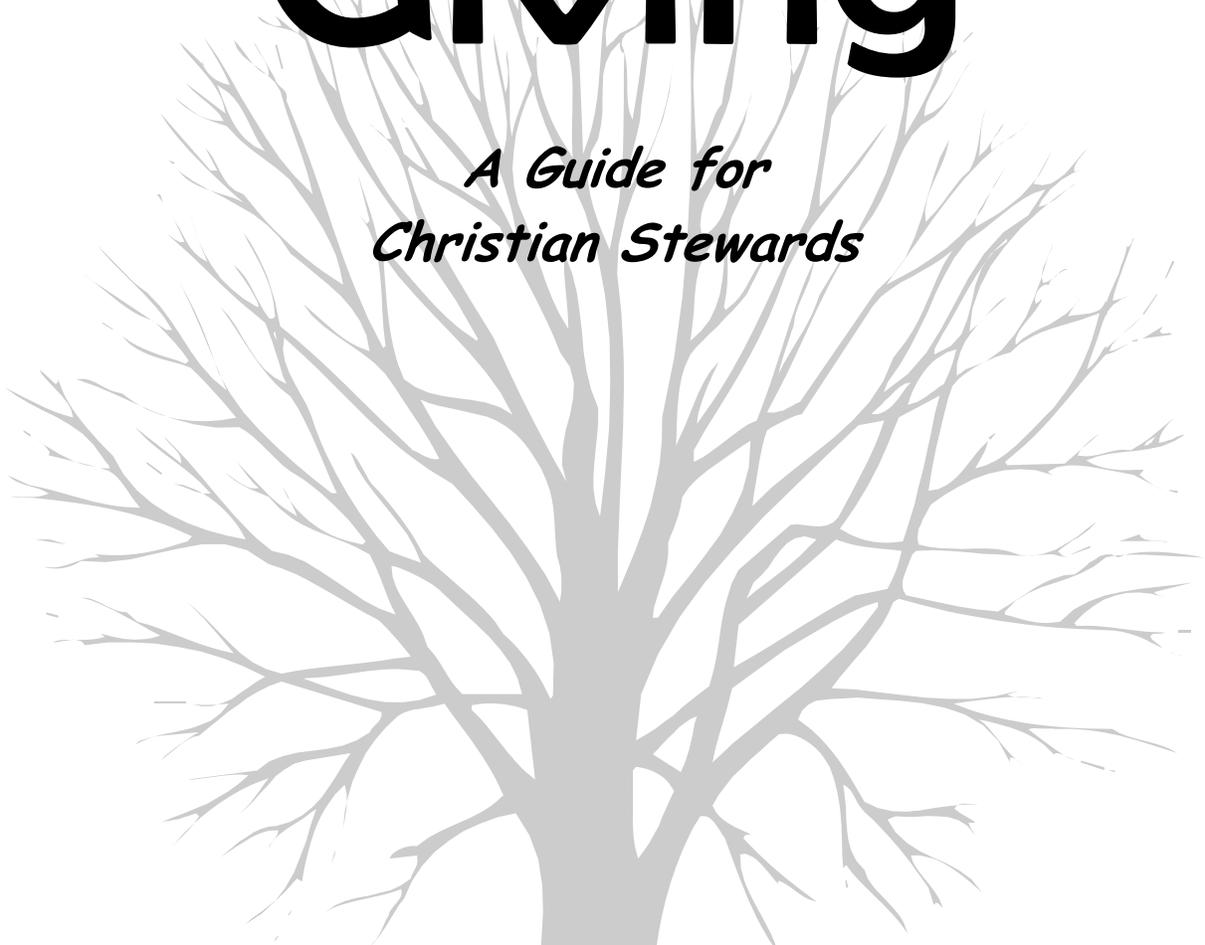


Faithful Giving

*A Guide for
Christian Stewards*



**THE HOLSTON CONFERENCE OF
THE UNITED METHODIST CHURCH
FOUNDATION, INC.**





At Your Service...



Richard H. Timberlake

The Holston Conference of The United Methodist Church Foundation, Inc. is committed to educating individuals and congregations about the tools and techniques individuals can use to get their financial affairs in order. This knowledge may be particularly useful to those interested in supporting one or more ministries associated with The United Methodist Church. The Foundation is a registered 501(c)(3) not-for-profit corporation, empowered by The Holston Annual Conference to serve as trustee for charitable remainder trusts, administer endowments, and otherwise manage and invest planned gifts and designated funds to support new or existing ministries.

To this end, the Foundation has this booklet and other free materials available to help you explore the various strategies of personal gift planning. We particularly recommend THE PERSONAL INFORMATION RECORD booklet as another useful planning tool. We invite you to contact our capable staff or visit our website (www.holston.org/foundation) for additional information.

— Richard H. Timberlake
President

**THE HOLSTON CONFERENCE OF
THE UNITED METHODIST CHURCH
FOUNDATION, INC.**
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*“Though it is the smallest of all your seeds, yet when it grows,
it is the largest of garden plants and becomes a tree, so that the
birds of the air come and perch in its branches”*

MATTHEW 13:32

He who sows sparingly will reap sparingly, and he who sows bountifully will reap bountifully. Everyone must give according to what he has inwardly decided; not sadly, not grudgingly, for God loves a cheerful giver. And God is able to make grace abound to you, so that in all things at all times, having all that you need, you will abound in every good work.

2 CORINTHIANS 9:6-8

God truly knows our hearts. What we do with our earnings and our wealth reflects what we hold dear. As Christians, our desire is to allow God's love to permeate our lives so that all that we do, all that we have, and all that we are reflects God's Spirit and Grace to our families, our communities and the world.

The Foundation understands that faithful stewardship is an exercise in spiritual discipline and, as such, requires proper tools, good practices and faithful partners. For many years the people, agencies and the churches of The United Methodist Church have found such a partner in the Holston Conference Foundation.

This booklet and other materials have been developed to assist persons who are beginning to look for ways to make gifts of accumulated assets — as a testimony to their faith and as a means of sustaining Christ's Church. It is our hope to help you think creatively about the ways and about your means of creating a legacy of generosity and faith.

Gifts are as individual as the givers and can bring economic benefits in the form of income and tax reduction. Selecting the most appropriate gift vehicle, as well as the best gift to give, requires careful thought and planning. While other advisors such as attorneys and accountants will be helpful in the process, the Foundation staff understands that "Christian stewardship" is not merely about income enhancement or tax breaks, but about faith commitment and love. We bring to the table experience about what others have done and practical guidelines to make sure that gifts are invested and used wisely for their intended purpose.

The Foundation has tools designed to assist you in your stewardship. We stand ready to listen and to help you design your gift plan to reflect your heart and mind. May God bless you and all the ministries in the Holston Conference of The United Methodist Church.

The Foundation understands that faithful stewardship is an exercise in spiritual discipline and, as such, requires, proper tools, good practices and faithful partners.

— Roger Redding
Executive Director

Current Gifts

Every dollar you give outright to support ministry in the Church is tax deductible. The maximum deduction allowable for gifts of cash is limited to 50% of your adjusted gross income (any amount given in excess of this limitation can be carried over and deducted for up to five subsequent years). Clearly cash gifts (simple as writing a check) are the most common form of giving, but there are other ways of giving that offer tax and other advantages to the Donor and create an opportunity for substantial gifts that might otherwise not be possible.

Marketable Securities

Gifts of long-term appreciated securities are the most popular type of property gift. The securities are often individual stocks, but may include bonds or shares of mutual funds. Gifts of securities can be made quickly and easily...and can enable you to do more with your gift because of the tax benefits.

In most cases, the full market value of securities will be allowable as a deduction. Let's say you give stock that you have owned for one year or more that is now worth \$10,000. You can deduct the full amount on your income tax return (subject to income limitations), even though you may have purchased the stock for substantially less. The amount of your charitable contribution — is the mean between the highest and lowest selling price on the date of the transfer.

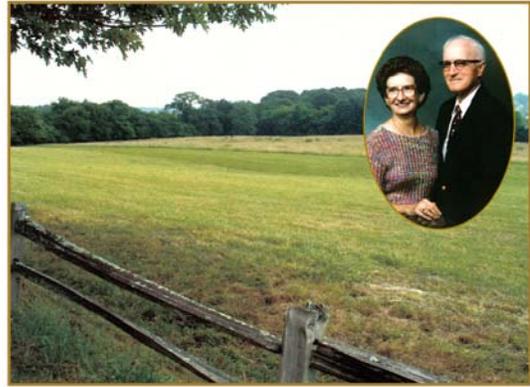
A *gift* of securities is not considered a *sale* of the securities and does not result in any capital gains tax. This is an important tax reward provided by Congress to encourage gifts of appreciated property. No matter how much the securities have increased in value, a gift to the church will not make any part of your paper profit taxable. The result: a charitable deduction is allowed for profits that have never been taxed to you. And every penny of the proceeds goes to the church or designated ministry.

One cautionary note...the charitable deduction for securities held less than one year is limited to your "cost basis". To assure long-term capital gain benefits, you should give stock held for more than one year. Please consult your own advisor on the tax implications of any gift.

The Foundation can assist you by receiving the stocks directly from your brokerage or mutual-fund company. We immediately liquidate the securities and send the proceeds to the church or ministry you direct or add them to the designated account in the Foundation. There are usually significant commission savings if we can sell the securities online. The Foundation provides this service without any additional charge.

Real Estate

When appreciated real estate is given, capital gains taxes are completely avoided and the full fair market value of the property is deductible as a charitable contribution. (Assuming that the real estate has been held long-term and that you are not in the business of selling real property). The IRS currently allows you to deduct the full fair market value of the property up to 30% of your adjusted gross income for the year. Any amount over that ceiling can be carried forward for future deduction, for up to five years, subject to the same percentage limitations. All gifts of real estate require a *qualified appraisal*.



Schuler Stooksbury of Farragut, Tennessee gifted “the farm” to fund a Charitable Remainder Trust in loving memory of his wife. **THE MARY MARGARET NORTON AND SCHULER C. STOOKSBURY ENDOWMENT** will be used to support Christian outreach and ministries at Concord United Methodist Church.

Bargain Sale

You may have property that has appreciated in value, but you only want to give part of that value to the church. You may make a “bargain” sale of the property for less than its fair market value (usually your cost basis). You thereby receive back your original investment, while getting a charitable deduction for the donated difference. You should note, however, that some recovered proceeds will be treated as capital gain.

Gift of a Remainder Interest in a Residence or Farm

A special provision of the tax law allows an immediate income tax charitable deduction for a gift of a remainder interest in your home or farm. You retain an absolute right to occupy the home or farm for your life (or you can give family members this right). The property passes to the church only after termination of the life estate. The immediate charitable deduction allowable for the future gift is the present value of the ministry’s right to receive the property at some later date. The age of the life tenant is the primary factor in determining the present value of the deferred interest and the allowable charitable deduction.

Tangible Personal Property

Antiques, artwork, jewelry, book collections — these are just a few of the kinds of tangible personal property that friends of the church have used to fund a ministry. The full fair market value of such assets is deductible provided the gift property is used for ministry purposes. Otherwise, the deduction is limited to its cost basis.

Life Insurance

Many people have life insurance policies that are no longer needed to protect their spouse, family or themselves. A good example might be a policy for a grown child’s education. When the ownership of an existing policy is given to the church or the Foundation, (as opposed to designating the church as a beneficiary) you can immediately deduct, as a charitable contribution., the current value of the policy or, the net cost of the policy, whichever is less. Upon transfer of ownership, future premium payments are also deductible. One interesting possibility is giving a percentage of your policy for ministry simply by adding the Foundation through a change of beneficiary form available from your insurance agent.

Gifts Made at Death

Gifts made upon death are the most popular type of gift of accumulated wealth because they give you the opportunity to leave a lasting legacy while retaining full use of your property during your life. While a gift upon death offers no income tax benefits, every single dollar is deductible for estate tax purposes. Each of us through a property executed will have the opportunity to direct where our assets will ultimately go: to those family and special people you name, to federal or state government in the form of taxes, or to charity...such as the ministries of The United Methodist Church. The Foundation will be happy to confidentially listen and discuss with you or your advisor the best way to include United Methodist ministries in your plans.

Retirement Assets

More and more thoughtful givers are now using retirement assets (pension plan, 401(K), Keogh plans, and IRA's) in their charitable gift planning. The reason is that retirement account assets left to family members (other than your spouse) are subject to higher taxation than other assets. By using retirement assets to fund a gift — and leaving other assets to family members — you will avoid the income and estate taxes that otherwise would be imposed on those assets that have grown tax-free.

Savings Bonds

Often people will ask if they can make an outright gift of U.S. savings bonds and receive a charitable deduction for their face value. Unfortunately, the answer is “no” because of restrictions on the transferability of the bonds. On the other hand, the full face value is deductible for estate tax purposes when you bequeath the bonds to the church in your will. Unlike an individual heir, the Foundation is tax-exempt, it will not pay income tax when the bonds are redeemed.

CD and Savings Accounts

One of the most convenient ways to benefit ministry is through your savings plans, (including bank and credit union accounts, certificates of deposit, and other investment accounts) by simply making the Foundation or your church a joint owner of the account with rights of survivorship or by registering your account with “transfer on death” instructions.. You remain in complete control of the account. You can withdraw the money, change the survivor designation or close the account at any time, thereby revoking the arrangement. The church has no claim on the account until after your death.

Bequests

The most popular “planned gift” is the simple bequest through a will. You can leave a specific asset, a specific sum of money, a percentage of your estate or what remains of your estate after you have provided for your heirs. You can designate exactly how you want your bequest to be used...or leave it unrestricted and flexible to meet ever-changing needs and ministry opportunities. Most importantly, you can change any bequest provision during your life, which means you remain in complete control of the process.

Specific Bequest

A specific bequest provides that the ministry you designate receives a specific dollar amount, percentage of your estate, or piece of property.

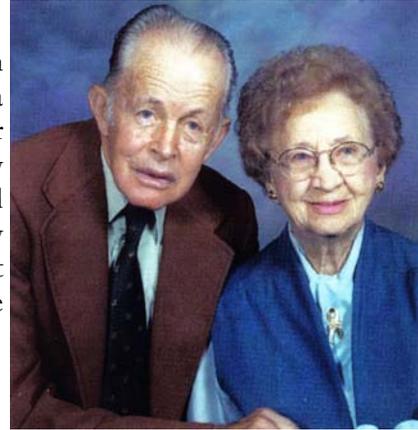
Residuary Bequest

A residuary bequest provides that the ministry you name receive all or a stated portion of your estate after all other bequests, debts, taxes, and expenses have been distributed.

Contingent Bequest

A contingent bequest can ensure that if circumstances make it impossible to carry out your primary provisions (as when your spouse or other heirs do not survive you), your assets will then pass to the ministry you designate rather than to unintended beneficiaries.

If you already have a will, you can have your attorney include an additional bequest through a simple **codicil** (an amendment to your will). The following may help you in customizing your own bequest plan:



Allen B. Lindamood and Pauline M. Lindamood, members of Enterprise United Methodist Church in Piney Flats, Tennessee, created a scholarship fund to assist students become ordained ministers in the Holston Conference through a bequest to the Foundation.

EXAMPLE WORDING FOR BEQUESTS

1. UNCONDITIONAL TITHE

“I give to The Holston Conference of The United Methodist Church Foundation, Inc., ten percent (10%) of my estate to be used for *Christian ministry* in such manner as its Board of Directors deems best.”

2. BEQUEST OF RESIDUE FOR A SUGGESTED USE

“I give to The Holston Conference of The United Methodist Church Foundation, Inc., all the rest of my property, real and personal. I suggest that the annual income be used ... *to support building and maintenance at* _____
United Methodist Church located in _____.

3. CONTINGENT BEQUEST FOR MORE THAN ONE USE

“If any of the above-named beneficiaries should predecease me, then I give the property, real or personal, which each such beneficiary would have received had he survived me, to The Holston Conference of The United Methodist Church Foundation, Inc. with the annual earnings divided equally between *Holston Home for Children* and *missions*.”

4. BEQUEST TO CREATE AN ENDOWMENT NAMED BY THE DONOR

“I give to the Holston Conference of The United Methodist Church Foundation, Inc., (\$_____, ____% of estate or _____) to establish *THE* _____ *FAMILY ENDOWMENT FUND*. The Fund earnings, but not the principal should be used for ... *scholarships for students pursuing a career in ministry*.”

5. SPECIFIC BEQUEST FOR A SPECIFIC USE

“I give _____ to The Holston Conference of The United Methodist Church Foundation, Inc., for retired minister health and pension benefits.”

Gifts That Pay You or Others an Income

It is possible to give a gift now, but retain the right to the income from it. Such arrangements—often called life income plans—are becoming increasingly popular because both parties have the potential to benefit. Family obligations and the need to provide for retirement, coupled with the high cost of living, make it difficult for many people to consider substantial gifts now. Under a life income arrangement, you are often able to provide needed income, reduce taxes and, at the same time, make a gift that will have a substantial impact on the future of the church.

The Charitable Gift Annuity (fixed payments)

A gift annuity is an agreement under which the Holston Conference Foundation agrees to pay fixed payments for your life or for the life of your chosen beneficiaries. The annuity payment is based on the amount of the gift, the payment interval (quarterly, semi-annually or annually), and the age and number of beneficiaries (up to two). The older the age...the higher the payment!

The gift annuity requires only a simple signed agreement provided by the Foundation. You receive an immediate income tax charitable deduction for part of the gift and may reduce your capital gains tax liability while increasing your spendable income. What's more, part of the annuity payments you receive are tax-free! Those who are 65 years of age or older often find that the annuity payments are larger than the returns they currently receive from their CDs and savings accounts.

***Example:** Bill, age 77, transfers \$10,000 to create a gift annuity. He receives an income tax deduction of \$4,577, plus he receives a 7.4% income, or \$740 in annual income for life (over \$500 of which is tax-free!). Bill further directed that when he dies all the remainder be added to his church's endowment fund in memory of his wife.*



Mary Louise Winton, a member at First Oak Ridge United Methodist Church, funded a Charitable Gift Annuity that will provide a lifetime income of 9.2%. Proceeds of this fund will create **THE MEL AND MARY LOUISE WINTON ENDOWMENT** to help support missions throughout the church's mission team.

Middle-aged professionals, particularly those who have maximized their retirement plans, may want to consider the **Deferred Gift Annuity**. The payment is determined by your age at the time of the gift and at the time payment is to begin. The longer you defer payment, the higher the rate will be. Under this arrangement, you receive your income tax deduction now and postpone your annuity payments until later (usually after retirement) when you may be in a lower tax bracket. In doing so, you can effectively supplement your retirement income while leaving a lasting legacy.

The Charitable Remainder Trust

Another method of making a gift with a retained right to income is a charitable remainder trust. You fund the trust with an irrevocable gift of an asset such as real estate, stock or cash. A charitable remainder trust will provide:

- An income for you and/or the beneficiaries selected by you for life or a period of up to 20 years.
- An immediate and substantial income tax charitable deduction.
- The avoidance of capital gains taxes if the trust is funded with long-term appreciated property.
- The potential of a substantial reduction of probate costs and estate taxes.

With a charitable remainder trust, you can select the individual beneficiaries, fix the percentage of value that will be paid to these beneficiaries, and direct the period of time during which income benefits will be paid. The trust can be funded with most kinds of property. The Foundation is well equipped to serve as trustee, but you may use a local financial institution. You can name one or more United Methodist ministries to receive the trust property when the income rights terminate or use the proceeds to create an endowment.

There are two types of charitable remainder trusts:

The Annuity Trust (fixed payments)

This type of charitable remainder trust instructs the trustee to pay a certain fixed income (usually 5%-7% of the trust's initial value) to the donor and/or other beneficiaries each year. Upon the death of the designated income beneficiaries the remaining assets are used to fund an endowment or distributed to one or more ministries selected by the donor.

***Example:** Susan transfers property worth \$100,000 to a trust and directs that an income of \$6,000 a year be paid to her for as long as she lives. The trustee is to hold and invest the assets in the trust during Susan's life and will make the required payments to her each year out of income or principal. Upon Susan's death, the trust dissolves and the remaining assets support her church and/or the other ministries she selects.*



THE HOWARD GRAHAM HEINZ AND VIRGINIA SCOTT HEINZ CHARITABLE REMAINDER ANNUITY TRUST will ultimately make annual distributions to support Holston Home as well as Concord and Central United Methodist Churches.

The Unitrust (variable payment)

The charitable remainder unitrust differs from the annuity trust in one very important way—rather than a fixed-dollar income, the unitrust arrangement must provide for income payments that vary with the investment success of the trust. Specifically, the unitrust must direct that the trust assets be valued each year and that a specified percentage of the value be paid to the beneficiaries. If the value of the trust assets goes up, the annual payments go up. But the reverse is also true—the annual payments will decrease if the value of the trust assets decreases. One other feature of the unitrust should be noted: you can make additional contributions to a unitrust, whereas they are prohibited with an annuity trust.

Gifts That Last

The Body of Christ as the church has existed for two millennia. The Gospel is still being spread. The hungry, the poor, the lost, the lonely, and the oppressed are still being cared for by Christians around the world. The church is kept alive by the Holy Spirit at work in the lives of people just like you. The work of winning disciples to Jesus Christ will continue until our Savior comes again. Endowed gifts are established in such a way as to maintain a perpetual stream of funding for ministries. The investments and distributions are structured to conserve the gift and protect it against inflation while sustaining the ministries of the Church.

Your Church Endowment Fund(s)

With the help of the Foundation many Holston Conference churches have established endowment committees and funds to allow their members to make lasting gifts to support their ministry and mission both now and into the future. Some church endowment funds are very specific about the use of the monies earned on the gifts they receive (building/maintenance, missions, music, scholarships, etc.); others allow the church to annually choose the best use of the earnings. Either way, your gift will be added with the gifts of others to provide a permanent source of revenue to strengthen your church and its ministries.

Create Your Own Legacy Endowment

Individuals and families frequently ask the Holston Conference Foundation to assist them in creating permanent endowment funds. The Foundation invests the assets to assure a continuing source of funds for the ministry you designate. You may designate your gift to benefit any church or purpose that serves The United Methodist Church in the Holston Conference or beyond. You may remain anonymous, but most endowments bear the name of the donor(s) or are established as a memorial to a loved one. Your endowment can benefit more than one area of ministry. A minimum gift commitment of \$10,000 is required to establish an endowment. Gifts may be given all at once, can be spread over a number of years, or made through your estate plan. Each endowment is governed by a document that names the endowment, clearly states its purpose, and provides a stewardship plan to make sure it is used as the donor intended.

Donor-Advised Fund

Donor-advised funds have become very popular. The process is fairly easy. You establish an irrevocable gift to the Foundation with the opportunity to advise us about the United Methodist cause(s) and other charities that you would like to receive gifts from the fund. You receive an immediate tax deduction for the amount you place in the fund and the account can grow tax-free. There is no capital gain tax on gifts of long-term appreciated assets placed into the fund. In essence, you have your own charitable giving account, which gives you the flexibility to recommend distributions on your own timetable. Donor-Advised funds can be converted to endowment funds during your lifetime or at death.

Foundation Endowments

The Foundation has established several “seed” endowments to attract additional gifts to ensure that perpetual funding is available for new and ongoing ministries of the Church. Your gifts added to these funds can certainly help them grow while continuing their ministry:

- | | |
|--|---|
| Ben St. Clair Fund for Starting New Churches | Mission Scholarship Endowment |
| Camping & Retreat Ministries Endowment | Partners in Crisis Endowment |
| Foundation Stewardship Endowment | The Redwine Fund for Strategic Ministries |
| H. Ellis Finger, Jr. Bishop’s Fund | Thomas Ware Seminary Scholarship |
| Ministers’ Assistance Endowment Fund | Wesley Institute Educational Excellence Endowment |

Since the Foundation’s founding in 1979, well over 400 endowments and trust funds have been established for the benefit of numerous churches and ministries in the Holston Conference. Each fund created has a story behind it. Many represent lives well-lived and the joys and generosity of the blessed. Others represent life’s struggles, both love and loss. Each fund also demonstrates an individual’s or families’ passion to make a lasting difference in the lives of others. Let us know if we can help you leave a lasting legacy.

ENDOWMENTS: OPPORTUNITIES TO MAKE A LASTING DIFFERENCE



**THE EARL & CONCHITA
BLAZER ENDOWMENT
FOR NEW CHURCH
STARTS**



**THE EVELYN WEBB
HENSON YOUTH
ENDOWMENT**



**THE NANCY NECESSARY
PRIDEMORE SCHOLARSHIP
ENDOWMENT**



**THE E. WILLIAM (BILL)
FOX, JR. ENDOWMENT**



**THE THOMAS WILSON
MEMORIAL MISSION
ENDOWMENT**



**THE RITA HOMMEL
CHRISTMAS MISSION
ENDOWMENT**



**THE EUDOW HAMM
EVANGELISM ENDOWMENT**



**THE CAROL THOMPSON CATE
MUSIC ENDOWMENT**



**THE LUANN K. HARRIS
MEMORIAL SCHOLARSHIP
ENDOWMENT**

CHARITABLE OPTIONS

The Holston Conference of The United Methodist Church Foundation, Inc. serves all the churches, institutions, agencies and programs in The Holston Annual Conference. Your gift to The Holston Conference Foundation may be undesignated and used for the ministry area of greatest need **or** gifts may be given to the Foundation and designated for one or more specific needs, including, but not limited to:

Your Local Church undesignated
Your Local Church endowment
Your Local Church for a specific or suggested use

Appalachia Service Project

Asbury Place Retirement Communities

- Johnson City
- Kingsport
- Maryville

Be a Builder (Builder's Club)

Bethlehem Community Center

Big Stone Gap Church & Community Renewal

Bishop's Fund

Camp Development Funds or Scholarship Funds

- Camp Ahistadi
- Camp Buffalo Mountain
- Camp Dickenson
- Camp Fort Blackmore
- Camp Laurel
- Camp Lookout
- Camp Wesley Woods

Camp for Kids Endowment

Change for Children

Children's Ministries

Coalition for Kids

College Scholarship or Development Funds

- Emory & Henry College
- Hiwassee College
- Tennessee Wesleyan College

Crossroads Medical Mission

Disaster Relief in Holston

District Funds

Emerald Youth Foundation

Emergency Assistance Fund

Evangelism and Outreach Fund

Holston Conference Foundation Endowment

Holston Home for Children

Jubilee Project

Living Waters Well Ministry

Local Pastor's Training & Education Fund

Missions (local/global, etc.)

Morgan-Scott Project

Mustard Seed Ministries Fund

New Church Starts (Ben St. Clair Fund)

New Ordinands Continuing Education Fund

Older Adult Ministries (Jubilation, etc.)

Partners in Crisis

Project Crossroads Ministries

Recovery and Outreach Ministries

Red Bird Missions

Retired Minister's Pension Fund

Samaritan Hands Missions

Seminary Scholarships (Holston Conference)

Strength for the Journey (HIV/AIDS)

UMCOR

United Methodist Men's Ministries

United Methodist Women's Ministries

Upper Room Ministries

Volunteers in Mission

Wesley Foundations (Campus Ministry)

- East Tennessee State University
- Radford University
- University of Tennessee, Chattanooga
- University of Tennessee, Knoxville
- University of Virginia College at Wise

Wesley House Community Center

Wesley Leadership Institute

Young Adult Ministries (Divine Rhythm)

Youth Ministries (Resurrection, F.U.E.L., etc.)

Youth Mission Scholarships

*The Foundation's program to spread the message about the importance of personal financial and estate planning, including this booklet is supported by a grant from **THE MARGUERITE BENSON FUND.***

Mrs. Marguerite Benson of Knoxville, Tennessee was a homemaker for her husband and son. At mid-life she began a career in nursing, working at Baptist Hospital, where she lovingly cared for patients until she was 72. Mrs. Benson was an active member for many years at Emerald Avenue UMC and later Lonsdale UMC. She died in 1990.

THE MARGUERITE BENSON FUND was created by her grateful son, Rev. James Benson, a retired minister in the Holston Conference and a long-serving former board member of The Holston Conference Foundation.



*Do not neglect to do good and to share what you have,
for such sacrifices are pleasing to God.*

HEBREWS 13:16





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