

***Planned Giving* Web Page/Brochure**  
**First Presbyterian Church**  
**Portland, OR**

**What is Planned Giving?**

Planned giving is a way to support First Presbyterian Church while providing financial benefits to you and your family. And, you can choose which church programs to support through your gift. Planned gifts to the church may include cash, stocks and bonds, real estate, art, interests in businesses, collectibles, retirement assets, and life insurance policies. These gifts may be donated outright or deferred to a later date through bequests, gift annuities, charitable remainder trusts and other types of legal instruments.

Planned gift donors can receive an income from their asset during their lifetime, with First Presbyterian Church receiving the gift upon their death, or in the case of some gift annuities, with the church receiving a portion of the gift right away. In both situations, the donor parts with the asset today to receive income and tax benefits while the actual giving of the asset to First Presbyterian Church can be structured to occur at an agreed upon time, or deferred for a period of time, often the lifetime of the donor.

A planned gift requires discussions with both the church and your professional tax, legal or financial consultant to identify the appropriate charitable estate plan for you.

**Why Should You Consider Making a Gift to the Church?**

Sharing our faith and material blessings with others ensures that coming generations will continue to have as many opportunities for work and worship at First Presbyterian Church as we enjoy today. These gifts enrich the lives of others in countless ways and bring a sense of joy and fulfillment to our own lives. Planned gifts also may provide a number of financial benefits to the donor including lifetime income, tax savings, reduced capital gains and estate taxes, and release from financial management.

In addition to satisfying philanthropic goals, your gift to First Presbyterian Church can offer significant financial planning opportunities. For example, planned gifts offer income tax charitable deductions and allow the donor to avoid capital gains tax on the transfer of appreciated assets to the church. Some gift arrangements can actually serve to increase your income. By participating in planned giving, members and friends of First Presbyterian Church may leave a legacy while also securing lifetime income for themselves.

Making a planned gift is not just for those who have wealth or special financial expertise, but also for anyone with a generous spirit who wants to designate their gifts while they are living. As members and friends of First Presbyterian Church, we share a deep sense of gratitude for those who have contributed to the church in the past. Each time we gather to worship in our beautiful sanctuary we are reminded of the gifts that were so generously given by those who came before us and whose vision and philanthropic spirit provided the many legacies that helped make us the vibrant mission-oriented church we are today.

### **What Types of Gifts May I Donate?**

The church gratefully accepts cash, property and other types of gifts. Following are a number of examples:

**a. Stocks, bonds and mutual funds.** Transferring publicly traded stock, bonds, or mutual funds to the church is simple and straightforward. Gifts that have appreciated in value over the years are often the least expensive to give from a tax perspective. This is because the donor receives an income tax deduction for the value of the asset, and yet has paid much less than that value to acquire the asset. Let's look at a specific example of a donor contributing a gift of stock. The value of the deduction -- the actual tax savings -- is equal to the gift value multiplied by the donor's tax bracket.

Purchase price	\$1,000
Current value of stock	\$10,000
Tax bracket	28 percent
Value of deduction	\$2,800

In this case, the value of the deduction is three times greater than the original cost! Stock is the most obvious example of using appreciated property as a charitable gift, but many other assets that have risen in value over the years are also good gift assets.

**b. Real estate.** The church generally accepts gifts of residences, vacation homes, commercial buildings, farmland, timberland, and undeveloped property.

**c. Interests in businesses.** Depending on the circumstances, First Presbyterian Church may be able to accept stock of closely held corporations, or interests in partnerships or limited liability companies.

**d. Art.** The church readily accepts gifts of works of art.

**e. Collectibles.** Coins, stamps, and other types of collectibles are suitable gifts to the church in certain circumstances.

**f. Intangibles.** Patents, copyrights, and other intangible assets are suitable gifts to the church in many circumstances.

**g. Cash.**

## How Can I Donate Gifts?

Gifts can be donated outright or through estate planning methods. Following are several approaches.

### Outright Gifts

An outright gift to First Presbyterian Church is one in which the donor completely and irrevocably parts with the asset and the church receives it immediately. The most dramatic tax advantage of outright gifts is that the donor receives an immediate income tax deduction. Normally, the amount of the deduction is equal to the value of the asset. So with cash, the value is the amount of the check. With stocks and bonds, the value is equal to the average of the high and low prices during the day the gift is made. With almost everything else -- non-cash gifts that are not marketable securities -- an appraisal is required to determine the asset's value.

### Planned and Deferred Gifts

**a. Gifts Made Through Your Will.** Charitable bequests are joyful statements that celebrate your commitment to First Presbyterian Church. In making a bequest to our church you may:

- Designate a specific amount.
- Designate a percentage.
- Designate a specific item such as a security, real estate, artwork, etc.
- Establish a Testamentary Trust with income retained for your heirs for a period of time and the remainder to the church or with income to the church, the remainder to your heirs.

**b. Life Income Gifts.** In the context we have established here, a planned gift is often referred to as a "life income gift" because the donor receives an income from the donated assets, in many cases for the rest of his or her life. There are three types of life-income gifts:

- **Charitable Gift Annuities.** With a charitable gift annuity, you receive a fixed rate of return for life, typically at rates much higher than rates offered by banks or other fixed-income investment vehicles. The rate of return generally varies depending on your age at the time of the gift. A portion of the income you receive is tax-free. You can establish a charitable gift annuity with a minimum gift of \$10,000. You can choose a deferred charitable gift annuity, where the start of income payments is deferred, and you receive a higher rate of return in exchange for the deferral. And, as previously noted, gift annuities can now be structured so that a portion of your gift can be sent to the church immediately upon completion of the annuity agreement.
- **Charitable Remainder Annuity Trusts.** This is an irrevocable trust that pays you a fixed rate of return for life or for a fixed time period. You have some flexibility in setting the rate of return. The taxation of the income you receive depends on the type of investments held by the trust.

- Charitable Remainder Unitrusts. These instruments offer considerable flexibility. Your gift is held by a trustee, who converts the gifted property tax-free into a diversified mix of fixed-income and equity investments. Trust earnings grow free of tax. Depending on your objectives, you can, to considerable extent, guide the mix of investments and the amount and timing of income paid to you. The amount of income you receive each year generally will be affected by the investment performance of the trust. The income paid to you will be taxed to you in accordance with the type of income earned by the trust, e.g., ordinary income, capital gain, or tax-free income. At the end of the term of the trust, First Presbyterian Church receives the assets remaining in the trust.

### *Advantages of Charitable Remainder Trusts*

There are several advantages for establishing a charitable remainder trust. A typical situation is one in which you use an appreciated asset to fund a charitable trust, from which you will receive an income for life. At the end of that time, the trust assets are transferred to First Presbyterian Church.

Let's take a look at some of the advantages of establishing a planned gift under the following conditions. Assume that you are 65 years old and that you use \$100,000 of appreciated securities with a cost basis of \$10,000 to establish a charitable remainder trust that will pay you a 5 percent income for the rest of your life. The securities are currently paying a 2 percent dividend annually.

Income Tax Deduction. Because you establish a qualified charitable trust, you receive an income tax deduction of approximately \$44,482. In a 35 percent tax bracket the income tax savings equals approximately \$15,569. This is less than the deduction allowed for an outright gift of the same amount, because you retain a right to the income from the gift for the rest of your life.

Capital Gains Tax Avoidance. Had you decided to sell the asset and invest the proceeds in an investment that would produce more income, you would have had to pay a capital gains tax on the \$90,000 appreciation. At a rate of 15 percent (and higher in states like Oregon that have their own capital gains tax), this benefit equals a savings of \$13,500. The trust is able to sell the stock and reinvest without paying a capital gains tax.

Increased Income. You established a payout of 5 percent from the charitable trust, over two times the amount you were receiving from the stock dividends.

Estate Tax Avoidance. After your lifetime your estate receives a charitable deduction equal to the value of the trust assets. Although your estate would receive the equivalent of this benefit with an outright gift, you receive the above advantages as well with a planned gift.

Life income gifts are not for everybody. Once the asset is donated, the donor may not retrieve the asset. Yet, charitable remainder trusts and other life income giving methods can be the most rewarding of all. For those who truly wish to help First Presbyterian Church, but who need the income from the asset, a life income gift is often the perfect method to accomplish both objectives.

**c. Gifts of Retirement Assets.** If the ultimate beneficiary of your retirement assets (IRA, 401(k), profit-sharing plan, pension plan, or Keogh plan) is an individual, the beneficiary (even if the beneficiary is your spouse) generally must pay income tax on receipt of the assets. In addition, the assets are included in your taxable estate and may be subject to estate tax if the beneficiary is anyone other than your spouse. Therefore, if your retirement assets pass to your children or other individuals, a significant portion of your retirement assets could be lost to taxes.

However, by designating First Presbyterian Church as beneficiary of your retirement assets, at your death the entire portion designated to the church will go to support the church; no income or estate tax will be assessed against the assets given to the church. Naming First Presbyterian Church as beneficiary of retirement assets generally is simple, and usually you can make the designation merely by signing a form supplied by your retirement plan administrator or IRA trustee. Federal law, however, may require additional procedures for married persons.

**d. Gifts of Life Insurance.** Naming First Presbyterian Church as a beneficiary of an existing life insurance policy is easy (often requiring nothing more than completing a simple form from you insurance company), requires no out-of-pocket expense, and can provide a significant contribution to the church.

If you own an individual life insurance policy, in addition to naming First Presbyterian Church as the beneficiary, you also can transfer ownership of the policy to the church, whereby you will receive an income tax charitable deduction. Unfortunately, you cannot transfer ownership of a group policy to First Presbyterian Church. However, naming the church as a full or partial beneficiary of a group life insurance policy will remove the life insurance proceeds from your taxable estate.

### **What Can You Do If You Are Interested in Making a Charitable Gift to First Presbyterian Church?**

If you want to consider other giving options or would like more information on the options mentioned here, please contact a member of the Planned Giving Committee. We strongly urge our donors to work closely with their professional advisors to determine the most advantageous charitable estate plan for them. Because of the several economic advantages associated with them, planned gifts are often complex transactions that require guidance from those who regularly work with them. Choosing the right type of gift, the right payout, and other appropriate terms of the gift can be daunting. Accordingly, you should also contact your own financial, tax or legal counselor.

### **Planned Giving Committee**

Mark Walker, Betty Jo Lee, Rich Williams