNATION

Some assets may be transferred to ministry simply by completing a Change of Beneficiary Form.

## **THE DETAILS**

Various assets may easily be transferred at death simply by completing a change of beneficiary form. There is no need to change your will but be sure to coordinate with your will or trust to ensure your goals are fully realized.

- Retirement Assets
  - SEP and SIMPLE IRAs
  - 401(k)s, 403 (b)s, 457 plans
  - Qualified pension or profit sharing plan
  - Keough plans
- Insurance policies
- Some investment accounts (brokerage and mutual fund accounts)
- Some bank accounts (CDs, checking, savings)
- All Christian Investors Financial accounts
- Transfer-On-Death deeds (available for real estate in some states)
- Employee benefit plans (stock options, nonqualified deferred compensation plans, group term life)
- Annuities



## **THE NEED**

A giver wants to make a gift to ministry and receive fixed income for the future.

## **THE SOLUTION**

Giver and the EFCA Foundation enter into a charitable gift annuity agreement.

## **THE BENEFITS**

### **Fixed Payments for Life**

Fixed payments to one or two individuals for life.

### **Tax-Free Payments**

A portion of each payment may be tax free.

### **Rates by Age**

Payout rates are based on the annuitant's age.

### **Tax Deduction**

Donor receives a charitable income tax deduction.

## **THE DONOR**

A person who desires fixed payments for life. Beneficial for persons with cash or appreciated property that produces little or no income.

# CHARITABLE GIFT ANNUITY

An agreement through which a giver makes a gift of cash or property and the EFCA Foundation agrees to make fixed payments for one or two individuals with the remainder being distributed to ministry at death.

## **THE DETAILS**

A Charitable Gift Annuity (CGA) is a contract between a giver and the EFCA Foundation. In exchange for a gift of cash or property, we agree to make fixed payments to the giver for the remainder of his or her life.

### **Duration**

A donor gives cash or appreciated property to the EFCA Foundation. In exchange, we make fixed payments for the lifetime(s) of one or two individuals.

### **Payout Rate**

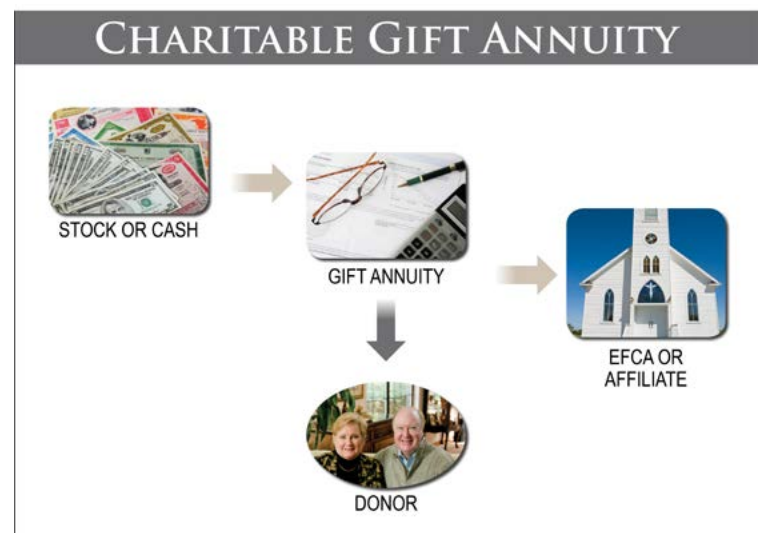
Gift Annuity payments are based on a rate schedule. The EFCA Foundation uses rates set by the American Council on Gift Annuities (ACGA). Under the ACGA's rates, the older the age of the person receiving the gift annuity payments, the higher the rate.

### **Taxation of Payments**

A predetermined portion of each gift annuity payment is tax free, and the remaining amount of each payment is taxable at either capital gain or ordinary income tax rates.

### **Timing**

A Gift Annuity contract can begin making payments immediately (a Current Gift Annuity) or defer payments for at least one year (a Deferred Gift Annuity).





## **THE NEED**

A giver desires to change appreciated property that produces little or no income into a productive asset without paying capital gains tax on the sale of the property.

## **THE SOLUTION**

A giver contributes appreciated property to a Charitable Remainder Trust that will sell the property tax free and make payments for the giver's lifetime or a specified term of years.

## **THE BENEFITS**

### **Bypass Gain**

The trust sells property tax free.

### **Increased Income**

The trust pays a percentage of its value to the trust beneficiary.

### **Tax Deduction**

The giver receives a current federal income tax deduction.

## **THE DONOR**

A giver with cash or appreciated property with a value of at least \$100,000 who desires income and bypass of capital gains.

# CHARITABLE REMAINDER TRUST

Receives cash or property from the giver, makes payments for the giver's lifetime or a specified term of years, then distributes the remainder to ministry.

## **THE DETAILS**

A giver transfers cash or appreciated property to the CRT. The CRT is a tax-exempt trust that can sell the property without paying capital gains tax.

### **Duration**

A CRT can last for the lifetime of one or more beneficiaries or for a specified term of years.

### **Annuity vs. Unitrust Payout**

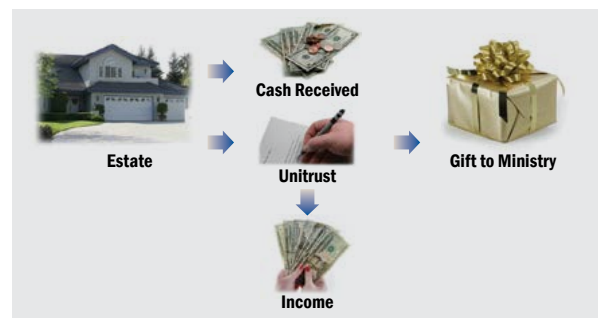
A Charitable Remainder Annuity Trust (CRAT) pays a *fixed dollar amount* each year. By contrast, a Charitable Remainder Unitrust (CRUT) pays an amount equal to a percentage of the trust value at the beginning of each year.

### **Taxation of Payouts**

Most CRT payouts are taxed to the beneficiary as ordinary income and /or capital gain.

### **Payout Flexibility**

A Unitrust offers four flexible payout options. A standard Unitrust pays a fixed percentage of the trust value. A Net Income Unitrust (NICRUT) pays the lesser of the trust's net income or the standard amount. A Net Income with Makeup Unitrust (NIMCRUT) is like a NICRUT but can make up distributions. Finally, a FLIP Trust pays like a NIMCRUT until a certain date or event then "flips" to pay out like a standard unitrust.



## **THE NEED**

A giver wants to make a gift to ministry for a period of time, then transfers an asset to family (and pays minimal gift or estate taxes).

## **THE SOLUTION**

A giver contributes property to a trust that will make distributions to Christian ministries for a number of years and ultimately distribute the property to the donor's family.

## **THE BENEFITS**

### **Appreciation to Family**

A giver gives property to a Lead Trust and that property plus growth passes to his or her family with no additional tax.

### **Tax Deduction**

A giver receives a current federal gift or estate tax deduction for the present value of the payments that will go to qualified charities and ministries.

## **THE DONOR**

A person who wants to pass specific property with growth to family at reduced gift or estate tax cost.

Ideal for a person with an estate of \$1-3 million or more.

# FAMILY LEAD TRUST

**Receives cash or property from a giver and makes payments to ministry for a specified period, then distributes the trust property to a designated beneficiary.**

## **THE DETAILS**

A giver transfers cash or property to the CLT. Unlike a CRT, a CLT is a taxable trust. Each year, the CLT will report its income and take a deduction for the amount that it distributes to ministry. Any excess income is taxable.

### **Duration**

A CLT can last for the lifetime of one or more beneficiaries or for a specific term of years.

### **Annuity vs. Unitrust Payout**

Each year, a CLT pays either a fixed annuity amount or a percentage Unitrust amount to one or more Christian ministries. A Charitable Lead Annuity Trust (CLAT) pays a *fixed amount* to charity each year. A Charitable Lead Unitrust (CLUT) pays a *different amount* each year to charity; this amount is equal to a fixed percentage of the trust value at the beginning of the year in which the payment was made.

### **Lead Trust Types**

A family CLT receives property and usually distributes it to the beneficiary at the end of the term. A gift tax deduction is available to a donor who creates a family CLT.

Another typical Lead Trust is a Grantor CLT. A Grantor CLT receives property that ultimately returns to the giver, who gets an income tax deduction when the trust is created. However, the donor has to report trust income on his or her personal income tax return each year.



## **THE NEED**

A person may desire to leave his or her house or farm to ministry at death but would like a current tax benefit.

## **THE SOLUTION**

Givers can deed a home or farm to ministry but keep the right to use the home or farm for their remaining lifetime.

## **THE BENEFITS**

### **Tax Deduction**

The giver receives a current federal income tax deduction for the present value of the remainder interest in the home or farm.

### **Preserves Lifetime Use**

The giver is able to use and control the home or farm while alive.

## **THE DONOR**

Givers who want to remain living in their homes or using their farms and desire a current income tax deduction.

# LIFE ESTATE RESERVED

**Ministry accepts a gift of property—either a personal residence or farm—and the giver retains the right to use the property for his or her lifetime.**

## **THE DETAILS**

A giver executes a deed transferring a house or farm to ministry. On the deed, the donor retains a “life estate” that grants the donor the right to use the property for life. At the time of the gift, the donor and the EFCA Foundation enter into a Maintenance, Insurance and Taxes (MIT) agreement.

### **Duration**

The Life Estate typically lasts for the life of the giver.

### **Deed Restrictions**

The deed of the remainder interest to ministry must not be restricted.

### **Mortgage**

It may be possible for a giver to make a gift of a remainder interest even though there is a mortgage upon the residence.

### **MIT Agreement**

The giver agrees to be responsible for the maintenance, insurance and taxes on the property.



## **THE NEED**

Many people desire to sell their property and also make a gift to ministry.

## **THE SOLUTION**

A ministry can buy the property at a bargain price or agree to accept the giver's property subject to the mortgage.

## **THE BENEFITS**

### **Immediate Benefits**

The giver gets a cash payment or debt relief.

### **Bypass Gain**

The giver avoids gain on the part of the property that is a gift.

### **Tax Deduction**

The giver receives a current federal income tax deduction for the part of the property given to ministry.

## **THE DONOR**

Anyone that owns appreciated property and wants to benefit ministry but needs a benefit in return (either cash or debt relief).

# BARGAIN SALE

**Ministry purchases property for less than fair market value or accepts a gift of mortgaged property. This may be a popular plan for affiliated churches, retirement homes, or camps.**

## **THE DETAILS**

A bargain sale works just like any other sale except that the sale price is a bargain (less than the property is worth). The giver transfers an asset to ministry and receives less than fair market value in return.

### **Charitable Deduction**

The giver receives a charitable deduction for the difference between the fair market value of the property transferred and the cash received in the bargain sale.

### **Cash or Debt Relief**

A giver sells the property to ministry and receives a cash payment or debt relief.

### **Bargain Sale**

The giver receives the cash or debt relief they desire, and the ministry receives a valuable property for a payment of less than the fair market value price. The difference between the sale price and the appraised value of the property is a gift to the ministry.



## **THE NEED**

A giver wants to set up a special charitable account, gain an immediate charitable deduction, and issue grants to causes worthy of support.

## **THE SOLUTION**

Giver sets up a donor advised fund.

## **THE BENEFITS**

**Easy to get started**

**Contribution is invested and grows tax-free**

**Gain immediate tax savings**

**Simplify record keeping**

**Grants mailed out on your schedule**

## **THE DONOR**

Anyone with financial assets who would like to organize their giving and make grants into the future.

# DONOR ADVISED FUND

**A simple, powerful, family foundation substitute.**

## **THE DETAILS**

The EFCA Foundation Donor Advised Fund (DAF) is an agreement between a donor and the Evangelical Free Church of America.

### **Ease of a DAF**

1. You make an irrevocable gift of personal assets (\$5,000 minimum).
2. You secure the maximum tax deduction the IRS allows.
3. You name your DAF account, identify advisors, and choose charitable beneficiary.
4. Your contribution(s) will be invested and can grow tax-free.
5. At any time, you can recommend grants to qualified charities and ministries.
6. We mail the grants for the amount you advise at the time you determine.

### **Great Alternative to a Family Foundation**

Unlike a private foundation, DAF gifts generally qualify for a full fair market value charitable deduction and DAFs have lower startup costs. A DAF also permits you to make gifts to ministry/charity without unfavorable private foundation restrictions and excise taxes.





## **THE NEED**

A giver wishes to establish a “sustaining fund” for the EFCA or EFCA affiliated causes important to them.

## **THE SOLUTION**

Giver and the EFCA enter into a donor designated fund agreement.

## **THE BENEFITS**

### **Sustained Financial Support**

A designated fund supports the ministries most important to you year in and year out.

### **Tax Deduction**

The giver receives tax deductions to the full extent of the law.

### **Flexibility**

You select the EFCA ministry. You set the annual-payout rate.

## **THE DONOR**

An individual or ministry with financial assets desiring to arrange to support a ministry long-term.

# DESIGNATED FUNDS

**Boosting sustainability for ministries that matter.**

## **THE DETAILS**

A Designated Fund is an agreement between a giver and the EFCA Foundation.

### **Two Types**

- **Donor Designated Fund** – A fund set up by an individual or family to benefit one or more EFCA causes.
- **Ministry Designated Fund** – A fund set up by a church or EFCA affiliate.

### **Easy Steps**

1. You make an irrevocable gift of personal or ministry assets.
2. You secure the maximum tax deduction the IRS allows.
3. You name the accounts, charitable purposes, and payout rate.
4. Your contribution(s) will be invested and can grow tax free.
5. The ministries will receive grants on schedule for years to come.

### **Funding**

Giver makes an irrevocable charitable gift to the EFCA Foundation (\$5,000 minimum).

You may make both lifetime gifts and estate gifts using cash, stock, and approved real estate.

### **Benefit your favorite EFCA ministries**

The EFCA ministry or ministries you specify benefit from the fund. Annual grants will be made from both income generated from the fund or from principal. This is NOT an endowment.



# BIBLICAL BASIS TO SUPPORT THE LORD'S WORK

Every Christian is encouraged to prayerfully consider naming ministry within their wills or other estate plans. There are numerous Biblical reasons for good stewards to do this.

1. To demonstrate my love for God. "I am not commanding you, but I want to test the sincerity of your love by comparing it with the earnestness of others." (2 Corinthians 8:8)
2. To help with the carrying out of the Great Commission. (Matthew 28:19-20)
3. To put faith into practice. "We live by faith, not by sight." (2 Corinthians 5:7)
4. To abound in the grace of giving. "But just as you excel in everything ... see that you also excel in this grace of giving." (2 Corinthians 8:7)
5. To encourage others in the grace of giving. "For I know your eagerness to help ... and your enthusiasm has stirred most of them to action." (2 Corinthians 9:2)
6. To experience the love of God in all its fullness. "...for God loves a cheerful giver." (2 Corinthians 9:7)
7. To bring glory to God. "...men will praise God for the obedience that accompanies your confession of the gospel of Christ, and for your generosity in sharing with them and with everyone else." (2 Corinthians 9:13)
8. To please God. "...They are a fragrant offering, an acceptable sacrifice, pleasing to God." (Philippians 4:18)

At the EFCA Foundation, we value and praise the Lord for individuals and families who support the current ministry initiatives and the future vision of the Evangelical Free Church of America. Funds are used to support the EFCA's mission *to glorify God by multiplying healthy churches among all people.*

At the EFCA Foundation, we recognize that it is the work of the Holy Spirit that prompts Christians to give (John 15:4-5). We place the giver's relationship to God above our ministry's agenda (2 Corinthians 4:16-18). Our communications will be clear and honest; never coercive or manipulative.

We value cooperation and partnership throughout the EFCA movement. We encourage you to support your local church, district, camps, colleges, seminaries, and the various ministries of the EFCA national office. The EFCA's impact is realized in communities, states, our nation, and around the world. We believe that the joy-filled generosity of believers will fully fund God's work here on earth. (Matthew 6:10)



EFCA<sup>®</sup>  

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