Island Lutheran Church Endowment Fund

Contribution Funding Considerations

An endowment is a fund where the intent is that the principal (gifts to the fund) is never spent; only the growth on the fund is distributed.

All donations to the Island Lutheran Church Endowment Fund are invested under the direction of Lutheran Legacy Foundation.

**Making a Contribution is Simple**

Listed beloware a few ways you can contribute to the Island Lutheran Church Endowment Fund (ILCEF).

**Gifts of Cash**

A gift of cash is one of the most popular choices for many donors. Simply complete and return your donation using our Donation Form.

**Memorial and Honorarium Gifts**

Remembering a loved one on an anniversary, birthday or to honor their memory is a wonderful way to benefit the ILCEF.

**Appreciated Securities or Land**

A donor can make a gift of appreciated securities or land, take a tax deduction for the fair market value of the gift, and pay no capital gains tax.

Additional steps are necessary to complete the transfer, including an appraisal for any land gift. Please consult your tax professional and an ILCEF committee member if you are considering this type of gift.

**IRA Qualified Charitable Distribution (QCD)**

If you are age 70 ½ or older, you may instruct your IRA trustee to make a distribution directly from your traditional IRA (not a SEP or SIMPLE) to the ILCEF. The distribution must be one that otherwise would be taxable to you. You can exclude up to $100,000 of QCDs from your gross income. IF you file a joint return, your spouse (if 70 ½ or older) can exclude an additional $100,000 of QCDs. However, you cannot also deduct these QCDs as a charitable contribution on your federal tax return.

QCDs count towards satisfying any required minimum distributions that you would otherwise have to take from your IRA.

The law authorizing QCDs was made permanent by the Protecting Americans from Tax Hikes (PATH) Act of 2015.

**Bequests**

Bequests (the act of giving something) made in wills or trusts are attractive methods of giving for people who wish to provide for ILCEF to assist future generations. Bequest considerations include cash, securities or land.

**Life Insurance Policies**

Donors may choose to make a gift by assigning a life insurance policy to the ILCEF or naming the ILCEF as beneficiary. Some of the following ways require additional planning and establishing a donor advised fund.

There are 4 ways to gift life insurance

1. Direct Donation of Existing Policy

Donors who have old policies once acquired for other reasons may no longer need the coverage and can gift the policy directly into a donor advised fund (DAF) of ILC. The DAF administrator must become the owner and sole beneficiary of the life insurance policy. Determining the accurate value of the deduction requires an appraisal.

1. Direct Donation of Dividends

The annual dividends of the policy can be assigned into a DAF. This eliminates out-of-pocket contributions while still creating a deduction as dividends are paid. This process and be amplified by using the dividends to purchase a new policy of which the DAF administrator becomes the irrevocable owner and beneficiary.

1. Charitable Rider

A charitable rider is an addition to a life insurance policy that would pay a specific percentage of the face value of a policy to the ILCEF. Charitable riders usually have no additional cost and do not reduce the cash value/death benefit of the policy nor do they increase the premium.

1. Primary/Contingent Beneficiary of Life Insurance Policy

While this route does not create a current income tax deduction, it is an effective option for providing assistance to the ILCEF.

If you feel this is a method you would like to use to donate, you should work with your insurance agent and/or tax advisor to determine the best way to do this.

**TRUSTS**

There are several types of trusts that can be established that afford tax benefits to the donor.

A **Charitable Remainder Trust** (CRT) is an irrevocable trust that generates a potential income stream for you, as the donor to the CRT, or other beneficiaries, with the remainder of the donated assets going to your favorite charity or charities.

* Charitable remainder annuity trusts (CRATs) distribute a fixed annuity amount each year, and additional contributions are not allowed.
* Charitable remainder unitrusts (CRUTs) distribute a fixed percentage based on the balance of the trust assets (revalued annually), and additional contributions can be made.
* A **Grantor Retained Annuity Trust** (GRAT) is an [estate planning](http://www.investopedia.com/terms/e/estateplanning.asp) technique that minimizes the [tax liability](http://www.investopedia.com/terms/t/taxliability.asp) existing when intergenerational transfers of estate assets occur. Under these plans, an [irrevocable trust](http://www.investopedia.com/terms/i/irrevocabletrust.asp) is created for a certain term or period of time. The individual establishing the trust pays a tax when the trust is established. Assets are placed under the trust and then an [annuity](http://www.investopedia.com/terms/a/annuity.asp) is paid out every year. When the trust expires the [beneficiary](http://www.investopedia.com/terms/b/beneficiary.asp) receives the assets [tax free](http://www.investopedia.com/terms/t/tax-free.asp).

This document is not intended as financial advice. Please consult your tax professional or financial advisor for assistance and further guidance.