

FORWARD IN THEIR FOOTSTEPS G.R.E.A.T! PROGRAM



Why: “Dearly beloved, the Church is of God and will be preserved to the end of time.”

The church is eternal yet the reality is that it is natural to take a short-term view regarding the growth of our denomination, and specifically how we will fund new church starts in the future. Most often, the annual budget sets our time horizon. Sometimes we extend our time horizons when we accept three or five year pledges for major campaigns, but how are we going to be able to preserve our churches until the end of time unless we extend our time horizons? What about raising **permanent** funds for the **permanency** of our churches? Permanent Funds are Endowment Funds. By definition, the principal in an endowment fund is never invaded and only the earnings from an endowment fund are used.

Endowment Funding:

- ✝ establishes a perpetual income source for a specific purpose.
- ✝ provides members a way to give to something that they know will last.
- ✝ in this case, provides for funding for personnel and marketing expenses for new church starts
- ✝ establishes a level of expectation for members' contributions.
- ✝ establishes a culture of permanency and a culture of long-range visioning for our church.

These are some of the reasons why we have created the G.R.E.A.T. Program and are employing it as Phase III of the Forward in Their Footsteps Endowment Fund Campaign. “G.R.E.A.T.” is an acronym which stands for a program that involves **G**iving, **R**eceiving, **E**ndowing, **A**nd, it is **T**ax deductible too!

In the first part of this Program, donors give through a Footsteps Gift Annuity. When donors give, they will qualify for an income tax deduction, and they will receive 6.0% of their gift back each year for ten years. Part of the income they receive will be tax-free income.

The donor's church receives as well. Due to a unique gift annuity management process, DSUMF will be able to distribute 50% of all donors' gifts to the participating church. The church may use this gift for any need. So, the church receives 50% of all Footsteps Gift Annuities made by members of their church upfront - no strings attached. The donor qualifies for an income tax deduction, and receives a 6.0% payout on their total gift each year for ten years, and some of the income is tax-free income.

After a donor's tenth distribution, all funds remaining in the G.R.E.A.T. Program Account will be deposited into the Forward in Their Footsteps Endowment Fund Account, the earnings from which will be used to plant new congregations. This G.R.E.A.T. Program is a WIN, WIN, WIN scenario! The Donor WINS; the Church WINS, and the end result of planting new congregations is Making New Disciples of Jesus Christ! If that isn't a Big WIN, I don't know what is!

To participate in Phase III of the Footsteps Campaign, call Dr. Rick Brown at 602-266-6956 Ext. 203, or e-mail Dr. Brown using rick@dsumf.org. Schedule a G.R.E.A.T. Program presentation date. If no one attends or makes a gift, then all it cost was some travel time for the presenter. If one person makes a Footsteps Gift Annuity, then the church receives 50% of the gift, the donor receives their benefits and ultimately, new churches will be started from the earnings of the Footsteps Endowment Fund.

Give: Donors make an irrevocable contribution via the Charitable Gift Annuity.

Giving is the first part of this Program. The Charitable Gift Annuity or CGA is the most popular deferred giving vehicle in the U.S. The CGA is a contract between a donor from your church and the Desert Southwest United Methodist Foundation (DSUMF). A donor can use cash, stocks, bonds, or mutual funds to make a CGA. Appreciated securities paying low dividends or interest are perfect assets to use to fund CGAs because the donor will avoid about 50% of the capital gains taxes on such assets as compared to selling them outright. In addition, the remaining capital gains taxes that are due, are spread out over the donor's lifetime. Prior to making their gifts, each donor in your church's G.R.E.A.T. Program will receive a comprehensive, individualized CGA gift proposal that will identify the amount of their tax-free income and the income tax deduction for which they qualify .

Receive: The church will receive immediate cash; donors will receive income too!

In addition to "Giving," "Receiving" is also part of this Program. The G.R.E.A.T. Program is designed to distribute 50% of all funds donated via CGA contracts immediately to the participating church. The remaining 50% of donated funds (less a 1% processing fee) will be placed into an "Investment Pool." The pool will be invested in the DSUMF's socially screened, actively managed, well balanced, diversified, low risk portfolio. Fixed income payouts to donors will be made annually from the investment pool at the end of June each year. The payout to donors will be 6.0% of their original gift each year for ten years. The DSUMF will mail year-end, 1099-R Statements to each donor by January 31 every year.

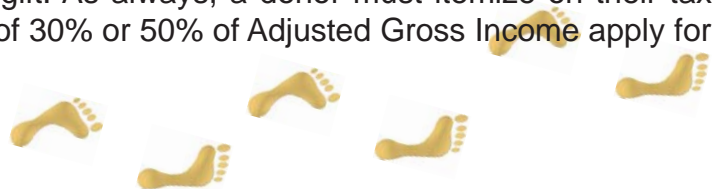
Endow: CGA "Remainders" will be added to the Footsteps Endowment Fund.

DSUMF's investment performance since 1985 is 10.45% on an annualized basis. Therefore, we fully expect to honor our obligation to make annual distributions of 6.0% for 10 years. We also fully expect there to be funds left over in donors' CGA accounts at the end of the 10 years. These funds are called "remainders," or "residuums." If a donor should pass away before the end of the 10-year period, then all of their "residuums" will be retained in the investment pool. At the end of the 10-year period, all "residuums" will be deposited into the Footsteps Endowment Fund. The endowment fund shall be invested by the DSUMF, and 80% of the earnings from the endowment fund will be available for distribution for "new church start" expenses. The remaining 20% of the earnings will be divided equally. One half will be plowed back into endowment principal to force growth in both principal and future distributions. The other one half will be held in a reserves account to be distributed when/if needed.

And, last, but not least, gifts are partially . . .

Tax-deductible: A portion of a donor's original gift is tax-deductible.

Deductions will range from 29% to 50% depending on the donor's age at the time of the gift. The actual amount of a donor's deduction will be calculated using an IRS formula. The formula includes many factors, such as date of gift, age, gender, IRS Discount Rates, etc. While the G.R.E.A.T. Program is designed to involve a group of people at the same time, each donor's income tax deduction will be different than the next donor's deduction. Deduction calculations will be included in formal gift proposals presented to each donor before they finalize their gift. As always, a donor must itemize on their tax returns to claim a deduction, and donation ceilings of 30% or 50% of Adjusted Gross Income apply for gifts of property or cash respectively.



Frequently Asked Questions:

Q. How does the G.R.E.A.T. Program work?

A. When invited, the DSUMF's Executive Director will conduct the church's Footsteps Phase III kick-off event. This presentation will be made to members who are interested in financially supporting their church and the Footsteps Endowment Fund. Prior to the Phase III kick-off presentation, DSUMF will provide advertising to the church for the church's distribution in their newsletter, Sunday Bulletins, Bulletin Boards, etc. Members who choose to participate in the Program will enter into individualized Gift Annuity contracts with DSUMF, where each contract will guarantee each participant an income stream of 6.0% times the amount of their original gift, per year, for ten years. The ten year payout period will involve an Assignment Covenant. Payments to donors end immediately after the tenth distribution. Some of each donor's annual income is tax-free income. The amount of tax-free income a donor will receive is dependant on their age at the time the gift is made. Tax-free income rates will range between 45% to 66% or more. Tax-free income calculations will be made and presented in each donor's Footsteps Gift Annuity Proposal.

Q. How does the church receive money in the G.R.E.A.T. Program?

A. DSUMF will write all Footsteps Gift Annuity contracts. The church representative will collect all completed contracts and gifts by a certain date after the presentation. Upon DSUMF's receipt of the contracts and the gifts, DSUMF will immediately distribute 50% of all collected gifts directly back to your church. The turnaround time for this process will be less than 2 weeks from the time the DSUMF receives donors' gifts from the church.

Q. What is an Assignment Covenant?

A. An Assignment Covenant is part of the Footsteps Annuity Contract. It is signed by donors, and it identifies a date when participants agree to assign their individual gift annuity contracts to the Footsteps Endowment Fund, which will be immediately after the tenth distribution. When a donor assigns their Footsteps Annuity contract to the Footsteps Endowment Fund, the DSUMF is not obligated to pay any additional annual distributions to the donors beyond the tenth and final distribution. Therefore, the date on the Assignment Covenant will end the donor distribution phase of the Program; it also identifies the date when "Residuums" are deposited into the Footsteps Endowment Fund.

Q. When are contributions to the Footsteps Endowment Fund made?

A. After the tenth distribution to a donor, it is expected that there will be a sum of money left in each gift annuitant's gift annuity account. These sums are called "Residuums." Residuums will be deposited into the Footsteps Endowment Fund after the last distribution to the donor.

Q. How much does the G.R.E.A.T. Program cost?

A. The DSUMF will charge a flat fee of 1% on all gifts contributed. In return for this fee, DSUMF will: 1) present the Program to your church's membership at a time and date convenient to all participating parties, 2) prepare formal Footsteps Gift Annuity Proposals for each interested donor, 3) write individualized Footsteps Gift Annuity contracts for each participant, and 4) establish an investment pool account using 50% of all original gifts, less the 1% Program Fee, which is equal to 49% of the total funds raised, 5) provide monthly accounting, 6) produce year-end Footsteps Gift Annuity Liability Statements, 7) pay for an annual, independent audit, 8) distribute donors' annuity checks on an annual basis for ten years, and, 9) prepare and distribute donors' year-end, 1099-R income statements.

Q. Are there any other fees?

A. Yes. In order to cover brokerage and asset managers' investment charges, DSUMF will assess a 1% per year investment fee on the balance in the Footsteps Investment Pool.

Q. When does the G.R.E.A.T. Program end?

A. From the church's perspective, the Program ends when it receives a check from the DSUMF representing 50% of all the Footsteps Gift Annuities made by its members. From the donors' / members' perspectives, the Program ends after their tenth and last distribution.

Q. Can I see an example of the G.R.E.A.T. Program?

A. Yes! See Below!

1. Let's assume a group of people from your church agrees to participate in the FITF G.R.E.A.T. Program, and collectively, they donate \$100,000. DSUMF will prepare and distribute Footsteps Gift Annuity proposals and contracts to each individual who fills out an application after the GREAT Program presentation at your church. Your church will collect all signed contracts and gifts and will then send them to DSUMF. Upon DSUMF's receipt of the contracts and gifts, DSUMF will immediately distribute 50% of the total gifts received, or in this example, \$50,000, to your church. DSUMF will also create an Investment Pool with the other 50% of the funds, less the 1% Program fee, or \$49,000 [(\$100,000 - \$50,000 to the church) - (\$100,000 X 1% Program Fee, or \$1,000)] = \$49,000.

2. Each participant in the Program will receive an annual distribution of 6.0% times the amount of their original gift. Therefore, if Donor "A" enters into a CGA contract with a \$20,000 gift, then s/he would receive \$1,200, which will be distributed at the end of June of each year. (All first payments will be partial payments based on a pro-rata calculation using the date of the donor's gift and the number of days remaining in the year ending June 30.) If Donor "B" contributed \$10,000, then s/he would receive an annual payment of \$600 at the end of June each year. All donors will qualify for income tax deductions. A portion of each donor's distribution will be considered tax-free income. The actual amount of each donor's deduction and tax-free income will depend on their age at the time of their gifts, and each donor will receive this information in their Footsteps Gift Annuity Proposals before finalizing their gifts.

3. Assuming all donors sign their Assignment Covenants, then all donors' distributions would end after the tenth annuity distribution. Some donors may qualify for an additional income tax deduction at the time the distributions end.

4. Perhaps, best of all, the Footsteps Endowment Fund will receive all "Residuums," and future earnings from the Footsteps Endowment Fund will help plant new congregations and make new disciples of Jesus Christ! 🦶

This Program is GREAT!

SIGN UP NOW!