



UMF PLANNED GIFTS POLICY

PLANNED GIFTS POLICY STATEMENT

UNITED METHODIST FOUNDATION of Northern Illinois Conference, Inc.

I. INTRODUCTION

A strong planned gifts program is essential to the fulfillment of the long range objective for sustaining support for ministries of the Northern Illinois Conference of The United Methodist Church. A significant percentage of the endowment and capital assets of local churches has been derived from such programs. Public policy encourages private support of educational, charitable and religious organizations through favorable income and estate tax laws. Deferred gifts are often the largest single investment an individual can make in support of the ministries of our Church. Northern Illinois Conference Churches, through the United Methodist Foundation, need those additional resources which are possible only through a planned gifts program.

Through a planned gifts program, donors have an opportunity to achieve their charitable objectives using financial and estate planning resources. It encourages stewardship of accumulated assets and helps maximize their giving to God's work.

II. DEFINITION

A deferred or planned gift is a commitment or gift established legally during the donor's lifetime, but whose principal benefits do not accrue to the recipient until some future time, usually at the death of the donor. This term is usually applied to any arrangement whereby money or property is irrevocably (except for testamentary commitments) set aside for future receipts by the Foundation. Annuities, trusts, and testamentary commitments are all generally referred to as deferred gifts. Such gifts can also be established by will or codicil.

III. OBJECTIVES

The objectives of the deferred gifts program are as follows:

1. To provide an organized effort to secure long-term commitments through various forms of deferred gifts.
1. To assist Church members and others, who wish to contribute to the ministries of The United Methodist Church and its related organizations, accomplish their financial and charitable plans for lifetime or testamentary giving.
2. To provide deferred giving counsel to Churches and institutions related to the Northern Illinois Conference of The United Methodist Church.

IV. MANAGEMENT POLICIES

The planned gifts program legally commits the United Methodist Foundation and its Board of Directors to obligations extending far into the future. The Board of Directors is committed to policies which protect the best interests of the donor, the representatives of the Foundation, the welfare of the Foundation itself and the professional staff charged with the management of the planned gifts program.

The following policies are to be adhered to by the representatives of the United Methodist Foundation:

1. Conflict of Interest

The planned gifts program shall be guided by the principles of Christian stewardship and shall be donor-centered to assist each individual in the context of his or her own unique circumstances, interests and needs.

The interest of the Foundation shall not take precedence over the interest of the donor. No program or commitment shall be urged upon any prospective donor which would benefit the Foundation or a local Church at the expense of the donor's interest and welfare. The Foundation shall not intentionally enter into any agreement which would jeopardize the donor's interests.

It is our practice to recommend that an outside party serve as executor of any estate in which the Foundation is a beneficiary.

2. Legal Counsel

Prospective donors shall be strongly recommended to consult their own attorneys, accountants and financial advisors in all matters related to planned gift instruments, including tax implications. If a

representative of the Foundation makes a referral to an attorney, it shall be understood that the attorney is retained by and represents the donor-client's interests.

Legal counsel, knowledgeable in the specialized areas of tax, legal and estate planning implications of planned giving, shall draft and review all contracts and trust or other legal documents utilized in the Foundation planned gifts program.

3. Solicitation Procedures

Representatives of the Foundation shall exercise extreme caution to avoid pressure or undue persuasion when dealing with prospective donors. Information regarding a plan, including benefits, limitations and tax implications must be provided to a prospective donor before a gift is made.

All personnel employed by the Foundation to contact prospective donors or to promote the planned gifts program shall be paid a salary or fixed wage, but shall not receive commissions which could give such personnel a personal interest in any agreement.

4. Scope of Service

Services of representatives of the Foundation shall extend beyond the interest of the Foundation by encouraging donors to remember whatever family responsibilities they may have.

5. Confidential Information

All information concerning prospective donors including names and addresses, beneficiaries, nature and worth of estate and amount of bequests shall be kept strictly confidential by the Foundation and its personnel unless the donors grant permission to use certain information for purposes of referral, testimony or example.

6. Authorizations for Negotiation

Only the personnel approved by the Board of Directors shall be authorized to negotiate on behalf of the Foundation with respect to planned gift programs.

V. GUIDELINES GOVERNING THE PLANNED GIVING INSTRUMENTS

1. Gift Annuities

No gift annuity shall be issued in exchange for an amount less than one thousand dollars (\$1,000); nor will an immediate one-life gift annuity be considered on an individual under sixty (60) years of age.

Deferred one-life gift annuities on lives under fifty (50) years of age will be considered.

Gift annuity agreements will not be issued for more than two (2) lives. In the case of an immediate two-life agreement, the younger shall not be less than fifty-five (55) years of age. Deferred two-life gift annuities on lives under fifty-five (55) will be considered.

Gift annuity rates of return shall be those most recently approved by the American Council on Gift Annuities. The Foundation may, in a low interest rate environment, cap the annuity rate at a percentage other than that recommended by the American Council on Gift Annuities.

Investment of gift annuity funds shall be administered by the Foundation's Investment Committee consistent with the current investment policies established by the Board of Directors.

Gift annuities may be written with the beneficiary being a local Church, a Conference related agency/institution or any Church related organization the Foundation may have a working relationship with such as Church World Service.

The Foundation shall charge an administrative fee for managing gift annuity contracts. The administrative fee shall be the greater of five percent (5%) of the original contract value or one-half of one percent (.50%) of the original contract value times the number of full years the contract was in force.

The Board of Directors may consider reinsuring annuities with one or more financially sound insurance companies.

2. Charitable Remainder Trusts

The following must be considered for the Foundation to serve as trustee of a charitable remainder trust:

- A. Normally, unitrust and annuity trust agreements shall not be issued for more than two (2) lives. No one-life unitrust or annuity trust shall be written for less than two hundred thousand dollars (\$200,000) or for the life of any person less than forty-five (45) years of age on the date of the agreement. In the case of a two-life agreement, the minimum amount shall be two hundred fifty thousand dollars (\$250,000) and the younger shall not be less than fifty (50) years of age. However, trusts may be modified in a variety of ways to suit the objective of the donor. Unusual and complex charitable trusts may be executed upon the approval of the Board.
- B. In the case of a unitrust, the annual income payable is a fixed percentage of the net asset value of the trust determined annually. The minimum percentage payable is five percent (5%). A higher percentage may be agreed upon so long as ten percent (10%) of the trust corpus is reserved for charitable purposes. In the case of an annuity trust, the minimum percentage applies but annual income payments will remain constant.
- C. The Foundation may serve as trustee of unitrust and annuity trust agreements.
- D. A fee for trust management shall be charged quarterly on the net asset value of the trust. Current management fee is one percent (1%) annually.

3. Pooled Income Fund

Initial investment in the Pooled Income Fund must be a minimum of one thousand dollars (\$1,000). Additional investments can be made for five hundred dollars (\$500). A pooled income agreement will not be issued for more than two lives, nor for an individual under the age of fifty (50). The Pooled Income Fund investments shall be managed by an independent fund manager monitored by the Foundation Investment Committee.

4. Bequests

The Foundation shall not prepare wills for individuals, but may recommend several attorneys for the donor to consider. However, proper language for a bequest remembering the Foundation or a local Church may be provided along with suggested recommendations as

long as the final document is executed by the prospective donor's attorney.

Other Arrangements

The preceding is considered the most commonly used planned giving instruments. However, other gift arrangements (ie., life insurance, revocable trusts, lead trusts, gifts-in-kind, etc.) are also viable and shall be executed when appropriate.

VI. PROCEDURES FOR ESTABLISHING PLANNED GIFTS

1. All proposed planned giving agreements, with the exception of immediate payment and deferred payment gift annuity contracts and pooled income purchases, shall be reviewed by the Foundation's legal counsel following preparation of the trust by the donor's attorney.
2. Items for review and approval shall include initial fair market valuation of assets, payout percentages, payment dates, fiscal year, investment policies and any other financial and legal consideration that might affect the agreement.
3. Prospective donors shall be advised that the Foundation, should it serve as fiduciary, is legally responsible to both income and remainder beneficiaries, and therefore must be allowed discretion in investment of funds.
4. Trust agreements shall be executed by the Foundation's President and be attested to by the Foundation's Secretary.
5. The Foundation may serve as trustee pursuant to a revocable instrument with the following requirements:
 - a. A management fee will be charged for trustee services.
 - b. The Foundation is included as a remainder beneficiary of the revocable instrument.
6. No gift of a partnership interest or of stock representing ownership of all or substantially all of a closely held corporation shall be accepted until the Foundation has received satisfactory evidence indicating the net value of the assets and amount of liabilities, both fixed and contingent.

7. Upon receipt of a gift of publicly traded securities, the Foundation shall, as soon as practicable, place the securities with its broker for sale. In the event that donated securities have a limited market, the certificates will be placed in a safe repository and on a periodic basis (at least annually) the value and marketability of these securities will be reviewed to determine whether or not the securities shall be sold.
8. The following procedures shall apply in considering gifts of real property:
 - A. Site review. A physical site inspection of all real property is required by a Foundation representative and other experts, if necessary, before consideration can be given to accept or reject a possible gift of real property.
 - B. Title review. A qualified title company shall be engaged to conduct a title search of the property to determine what legal interest the donor has in the property, what easements or other restrictions exist, whether there is clear legal access to the property, whether there are liens or mortgages on the property and whether there are delinquent taxes.
 - C. Environmental hazard review. The review shall consist of a physical inspection of the property and an appropriate inquiry into the historical uses of the property. Surrounding areas that might have an impact on the subject property should be considered in the review.
 - D. Marketing review. It is most likely that a gift of real property would be sold. The marketing review will gather as much information about the subject property as possible: Has the property been on the market recently? If so, what activity did it see? Is the donor's expectation of value in line with the Foundation's analysis of actual market value? What is the property worth to a buyer? How many properties of this type are on the market currently? Does the building need repairs? Is the property up to local code? Does the property perc? Is the site buildable? How long will it take to sell the property? At least two or three real estate brokers will be interviewed to before accepting the property.

Real property or substantial tangible personal property will not be accepted without evaluation by an independent appraiser chosen by mutual agreement of the donor and the Foundation. Should a second appraisal become necessary, such documentation shall be at the donor's expense.

E. Financial review. While the property is on the market, what costs will the Foundation carry? These may include, but are not limited to: real estate taxes, utilities, maintenance costs, landowner/homeowners associations and property management costs if the property is occupied by a tenant. Will property management be outsourced or handled by Foundation staff? If the latter, what is the cost in staff time? The key analysis is given all the costs of acquiring, holding and selling real estate, are the net proceeds to the Foundation worth going through with the gift?

9. All written instruments establishing non-cash-funded immediate gift annuities, deferred gift annuities, charitable remainder trusts, or other gift arrangements, shall include reference to the donor's cost basis in the property constituting the corpus of the fund so as to enable the fiduciary to account for capital gains generated upon liquidation of such property.
10. No employee of the Foundation shall serve or agree to serve in an individual capacity as a fiduciary for a donor pursuant to a will, trust agreement, or other planned giving instrument.
11. In determining age for use in gift annuities or life income contracts, the age at the nearest birthday will be used.
12. Investment of funds received for life income agreements shall be managed by the selected Foundation investment managers and reviewed by the Investment Committee.
13. Total funds received in return for gift annuity agreements shall be segregated until the death of the annuitant or annuitants, unless such obligations are reinsured through an insurance company. Funds held by the Foundation as trustee shall be accounted for by each individual trust but may be pooled with other assets to generate a higher investment return at a lower cost. At least annually, reports shall be rendered to the grantor.
14. As trustee or administrator of planned gift agreements, the Foundation will retain accounting professionals to insure that all federal, state and local reporting and filing requirements are handled in a timely manner.
15. Payments on gift annuities shall be semi-annually on January 5 and July 5. In order to accommodate the needs of some annuitants, annually,

quarterly or monthly income payments can be arranged. It shall, however, be the policy of this program to use the least frequent interval of payment that is practical within the framework of the donor's desires.

16. Record keeping will be the responsibility of the Foundation. The Foundation office shall assume responsibility for maintenance of prospect mailing lists, files, reports, contact records, donor's personal and financial information, gift plan negotiations, systems for handling gift acknowledgments and recording future gift expectations.

Approved: October 15, 1993

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