MAKE A LASTING GIFT

Illustrations of various gift vehicles

Gift Illustrations

Presbyterian FOUNDATION

Donor-Advised Funds

For Steve and Sarah Mato, the Presbyterian Foundation's Donor-Advised Funds make them "better givers."

The Matos have been generously giving to the DAFs since 2014. They explored a variety of ways to give through the Presbyterian Foundation before choosing the funds.

"It's better for record keeping, we give to it automatically and we can change it up anytime," said Sarah Mato.

Recently, the couple made a change to their DAF that coincided with their move back to Texas after living in Colorado for 10 years.

"We wanted to give locally," said Sarah Mato, explaining that in addition to giving to several international charities including Habitat for Humanity and the Heifer Project, the couple wanted to give to the John Knox Ranch in Fischer, Texas. They were able to through DAFs.

In addition to giving to charitable causes, they use DAFs to give to past and current congregations to which they have been members.

Described as "an online charitable checkbook," a DAF is a flexible, easy and convenient giving tool.

Donors can open a fund with a minimum of $2,500. The funds are invested by the Presbyterian Foundation. Tax laws require that a charitable gift be unconditional to receive the associated tax benefits of a charitable deduction. The Presbyterian Foundation is the sole owner of the fund and it has ultimate control over the investments and disbursements of the fund.

Donors can recommend 501c3 organizations to receive "grants" from the funds, and determine the size of their donation. The only requirement is that the public charity is not "antithetical to the Presbyterian Church (U.S.A.)," said Joe Tackett, planning and development officer with the Presbyterian Foundation.

Bequests

Chris Doemel was an active and engaged member of First Presbyterian Church of Okemos, Michigan, a church he had joined in his late 20s. He served as an elder and eager participant in the music program. In his early 40s, he began talking with Pastor Rob Carlson about making a significant gift to the church and remembering the church in his will.

“Often we think of legacy giving as something we don’t push people to consider until they’re over 65,” Carlson says. “Chris was 43 years old and wanted to do something for the church that had meant so much to him.”

In November 2015, Doemel was diagnosed with melanoma. By the time he died in March 2016, he had arranged to leave half of his estate to the church. His bequest included a $100,000 donation to the congregation’s endowment, $300,000 for a permanent fund to benefit the church’s music program, and an undesignated gift of nearly $1 million.

Carlson says Doemel, who worked in the tech industry, initially wanted to make his gift anonymously. But Carlson convinced the young man that telling the congregation might challenge others to consider planned giving.

Just before heading for the hospital, Doemel told the church’s session, “What I’m giving is just a fraction of what I’ve already been given.”

“That will be my message this fall,” Carlson says, referring to the upcoming stewardship season.

Pooled Income Fund

In 2015, Ed Davis was interested in a charitable gift vehicle that would provide him with an immediate tax deduction, pay him income for the rest of his life, and then pay out to his local PC(USA) church upon his death. The Presbyterian Foundation's Pooled Income Fund met all of these needs while also providing the personal satisfaction that comes with good stewardship.

A pooled income fund (PIF) is a trust that combines the gifts of many donors. When donors make a new gift to a PIF, they get to pick individuals that will receive a share of the PIF's net income for the rest of their lives. Ed chose himself as the income beneficiary and he could easily have added his wife, Ann, or some other person he cared about should he have so desired. Ed's gift of $10,000 was cash, although he could have easily gifted appreciated securities for a potentially greater tax benefit.

Ed's gift of $10,000 to the PIF generated a $7,900 charitable deduction that he was able to use when he itemized his tax return. Over the following five years, Ed received on average about $250 per year from the pooled income fund. Ed's average annual return on his gift of 2.5% turned out to be an attractive investment when compared to current market interest rates.

After Ed passed away in 2020, the Foundation was able to send a check for $9,910 to the church Ed chose back when he originally made his gift. Viewed another way, over 99.1% of his original gift remained available to support the mission and ministry of his church even though he had received payments totaling more than 12% of his 2015 gift.

Charitable Trust

Mary and Tom Smith owned and operated a rental property which they initially purchased several decades ago. Although the property served as an important source of income for the couple, both were nearing retirement and tired of managing the day-to-day operations of the rental business. Furthermore, new laws and restrictions on the horizon regarding rental properties in their area made the prospect of continuing the business even less desirable.

The Smiths considered selling the property outright. However, that choice would produce a significant capital gains tax bill the following year because the property had increased in value while simultaneously being depreciated for business tax purposes. After in-depth consultation with gifting specialists at the Foundation, the Smiths made the decision to deed the property to a newly created charitable remainder trust as its initial funding asset.

Shortly after the property was transferred to the trust, it was sold to an interested buyer. Although the large capital gain still existed, this trust structure allows the Smiths to pay the tax bill over what will ultimately be decades rather than all at once. In the meantime, the money that would have otherwise been used to pay that tax bill was invested and has been able to grow over the following years.

Creating the charitable trust provided many other benefits to the Smiths in addition to the capital gain tax deferral. At the time of the funding, the Smiths received a large charitable deduction because the irrevocable trust included gifts to charities they loved after their deaths. The Smiths were then able to use that large deduction over the following years to offset both regular income and the income generated by some traditional to Roth IRA conversions.

Another important aspect that factored into the Smiths decision to use the charitable trust vehicle was the income it provides to the beneficiaries named in the document. The Smiths, like most charitable trust donors, named themselves as the income beneficiaries of the trust. They will continue to receive this cashflow, which has been enough to replace a good portion of their prior rental income, as a direct deposit into their bank account for the rest of their lives.

By choosing a charitable trust the Smiths were also able to set in place future gifts to the charities they have supported for years. These included a variety of charities such as their local church and humane society. However, the Smiths are not locked into these recipients as they retained the flexibility to make substitutions should circumstances change in the future.

Ultimately, creating a charitable trust provided the Smiths with peace of mind. They knew they would be receiving significant tax benefits upfront. They knew they would have an income stream for life generated by a trust portfolio managed by the New Covenant Trust Company, a subsidiary of the Presbyterian Foundation. And finally, the Smiths knew they put in place gifts that would benefit the missions and ministry that were meaningful to them through their lives.

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