

Endowment Guidebook



Nebraska United Methodist Foundation





Table of Contents

About NUMF	4
What are Endowment Funds?	5
What is Planned Giving?	6
Why Establish an Endowment Program for your Church?	7
How to Create an Endowment Fund	8
How to Grow Your Endowment Fund	9
Frequently Asked Questions	10

About NUMF

The Nebraska United Methodist Foundation supports the ministries of the local church and the Great Plains United Methodist Conference through the development of gifts and the stewardship of resources entrusted to the Foundation in support of God's work. From church grant opportunities, seminary scholarships and free estate planning seminars, to assisting church boards and committees with all things financial, the Foundation's staff works to help Nebraska United Methodists on many different levels.

The Foundation also provides investment services to help churches save and grow funds for both short and long-term ministry, capital needs, emergencies and mission opportunities in the community and beyond. Our focus is to help Nebraska United Methodist churches, related organizations and ministries, as well as members accomplish their goals and mission.

The Foundation staff assists churches and agencies through:

- The creation and development of endowment funds.
- Presentations of Foundation investment services.
- Gift & estate planning seminars for church groups.
- Fund development workshops.
- Pre-capital campaign workshops.
- Planned gift visits with individuals.
- Stewardship sermons.

Endowment Services Available from The Foundation

The Nebraska United Methodist Foundation consults with local churches to establish Endowment Funds by guidelines outlined in The Book of Discipline of The United Methodist Church.

Types of Endowment Fund services include:

- Use of the Foundation's Financial Resource Handbook, which provides a step-by-step process and model resolutions for establishing a permanent endowment fund. (Handbook previously distributed and available by request.)
- Trustee/custodial services of endowment funds for United Methodist churches and its related ministries.
- Professional funds management/investment services.
- Leadership in establishing a planned giving program through presentations in the church and consultation with church leaders.
- Ideas, resources and leadership in interpreting planned giving opportunities.
- Planned giving workshops and educational programs.
- Resource materials on planned giving and estate planning.
- Confidential consultation with individual donors.
- Donor recognition programs and ideas.
- Ongoing evaluation and consultation services.

Planning, consultation, education and training are core services of the Foundation and are provided free of charge. There is a small fee for professional fund management/investment services. Fees cover accounting, reporting and compensation of professional investment counselors. Reports of fund balances and transactions are available monthly online and mailed quarterly.

What are Endowment Funds?

An endowment fund is a permanent, self-sustaining source of funding. Endowment assets are permanently invested and each year, a portion of the value of the fund is paid out to support the fund's purpose. Earnings more than this distribution are used to build the fund's market value. In this way, an endowment fund can grow and provide support in perpetuity for its designated purpose(s). When you establish an endowment fund, you create a permanent legacy of support for your church and other charities that you wish to support.

Webster defines endowment as "a permanent fund or source of income." The church must plan for future, as well as present, mission and ministry; but unless these plans include ways of funding this mission and ministry, they may be only empty dreams. The concept of endowment funding says to the church and the community that the church is here to stay.

One thoughtful church member reasoned, "Those persons who preceded me in this church left a rich heritage. What will I leave as a heritage for future generations? What can I do to reflect my sense of gratitude for what the church has done for me over the years?"

Endowment funds are a good way for you to say:

- We believe in the future of this church.
- We want to be guided in our stewardship by the belief that all we have is a gift from God.
- We want to build a sense of permanence in what we do.
- We want to be good stewards as a "church family" even as we expect each member to be a good steward.
- We want to "go the extra mile" in providing services and programs that formerly (due to budget constraints) were only dreams.
- We want to create a heritage that future generations can celebrate as joyfully as we celebrate our rich heritage today.

Your Nebraska United Methodist Foundation is ready to partner with you to establish a permanent endowment program! Planning, consultation, education and training services are available from the Foundation free of charge.

"One gives freely, yet grows all the richer; another withholds what he should give, and only suffers want. Whoever brings blessing will be enriched, and one who waters will himself be watered."

Proverbs 11:24-25

What is Planned Giving?

Planned giving and endowment funds go hand in hand. The majority of planned gifts tend to be designated for endowment. Endowment funds are invested in helping ensure that the church can continue its mission and ministry beyond our lifetimes. When we make a planned gift that ultimately becomes permanently endowed, we are supporting the church's mission in perpetuity. Part of the sense of satisfaction that comes from making a planned gift lies in the knowledge that we can make a lasting impact; we can leave a legacy for generations yet to come.

Most church members think of giving in terms of "passing the plate." Often, they pledge to a stewardship campaign based on anticipated family income; whereas capital campaign gifts mostly come from accumulated assets rather than annual income. By contrast, planned gifts are normally made from accumulated assets during the donor's lifetime, or from "estate" assets.

Planned gifts can be as varied as the interests of the donor. They can include such items as stocks and bonds or other appreciated securities, insurance policies, retirement plans, art or antique collections, real estate or other assets. The gifts may be made through such vehicles as trusts, charitable gift annuities, a donor-advised fund or a bequest in a will. In most cases, planned gifts require the assistance of a Nebraska United Methodist Foundation planned giving officer, attorney, CPA or other professional financial advisors.

Certain types of planned gifts provide added benefits to donors. For example, most offer tax benefits and some provide a life income arrangement for the donor.

Educating your congregation about planned giving can be daunting. The Foundation's Leaving a Legacy and other planned giving publications can help explain the benefits of various types of planned gifts. A planned giving or estate planning seminar can be very informative for members who are just learning the language of planned giving. It is a good idea to offer educational workshops regularly.

"Do not store up for yourselves treasures on earth where moth and rust destroy, and where thieves break in and steal. But store up for yourselves treasures in heaven, where moth and rust do not destroy, and where thieves do not break in and steal. For where your treasure is, there your heart will be also."

Matthew 6:19

Why Establish An Endowment Program For Your Church?

What if we could master plan our churches the way commercial businesses and many non-profit organizations do? What if we could anticipate our needs for ministry and facilities and staff and set aside funds that would earn interest income to support our mission and ministry for the long-term? **We can!**

Church endowments provide the income to maintain church buildings, support and enhance your church's ministry or generate funds for mission work. A properly structured endowment program can help secure the financial future of your church. Endowments have provided a significant source of funding for colleges, universities, hospitals and churches for hundreds of years.

Potential benefits:

- Assets are invested in perpetuity.
- Provides a steady, predictable source of income over time.
- Fundamental to the financial stability of your church.
- Offers a cushion against unforeseen expenses or economic downturns.
- Can be established for anything which serves the mission and ministry needs of your church.

How It Affects Giving

When members are given opportunities to give from accumulated assets as well as from current income, it can lead to increased generosity. Endowment funds add a completely separate income stream. Its existence will encourage deferred gifts to the church that might otherwise have gone to another charity. Endowments also provide opportunities for donors to give gifts in honor and memory of family and friends.

An endowment fund says that your church:

- Believes in its future.
- Wishes to be guided in stewardship by the belief that all we have is from God.
- Wants to build a sense of permanence.
- Desires as a church family to be good stewards even as we expect each member to be a good steward.
- Wishes to go the extra mile in providing new services and programs.
- Wants to create a legacy for future generations.

Simply by having an endowment program, a church can signal that it is doing an excellent job of long-range planning. At the same time, the church is allowing its members to practice lifelong giving, and to include their church in their present and future financial plans.

Five ways an endowment program helps churches grow:

1. The church receives increased gifts to fund its various ministries.
2. Members begin including planned gifts as well as current gifts in their stewardship responsibilities.
3. Members are educated as to many expanded gift opportunities for mission and ministry through their church.
4. Current contributions given in support of the ongoing annual budget are freed up to strengthen and even expand existing programs.
5. The church and its various ministries begin to receive major planned gifts that have previously been directed to other institutions and organizations where endowments are already in place.

How to Create An Endowment Fund

1. Once your church has decided to create an endowment fund, a committee should be established to work through the proper measures of managing an endowment fund ministry.

This committee should include the pastor, other members related to the stewardship program and several laypersons whose interest in planned giving and endowment funding has already surfaced or who would be open to considering some new and different stewardship concepts and procedures. The Foundation is able to assist you in setting up your endowment and marketing the new fund to church members. We are also available for planned giving seminars or stewardship and generosity talks to help support the fund.

2. Create endowment fund guidelines and policy statements.

The first responsibility of the Committee is to create guidelines for the church endowment program. This will enable the Committee to lead the church in organizing the endowment program in an orderly and effective manner. A sample of guidelines and policy statements are available upon request from the Foundation, or we are able to help the Committee create their own guidelines and policy statements.

3. Create a marketing plan.

Marketing your endowment fund is important and necessary. The Foundation is able to help you put together a plan to communicate regularly with your church members to help them understand why giving to this fund is so important.

4. Invest gifts and award grants.

The investment of a Permanent Endowment Fund differs from the investment of most other church funds. Unlike other church funds, which normally have a short-term horizon, endowment funds are to be invested in perpetuity, thus requiring a long-term investment philosophy.

Because the Foundation provides a diversified investment portfolio, corresponding account administration services and numerous no-cost services for Nebraska United Methodist churches and ministries, it would be appropriate for the Committee to consider taking advantage of these services.

5. Celebrate successes all along the way!

It is vitally important to say 'thank you' to donors as often and in as many ways as possible. There is no better way to say thank you than to communicate to the congregation the myriad ways in which the endowment fund is making a difference in the life of the church and congregation. Take every opportunity to share with the congregation, and with individual donors, the stories about how their gifts are helping the church to achieve what God is asking them to do.

How to Grow Your Endowment Fund

Setting up an endowment program is a big step for most churches. It requires vision, hard work and dedication. However, once the program is set up, many of us adopt a 'Field of Dreams' mentality. To paraphrase a famous line from the popular 1989 movie, we naively assume, "If we build it, they will give." If that were true, every church endowment would have all the funds it needs. The reality is that creating an endowment program is only the first step. Marketing the program is what makes the endowment grow. **Your marketing plan should have three major areas of emphasis: communication, education and celebration.**

Communicate

Tell people what you are doing and why you are doing it. Don't just mention the endowment program once in a while, but remind people of what it can do for them and the church. Endowment giving should be part of overall stewardship and should be mentioned in any communication (spoken or written) about giving. Let people know that there are creative ways to give to the church, and ways that may help stretch their "giving dollars." Omitting planned giving as an option from your ongoing stewardship communications materials only translates into lost opportunities.

Educate

Planned giving is a complex topic, but one that should not be avoided. Don't assume that everyone automatically knows what it is. We suggest planning at least one educational workshop a year. The most successful endowment fund programs include education on planned gifts. Your marketing materials, presentations and workshops must clearly explain the benefits of planned giving and attempt to dismiss any myths or misperceptions about planned giving. For example, many people believe that planned gifts are just for the most affluent church members, however, planned giving is an option that everyone should consider.

Estate planning and end of life planning are essential elements of financial planning. Let people know why it's important, if not imperative, to have a will. Foundation staff members are available at no cost to talk about planned giving and estate planning, and many churches have members who are financial and estate planning experts as well. Some churches also offer faith-based financial literacy programs. Learning to manage one's assets and to care and plan for one's heirs is a vital part of comprehensive Christian stewardship.

Celebrate

Let church members know how the endowment program is doing. When new gifts come in, thank donors publicly (if possible), but respect the privacy of those donors who prefer to make anonymous gifts. You can acknowledge the gift and thank the donor without necessarily revealing the person's identity. There are numerous ways to report on the annual growth of your endowment program. Many churches plan a special event honoring donors, some publish an annual report and others do a combination of both.

We encourage every church to develop an annual recognition event. Invite anyone who has given to or supported the endowment fund in any way. This includes all donors giving through current gifts or planned gifts, as well as those who are planning to leave a gift through their estate. Report to them on how their gifts are growing and being used and what your vision is for the future of the fund. If you are using a portion of your endowment income to fund certain ministries, let donors (and the general membership) know how these gifts are making a difference. **Nothing encourages giving like success.**

In summary:

1. Constantly look for ways to let the congregation see your endowment program at work.
2. Educate your congregation about planned giving, estate planning and end of life planning.
3. Don't forget to say "thank you."

A supplemental sheet of 20 ways to market your endowment program is available upon request.

Frequently Asked Questions

Is it necessary to establish an incorporated foundation?

It is not necessary to incorporate a separate foundation in the local church. The Nebraska United Methodist Foundation is an incorporated 501(c)(3) organization which is fully licensed in accordance with local, state and federal regulations to serve as a trustee of charitable gifts and trusts to United Methodist churches and other agencies of the Annual Conference. Trustee services include professional management of assets, record keeping, reporting, accounting and payment of income to a donor or beneficiaries. The Foundation is also licensed to provide charitable gift annuities to donors who wish to set up an annuity that will benefit a church or church-related institution.

Setting up a separately incorporated foundation in a local church could be problematic in that the corporation would be separate from the incorporated local church and would not be subject to the control of the church Charge Conference.

What types of people should be on the committee?

The Permanent Endowment Fund Committee should include the pastor, the chair of the Finance Committee, the local church treasurer or business administrator, a representative of the Board of Trustees, a representative of the Stewardship Committee and an additional three to five at-large members who are recognized leaders in the church. Usually, the church Nominating and Leadership Development Committee submit its slate of nominees to the Charge Conference.

The committee's duties include:

- Determining what types of funds (unrestricted, music, maintenance, children & youth, mission, etc.) will be included in the endowment program, usually based on the church's needs, goals or long-term vision.
- Determining what types of gifts will be accepted and acting as the authority for receiving planned gifts on behalf of the church.
- Determining how income will be invested and distributed.
- General oversight of the endowment program and its invested funds.

How do the trustees and endowment fund committee work together?

In most churches, the Permanent Endowment Fund Committee and Trustees work closely together to ensure the financial security of the church. The Endowment Fund Committee should keep the Trustees informed through annual or quarterly reports on the state of the endowment funds and how those funds are impacting the mission and ministry of the church.

How do we decide what to endow?

The Permanent Endowment Fund Committee will typically create a list of funds and sub-funds that are in keeping with the mission, ministry and vision of the church. Most churches create a General Endowment Fund (an "undesignated" fund), which can be used by the church to cover special needs, including unbudgeted facilities maintenance or capital improvements. In addition, the committee will typically create a list of "designated" funds, which may be used to endow specific ministries such as missions, children's ministries, scholarships, continuing education for pastors and staff, worship and educational needs and almost anything the committee or congregation deems appropriate. Some endowment funds may be established to honor or memorialize a member or members.

How long will it take for the endowment to grow?

It depends on how committed the church and endowment committee is to building a substantial fund and how well the endowment program is communicated and celebrated by the committee and church at large.

Who decides how the income is spent?

The Permanent Endowment Fund Committee establishes the funds that make up the endowment and is responsible for administering income distributions to the respective ministries involved. From that point forward, the church committee that is responsible for the ministry or function that is endowed by the fund decides how to spend income distributed to it by the Permanent Endowment Fund Committee.

Will endowment giving reduce other types of giving?

Typically the addition of an endowment program creates a new stream of income for a church. Gifts to the endowment, as well as to capital campaigns, usually come from church members' "asset" and "estate" pockets, while gifts in support of the annual operating budget come from the "income" pocket. In that respect, gifts to endowment rarely have a detrimental impact on annual giving, and often increase such giving due to the donors' sense of increased "investment" in the church's future. Without a well-publicized endowment program, church members may designate planned gifts, such as bequests, trusts or charitable gift annuities to other charitable organizations that do.

Does the leadership need to give?

Absolutely. Members of the Permanent Endowment Fund Committee and other lay leaders should be prepared to lead by example when it comes to establishing a church endowment.

How does the endowment program relate to the mission and ministry of the church?

The most successful endowment programs are those that are tied to a well thought out and well-communicated vision for ministry. Donors will give if they believe in the mission of the church and if they believe the church, or ministry, is changing people's lives.

We are ready to open an endowment at the Foundation, now what?

The Foundation makes it simple and easy to open an account. Simply fill out an agreement and mail it in with a check or wire transfer. An agreement can be obtained by visiting our website at www.numf.org or by requesting it directly from the Foundation. You will receive a receipt letter and a copy of your agreement within a few days. You will have an opportunity to set up an online account, or if you prefer, hard copy reports of your account activity will be mailed quarterly.

How do we get our disbursements once we have opened the account?

Disbursements are requested by your Endowment Committee. When you fill out your initial agreement, you will indicate your preferences as to whether you want one or two signatures required for disbursements. A signed form can be emailed or mailed to the Foundation requesting disbursements, or an email from each of the signees is acceptable as well. Some churches prefer to set up automatic disbursements, which can be requested when filling out the initial agreement. The initial agreement can be amended at any time upon request.

