

# *Endowment Guidebook*

WHERE YOUR LEGACY THRIVES



OKLAHOMA METHODIST FOUNDATION

WE INVEST IN THE CHURCH - WE INVEST IN LASTING GOOD



## ABOUT THE OKLAHOMA METHODIST FOUNDATION

### A MESSAGE FROM THE PRESIDENT

*The Oklahoma Methodist Foundation (OMF) serves Oklahoma congregations, individuals, institutions and ministries by helping them “Invest in Lasting Good”.*

*We accomplish this by encouraging life-long stewardship, fostering Legacy Gifts, promoting endowment formation, and managing assets to strengthen the important work of Christ’s church.*

*Our call as Christians is to go and make disciples of all nations. The Foundation empowers our partner churches to answer this call through grants, endowment support, and the empowerment of future clergy through seminary scholarships. We also help shape the future of the local church through building and growth consultation.*

*Most importantly, the ministry of the Foundation strives to do whatever possible to strengthen the ministry of the local church for the Kingdom of God.*

**– BILLY MEADE, PRESIDENT**

## OUR SERVICES

### WE OFFER THE FOLLOWING TO METHODIST INDIVIDUALS AND FAMILIES FREE OF CHARGE:

- + Lifecycle Estate Planning and Legacy Gift Counseling
- + Establishment of Permanent Endowment Funds
- + “Personal Financial Management” Education and Training
- + Estate Personal Representative and Trustee Services
- + Confidential Donor Relations and Church Liaison

### WE ALSO PROVIDE THE FOLLOWING FOR PARTNERED METHODIST CHURCHES:

- + Establishment of Church Endowment Funds and Programs
- + Professional Investment Management
- + Annual Fund Performance Review
- + Capital Campaign Planning and Referral
- + Ministry Grants and Awards

Planning, consultation, education, and marketing services are always provided free of charge. Invested fund management services charge an annual fee of 1.33% of fund value. Fees cover Foundation expenses as well as professional investment management by Westpath. Reports of fund balances and transactions are available online and are mailed quarterly.



# Explaining the Basics

## WHAT ARE LEGACY GIFTS?

When someone decides to leave a gift to their favorite ministry or charity as a part of their final estate plan—either in a Will or a Trust; this is referred to as a “Legacy Gift”.

We all know that we can’t take our worldly possessions beyond this life and many people like the idea of giving a portion of their life’s wealth to their favorite causes, thereby extending their own unique values and influence to future generations.

Each person’s estate plan, either a Will or a Trust, is designed specifically to allow faithful stewards to designate amazing Legacy Gifts for any purpose their heart desires and, in many cases, these gifts can be endowed to help cultivate those ministries forever!



## WHAT IS AN ENDOWMENT FUND?

Think of an endowment as a pension fund for your favorite ministry. Gifts that are made to the endowment are invested and grow in value over time (~7% annually). Each year, a portion of the fund (5%) is paid as income to support the ministry.

Because the investment value of the fund typically grows faster than it is distributed over time, an endowment fund is never exhausted and is able to provide income in perpetuity for its designated purpose; which is why most Endowments are funded with Legacy Gifts.

## WHY DOES OUR CHURCH NEED AN ENDOWMENT PROGRAM AND COMMITTEE?

We are charged with providing for ministry in the present but we also have a responsibility to develop and maintain an ongoing financial plan for the future.

Many churches rely solely on the collection plate for income while completely missing the opportunity to attract and obtain Legacy Gifts that could be much greater sources of funding.

Having an active Endowment Program will provide your church with a framework for promoting Legacy Giving and, with enough time and effort, will create a culture of stewardship that not only improves annual giving but also establishes a path for donors to easily and confidently make Legacy Gifts to the church Endowment.



### JESUS TOLD HIS DISCIPLES:

*“Whoever can be trusted with little can also be trusted with much, and whoever is dishonest with little will also be dishonest with much. So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches? And if you have not been trustworthy with someone else’s property, who will give you property of your own?”*

- LUKE 16:10-12

### YOUR ENDOWMENT PROGRAM IS A GREAT WAY FOR YOUR CHURCH TO SAY:

- + We believe in the future of our church.
- + We also believe that all we have is a gift from God.
- + We want to be good stewards of the gifts God has given our church.
- + We want to create a heritage that future generations can celebrate as joyfully as we celebrate our rich heritage today.

There are many charitable organizations that your members will be considering for a Legacy Gift. Establishing and promoting your local Endowment program ensures that the church will be near the top of that list!



# Building a Culture of Stewardship

Building an Endowment Program from scratch may seem like a daunting task and it can be difficult to imagine having a conversation with donors to ask for a Legacy Gift.



## THAT IS WHY THE OKLAHOMA METHODIST FOUNDATION IS HERE.

We strive to take the heavy lifting out of your Endowment program by providing the guiding documents and templates needed to establish your Endowment fund, committee, and program; as well as offering our support when marketing and appealing to donors.

*Proverbs 15:22 says - "Plans fail for lack of counsel, but with many advisers they succeed."*

**LET US BE YOUR ADVISERS AS WE WORK TOGETHER TO BUILD THE KINGDOM OF GOD  
IN YOUR COMMUNITY! [CALL OUR OFFICE TODAY: 405-525-6863](tel:405-525-6863)**

## OUR LEGACY TEAM

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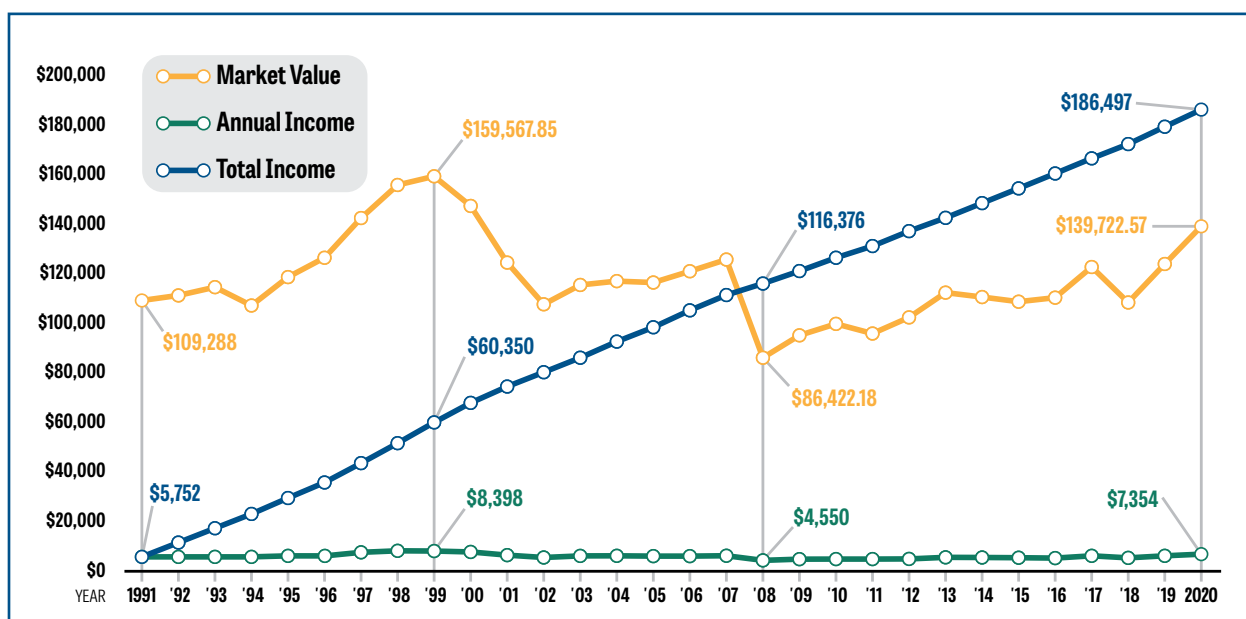
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# Looking Deeper

## 30 YEAR PERFORMANCE OF \$100,000 GIFT ENDOWMENT

IMAGINE A DONOR MAKES A LEGACY GIFT OF \$100,000 TO THEIR CHURCH'S ENDOWMENT.  
LET'S SEE WHAT HAPPENS OVER THE COURSE OF 30 YEARS...



\* This graph is based on actual historical performance of the Endowment Investment Fund at the Foundation from 1991-2020

### YELLOW LINE:

This line represents the market value of the gift after it's been invested in the endowment fund (65% Stocks, 35% Bonds). As you can see, the fund's value changes with the market.

The value of the fund declined dramatically in 2001 and 2008. Even with two of the biggest downturns in the history of the market, the value of the fund has still grown nearly 40%.

### GREEN LINE:

This line represents the 5% income distributed from the fund each year. Remember that the 5% is calculated using the current value of the fund and not the original amount.

As you can see, despite sudden changes in the value of the fund, the income doesn't vary much from year to year. This allows church leadership to build endowment ministries with the confidence that the income will always be there.

### BLUE LINE:

This line takes each annual income payment and totals them together to show us how much income the endowment fund has distributed for the ministry altogether.

After 30 years, the original gift of \$100,000 has distributed over \$185,000 dollars and is still worth almost \$140,000. That's the power of the endowment fund!

## 30 YEAR PERFORMANCE OF \$100,000 GIFT ENDOWMENT

### BY THE NUMBERS

YEAR	BEGINNING BALANCE	PERFORMANCE	INCOME DISTRIBUTION	ENDING BALANCE	TOTAL INCOME
1991	100,000	15.04%	(5,752.00)	109,288	\$5,752
1992	109,288	7.14%	(5,854.56)	111,237	\$11,607
1993	111,237	8.60%	(6,040.15)	114,763	\$17,647
1994	114,763	-1.50%	(5,652.07)	107,389	\$23,299
1995	107,389	16.62%	(6,261.87)	118,976	\$29,561
1996	118,976	12.02%	(6,663.82)	126,613	\$36,224
1997	126,613	18.58%	(7,506.86)	142,630	\$43,731
1998	142,630	15.27%	(8,220.50)	156,189	\$51,952
1999	156,189	7.54%	(8,398.31)	159,568	\$60,350
2000	159,568	-2.80%	(7,755.00)	147,345	\$68,105
2001	147,345	-10.68%	(6,580.43)	125,028	\$74,686
2002	125,028	-9.03%	(5,686.90)	108,051	\$80,372
2003	108,051	12.99%	(6,104.35)	115,983	\$86,477
2004	115,983	6.57%	(6,180.14)	117,423	\$92,657
2005	117,423	4.69%	(6,146.48)	116,783	\$98,803
2006	116,783	9.43%	(6,389.79)	121,406	\$105,193
2007	121,406	9.27%	(6,633.02)	126,027	\$111,826
2008	126,027	-27.80%	(4,549.59)	86,442	\$116,376
2009	86,442	16.10%	(5,017.97)	95,341	\$121,394
2010	95,341	10.60%	(5,272.38)	100,175	\$126,666
2011	100,175	0.80%	(5,048.83)	95,928	\$131,715
2012	95,928	12.50%	(5,395.94)	102,523	\$137,111
2013	102,523	15.50%	(5,920.69)	112,493	\$143,032
2014	112,493	3.50%	(5,821.52)	110,609	\$148,853
2015	110,609	3.40%	(5,718.48)	108,651	\$154,572
2016	108,651	7.30%	(5,829.13)	110,754	\$160,401
2017	110,754	16.90%	(6,473.54)	122,997	\$166,874
2018	122,997	-6.90%	(5,725.53)	108,785	\$172,600
2019	108,785	20.30%	(6,543.42)	124,325	\$179,143
2020	124,325	18.30%	(7,353.82)	139,723	\$186,497

ORIGINAL GIFT AMOUNT: \$ 100,000  
 ENDOWMENT BALANCE IN 2020: \$ 139,723  
 TOTAL INCOME RECEIVED: \$ 186,497  
 AVERAGE ANNUAL RETURN: 7.0%

# Legacy Gift Examples

## BEQUEST

A bequest is a gift of money or property that a donor makes as a part of their Will or Trust. The gift is completed when the donor passes away and their estate is closed. The majority of Legacy Gifts are made using a bequest.

## CHARITABLE GIFT ANNUITY

Gift annuities are best for people who have decided to make a gift but need to preserve (or increase) their current fixed income. How it works is simple:

The donor agrees to make an immediate gift to the OMF for the benefit of their intended ministry. The OMF then agrees to pay the donor annual, fixed payments for the rest of their lives as well as the life of a selected beneficiary. The donor may choose to begin receiving payments immediately or they can elect to defer payments for added growth.

The amount of the payments is based on the age of the donor / beneficiaries when the payments begin. For example, a donor who opens a Charitable Gift Annuity of \$100,000 at age 75 may expect to receive approximately \$5,400 (5.4%) annual income for the rest of their lives whereas a donor at age 65 would only receive \$4,200 (4.2%) per year.

When the donor passes away, whatever funds remain (usually around 50%) is transferred to the designated ministry.

## QUALIFIED CHARITABLE DISTRIBUTION

Did you know that you can give your required minimum distributions to your favorite ministry and avoid paying income taxes on the gifted amount? It's a great way to maximize your savings while enriching the causes you care about.

## LIFE INSURANCE

Making a partial gift of any life insurance policy is as simple as listing your favorite ministry as a beneficiary on the policy. Contact the OMF if you'd like to designate your gift for a specific purpose.

## RETAINED LIFE ESTATE

A little known estate planning tool, a Retained Life Estate allows a donor to make a gift of their home or other real property to their favorite ministry while maintaining beneficial use of the property for the rest of their life as well as the life of one other beneficiary.

## CHARITABLE REMAINDER / LEAD TRUST

These "split-interest" gifts allow a donor to set up payments from their estate to both an individual as well as a ministry when they pass away.

A Charitable **Remainder** Trust first distributes income to one or more individuals for a period of time after which the remainder goes to the designated ministry.

A Charitable **Lead** Trust first distributes income to the ministry for a period of time after which the remainder goes to one or more individuals.



# Endowment Ideas

Endowments are meant to last forever and should either be named in honor of a loved one and/or designated to support one or more causes. As you consider the possibilities of your new Endowment Program, consider the following endowment fund ideas.

## "3 BUCKET ENDOWMENT" MODEL

Most churches begin with the standard “3 Bucket Endowment” model. This creates a fund for your three main categories of church operations that donors may want to support:

- + General Church Use / Maintenance
- + Missions and Outreach
- + Children and Youth Programs



## ADDITIONAL ENDOWMENT FOCUS

Beyond those purposes, church leadership and/or donors may want to establish some of the following funds in order to appeal to the hearts and culture of your local church.

- + Scholarship for college for seminary.
- + Scholarships for mission projects and participants.
- + Apportionments and Conference ministries.
- + Music fund for new music, choir robes, hymnals, special music, instruments, etc.
- + Sponsor children to attend Conference Camps or upgrade camp facilities.
- + Support for Chemical dependency recovery programs.
- + Support for family and community health/wellness programs.
- + New church development or to save for capital projects.
- + Funds for a special memorial garden, artwork, library, etc.
- + Endowments to provide grants to be determined by a grant-making committee.

# Frequently Asked Questions

## HOW LONG WILL IT TAKE FOR THE ENDOWMENT TO GROW?

*This depends on the size of the church, the level of effort of the endowment committee, and how well the endowment program is celebrated by the congregation.*

*It's not unreasonable to expect a medium sized church who is enthusiastic about their financial future to be able to raise \$1 million in endowment funds over the course of 10 years.*

## WILL ENDOWMENT GIVING REDUCE OTHER TYPES OF GIVING?

*Typically, the addition of an endowment program **increases** giving for a church. In most churches, 99.5% of the operating budget is funded by tithes and offerings from its members. Likewise, most capital campaign pledges are funded by gifts of annual income.*

*Legacy Gifts to the church endowment are given almost 100% from personal assets and property that are already going to be given away with the donor's estate.*

*Without a well-publicized endowment program, church members may give all their Legacy Gifts to other charitable organizations.*

## ARE WE ABLE TO WITHDRAW OUR FUNDS FROM THE ENDOWMENT?

*Endowments are like a bar of soap... the more you handle them the smaller they get. However, we recognize that emergencies can arise that necessitate the withdrawal of your invested assets.*

*For this reason, we offer the option of a “**Managed Endowment Account**”. This account is different from a “**Permanent Endowment Account**” because of its ability to be closed at the discretion of the church leadership and all funds withdrawn.*

*Keep in mind that permanent endowment funds established by a donor for the benefit of your ministry are just that--permanent; the principal cannot be withdrawn for any reason.*

## WHAT HAPPENS TO OUR ENDOWMENT FUND IF OUR CHURCH DISAFFILIATED?

*The OMF maintains agreements with each individual church. Our commitment and service is for the benefit of the local leadership who holds the organization in trust.*

*Regardless of what happens within the structure of the Oklahoma Conference, the OMF will continue to serve each of our Oklahoma churches and ministries as we always have without undue influence from any outside organizations.*



# ***Endowment Program Checklist***

## **A STEP-BY-STEP GUIDE**

### **ESTABLISH YOUR ENDOWMENT PROGRAM**

- ☐ Contact the Foundation for information on how to establish an effective Endowment Program.
- ☐ Hold a leadership meeting to discuss the benefits of establishing your own endowment fund.
- ☐ Draft your own Endowment and Gift Acceptance policy, using the templates provided.
- ☐ Present the final draft to church leadership for approval and vote it in during a Charge Conference.
- ☐ Contact the Foundation to open your Endowment Fund and provide a copy of your new policy.

### **CELEBRATE AND MARKET THE ENDOWMENT PROGRAM**

- ☐ Order printed materials to promote your Endowment Program, the Foundation can help!
- ☐ Host an “Estate Planning Seminar” to encourage the establishment or review of estate plans.
- ☐ Establish a Legacy Society to recognize and celebrate current and passed donors.
- ☐ Schedule a “Legacy Gifts and Endowments” workshop to help identify potential donors.
- ☐ Invite current legacy donors to share their story at Sunday school or worship services.

### **MAINTAIN YOUR ENDOWMENT PROGRAM**

- ☐ Invite the Foundation for an annual review of your Endowment program and fund performance.
- ☐ Ensure that donors and their families are supported. Legacy Gifts may be revocable.
- ☐ Contact the Foundation periodically for program updates and new materials.







# *Invest in Lasting Good*

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