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UNITED CHURCH OF CHRIST

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A NEWSLETTER FROM THE FINANCIAL DEVELOPMENT MINISTRY OF THE UNITED CHURCH OF CHRIST

IMPACT



SPRING 2012

Inside:

- Annual Report
- How Your Life Income Gift Charitable Deduction Is Determined



Visit www.ucc.org/giving for a wealth of resources to support your church's Planned Giving program, or to assist you in your own gift planning.

MINISTRY FOCUS: Financial Development Ministry

➤ We're all about *teamwork*—in the highest and most excellent sense of the word—both within our own team and beyond. Across the whole planet, actually, if you consider all the United Church of Christ (UCC) related mission and ministry that has benefitted from UCC planned and outright gifts.

The mission of the UCC Financial Development Ministry is to develop the financial resources of the UCC in all its settings. Structurally, this is done in two main categories: major gifts and planned gifts.

The major gifts work relates primarily to procuring gifts for the UCC national Covenanted Ministries of Wider Church, Local Church, and Justice and Witness. It also includes resourcing development efforts within conferences. Our associate for leadership gifts oversees communications with and gatherings of major donors; an associate in support of these efforts, Maria Marlo, provides leadership in identifying major gift prospects.

The planned gifts side of the office focuses primarily on the promotion and issuing of life income gifts (charitable gift annuities, charitable remainder trusts and pooled income fund), working directly with donors and resourcing UCC-related entities. These include churches, associations, conferences, national ministries, colleges, seminaries, and health and human services institutions. Our secretary, Karen Cole, and associate for legacy gifts, Lynne Hansen, are dedicated to the planned giving program.

Associate Craig Hoffman manages all online donations and works cooperatively with other national ministry colleagues on database management, seasonal appeals, and monetary response to foreign and domestic disasters. Two part-time administrative staff members, Cheryl Barthelman and Keri Sugerik, provide internal support and meeting services, as well as providing assistance to other team members as needed.

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Annual Report

UCC Financial Development Ministry
January 1 to December 31, 2011

Between January 1 and December 31, 2011, the United Church of Christ Financial Development Ministry received 71 life-income gifts totaling \$1,232,618. These figures compare with 75 gifts totaling \$1,492,378 at year-end 2010. The gift types and remainder beneficiary categories are indicated below.

United Church of Christ (UCC) Gift Annuities

The UCC Gift Annuity agreements entered into by donors to benefit the congregations, conferences, related institutions and national bodies of the United Church of Christ are managed by Richard B. Osterberg, Esq., of Weston Patrick, P.A. of Boston. Gift Annuities established between 1961 and 2000 which name UCC Local Church Ministries as sole charitable beneficiary are managed by that covenanted ministry.

The market value of United Church Funds' (UCF) Gift Annuity Fund as of December 31, 2011 was \$13,801,303, of which 98% was invested in the Moderate Balanced Fund of UCF, with bonds, cash, and cash equivalents comprising the other 2%. This compares to a market value of \$16,072,748 on December 31, 2010. In addition, the United Church of Christ maintains a separate reserve account for the Gift Annuity Fund with a December 31, 2011 market value of \$1,219,367 of which 100% was invested in UCF's Moderate Balanced Fund.

United Church Funds' (UCF) Pooled Income Fund

UCF's Pooled Income Fund is managed by UCF with Richard B. Osterberg of Weston Patrick, P.A. of Boston serving as the agent and manager of the Fund. As of December 31, 2011, there were 163 accounts in the Fund with a market value of \$2,043,682. The Fund is currently invested approximately 95% in UCF's Fixed Income Fund, 2% in the Moderate Balanced Fund, 2% in the Equity Fund, and 1% in cash and other assets. The December 31, 2010 market value of the Fund was \$2,286,331 consisting of 168 accounts.

Charitable Remainder Trusts

United Church Funds is trustee for 90 charitable remainder trusts established through the UCC Financial Development Ministry, with Richard B. Osterberg of Weston Patrick, P.A. of Boston serving as UCF's agent in regard to management of the trusts. The December 31, 2011 market value of these trusts is \$9,458,109, with 86% invested in UCF's Moderate Balanced Fund. The December 31, 2010 market value was \$10,695,411, consisting of 93 trusts.

God is still speaking,
**UNITED CHURCH
OF CHRIST**

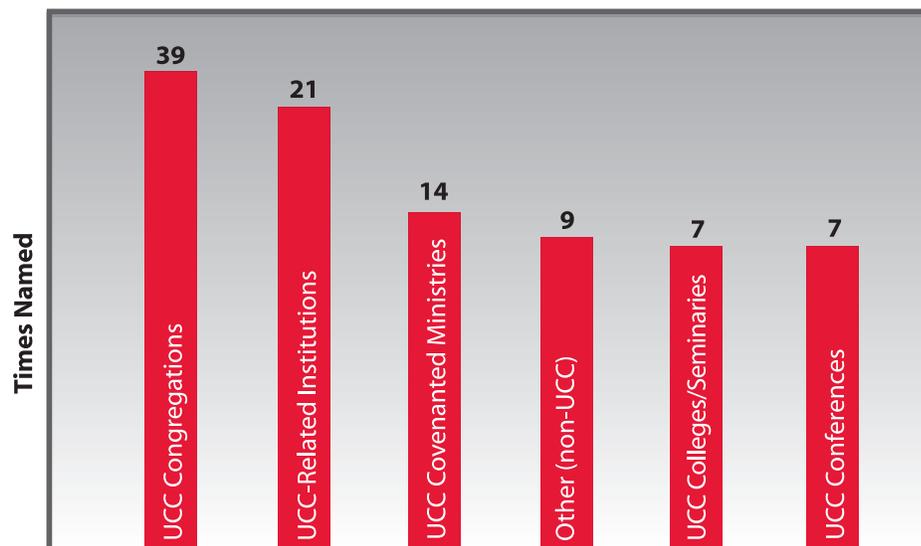


Gift totals when reported by gift types:

Gift Type	Number	Gift Amount
Gift Annuities	68	\$ 1,218,471
Charitable Remainder Unitrust Additions	3	\$14,147
Totals	71	\$ 1,232,618

Gift totals when reported by remainder beneficiary:

Beneficiary	Times Named	Gift Amount
UCC Congregations	39	\$ 590,455
UCC Conferences	7	19,732
UCC Colleges and Seminaries	7	91,817
UCC Covenanted Ministries	14	136,616
UCC-Related Institutions	21	360,000
Other (non-UCC)	9	33,998
Total		\$ 1,232,618



Additional note: During 2011, a total of \$1,199,726 was paid out to the charitable remainder beneficiaries named in the contracts (89 Gift Annuities and 8 Pooled Income Funds) of deceased donors.

How Your Life Income Gift Charitable Deduction Is Determined

➤ The monthly IRS discount rate is also known as the Applicable Federal Rate (AFR) and the Charitable Midterm Federal Rate (CMFR). It is used to determine the tax deduction for many types of charitable gifts, and you will see it stated in the lower right-hand corner of the life income gift illustrations provided by the UCC Financial Development Ministry.

(For those of you who like to get really technical, the IRS discount rate is equal to 120% of the Federal Midterm Rate, rounded to the nearest two-tenths of one percent, as determined monthly from the auctions of U.S. Treasury securities.)

What is being “discounted” is the *present* value of a gift for the purpose of determining its *future* value to the charitable institution that the donor has designated as remainder beneficiary, and thus represents the amount the donor is entitled to take as a charitable deduction. It is an IRS earnings assumption, corrected for inflation and based on the principle that money is worth more today than it will be worth in the future.

The discount rate should not be confused with the *rate of return* for a charitable gift annuity, which is based solely on the age of the donor(s) at the time the gift is established and determines the annual income payments (gift annuity rate multiplied by the gift amount). Nor should it be confused with the *payout percentage rate* of a charitable remainder trust. The primary impact of the discount rate is on a life income gift’s charitable deduction, and on the amount of income that will be tax-free during the donor’s actuarial life expectancy.

In March 1989, the discount rate was 11.2 percent. For the past two years it has hovered around 3 percent, reaching a low of 1.4 percent in October 2011 and continuing at that rate (except for December’s 1.6 percent) at least through February 2012. Although the difference may not be significant, the timing of a life income gift can affect its charitable deduction. The IRS permits donors of life income gifts to choose among the current month or the two previous months. It is worth noting that although the highest available discount rate produces the highest charitable deduction, choosing the *lowest* available rate produces the most tax-free income.

As stated above, the discount rate is based on earnings of U.S. Treasury securities, which may differ from the earnings of assets invested in equities and fixed-income vehicles. UCC gift annuities are invested in United Church Funds’ Moderate Balanced Fund, which as of December 31, 2011, was invested approximately 60 percent in equities and 40 percent in fixed-income.

If this article has raised more questions for you than it has answered, don’t hesitate to contact the UCC Financial Development Ministry for more information. We can be reached at (800) 846-6822 or giving@ucc.org.



MINISTRY FOCUS: Financial Development Ministry

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Managing this myriad of development details is Minister and Team Leader Donaldson Hill.

Mr. Hill spends a great deal of time on the road, and I asked him recently if he kept a dedicated suitcase packed just for work-related travel. He said, “I have *four!*”

The major gifts effort is relatively new, having grown out of the denominational MAKE A DIFFERENCE! Campaign, during which it became clear that people would make outright gifts from accumulated assets if there were a compelling case for support, and if they were personally invited to participate.

On the other hand, the UCC planned giving program goes *way* back: The American Board of Commissioners for Foreign Missions received its first charitable gift annuity late in the 19th century. The former Board for World Ministries issued gift annuities in the 1960s, and the pooled income fund was established in the 1970s. The Rev. Len Clough served as director of planned giving from 1975 to 1979, followed by The Rev. Don Stoner, who continued as director until 2000. They built planned giving relationships with national ministries, conferences and other UCC-related institutions, and both of them continue to serve the UCC planned giving program as expert volunteers. Available historical documents show three gifts received in 1975 for a total of \$3,000; in 2011 there were 68 new gift annuities and three additions to unitrusts for a total of \$1,232,618 for the year—and this journey of incredible generosity continues!

I can't close without at least a few stories:

I have long heard and read that tax benefits alone are not sufficient motivation for giving; however, they are at least part of the stimulus for many donors. I remember a delightful woman who would call from time to time, chat

pleasantly for a few moments, and then say, “Well, my accountant says I have to do another gift annuity.” She had received some additional income during the year and her very wise tax professional recognized a gift annuity as an excellent opportunity: The donor could make an irrevocable gift to the mission and ministry that was important to her and receive a charitable deduction that would help offset the additional income.

And then there is the *legendary* Shelby Light. Rev. Light was a UCC clergyman who truly *lived* his stewardship beliefs. Between 1978, when he established his first life income gift, and 2002, when he established his last, he funded a total of **140** gift annuities and pooled income fund gifts! Almost every application form arrived with two checks: one for the life income gift and a smaller one for an outright gift (his favorite missions were the former Board for World Ministries and the Council on American Indian Ministries). I'm not sure anyone will ever surpass Shelby Light's record number of gifts, but it is my pleasure to report that we have a number of donors and donor couples who have between 10 and 15!

We invite you to contact the UCC Financial Development Ministry for personalized life income gift illustrations or planned giving promotional materials for your church or other UCC-related institution. We have a wealth of resources available and are eager to share them with you! Contact us toll-free by phone at (800) 846-6822 or by email at giving@ucc.org.

Grace and peace and many, *many* thanks for your continuing generosity,
Lynne Hansen