

**POSITIONING YOUR
CHURCH FOR**

**TRANSFORMATIONAL
GIFTS**

EVERY CHURCH AND MINISTRY HAS **STRUGGLED** WITH ITS ANNUAL BUDGET PROCESS.

“If only we had an endowment to draw on!”

“I wish we had an investment fund that let us think strategically!”

“If we could just plan more than one year at a time, we’d be such better stewards of our facilities and ministries!”

It’s a common theme, and if these are thoughts expressed at your finance committee or board meetings, you are not alone.

After years of working with both donors and ministries, I can tell you there IS a magic bullet: planning giving. A “planned gift” is a gift a donor makes as a bequest through an estate or will. After family members are designated as beneficiaries, many givers also choose to leave a life insurance benefit, a piece of property or a percentage of their entire estate to a charity.

Planned gifts are transformational gifts for several reasons. For the donor, this will typically be the largest gift they will ever be able to make. Planned gifts can be exponentially larger than any one-time or annual gift a donor could give during his or her lifetime.

For those seeking to leave a legacy and invest in God's mission in the world, this is an opportunity to designate significant funding to a ministry or church. An estate gift can often be more funds than an organization has ever received at one time. These gifts can become the seed funding for endowments. For many nonprofits, the annual distribution on invested endowed gifts are a major source of revenue in their operations budget or are used to fund their capital improvements.

In this article, we're going to explore the four ways you can best position your church for planned giving. We'll unpack how to educate your members about planned gifts, communicate the ways your church would use and manage a large donation, and build a strategy for a long-term invested endowment for your ministries.

We'll also address the elephant in the room on this subject: why so many donors don't feel comfortable leaving a large gift to their church. Instead, they direct their best legacy gifts to nonprofit charities who seem better prepared to manage it. I really want to outline why I hear this so often and how churches can proactively work to change that perception.

A church that secures estate gifts will be able to build a fund to sustain its operations, facilities, staff and important projects. It provides stability during lean times along with the flexibility to be creative and strategic in seeking how to best advance the church's ministries.

A colleague of mine once worked for a nonprofit organization whose finances had been decimated by some poor leadership decisions. They were in the red in a major way without a clear path forward. The board president at the time took the reins and said he wanted to launch an emergency campaign tied to a planned giving effort, an idea met with considerable skepticism.

But the result was truly magic. Thanks to clear communication and education, donors made gifts to the immediate fiscal year's needs and pledged estate gift commitments. Over the coming years - now into decades, the "legacy" fund dividends grew to become more than 40 percent of the agency's annual budget.

Most churches don't talk about planned gifts to their members at all. Of those who do, it's likely a mention in passing or something only targeted at those age 70+. Most church members aren't giving or tithing at a 10 percent level. Even fewer have remembered the church they're affiliated with in their will or estate plans.

Other charitable organizations run circles around churches when it comes to securing legacy gifts. Education and communication is a key factor. So is starting early with younger donors.

The awkward reality is that many of our members are reluctant to leave a large gift to our churches.

Why is that? Several concerns come into play, and it's important to recognize each of them so you can honestly confront and address them as best you can.

MANY DONORS HAVE THE CLEAR IMPRESSION THAT THEIR CHURCH **COULDN'T HANDLE A VERY LARGE GIFT.**

Here are some common reasons I hear:

- 1.** There is a hand-to-mouth (paycheck to paycheck) method of operation that would lead to the church not handling it well. Even worse, a sudden large influx of funds could damage or ruin the church's culture.
- 2.** There is a lack of an investment infrastructure or expertise to properly manage a significant amount of money intended for long-term preservation.
- 3.** There are constant leadership changes and shifts in priority that make donors skittish about investing a major gift over which they will have no control or oversight after their death.

These are all valid concerns that must be acknowledged before they can be addressed. Church leaders need to spend time to ensure that there is an investment policy in place for large gifts and a clear infrastructure to ensure donor's wishes will be honored years and decades after their deaths. If your church's annual budget is \$1 million or less, how would you handle an estate gift of \$250,000? \$1 million? How would you invest and manage the funds? How would you record and retain the wishes of the donor? Churches must be prepared to handle and communicate these answers.

*The most common fear is that the church **can't manage a large gift.***

One way to address this core issue is through donor-advised funds (DAFs). A nonprofit organization can establish a DAF at a community or Christian foundation - it becomes a receiving fund for gifts where donors can allocate contributions, and it's fiscally managed by the foundation.

In the same way, individual donors/families can create a DAF and make gifts (referred to typically 'grants' by the foundations) to the organizations of their choosing. Some donors direct quarterly gifts out of their DAF account to their church and other ministries. The community foundation managing the DAF has the responsibility for investing the funds and reporting on them to the donor.

Most donors see a tax benefit when making their gifts to the DAF. The managing foundation will take accountability for ensuring the funds are managed and distributed to the organizations or ministries. The foundation also regularly reviews the recipient organizations to be sure they still meet the intentions of the donor. So for example, if Hope Church changes its mission, denomination or has a new pastor whose vision is radically departed from that of the donor's original intent, the foundation can evaluate giving future grants to Hope Church from the donor's DAF.

Many local Christian or community foundations will be happy to partner with you to provide donor materials, information on DAFs or even speak to your members about structuring their estate plans.

Educating your members about the impact an estate gift or endowed fund can have on your ministry is a natural addition to clear, transparent communication to your church about your finances. Include a paragraph in your fiscal reporting that shares ideas about how to make a lasting impact. As donors make estate and bequest plans, consider naming the church as a beneficiary of a life insurance policy or to receive a designated amount or percentage of the estate.

Often, a story is the best way to cast the possibility of a transformational gift. If you don't have a real one to share, share one with your members that imagines a future where a thoughtful donor wants to endow a ministry or fund.

“Imagine a long-time choir member who leaves the church a small percentage of her overall estate to create an endowment for the music ministry. Her estate gift of \$30,000, invested over time, could yield \$1,500 or more each year in earnings without touching the principal. Those funds could be added to the annual budget to replace instruments, purchase music or support the worship leader.”

Especially for younger donors who might be making their first wills and estate plans with guardianship for their children addressed, the church's ability to steward a large gift decades into the future is critical to their including their congregation in their legacy giving. Couples in their 30s, 40s, 50s should be among those the church seeks out to educate them about the possibilities and impact of a legacy gift from their estate. Develop scenarios that show how an estate gift over time could transform your church's ministries.

In these communications, it's important to outline how an invested endowment account would be (or is) used by the church to support its ministries year-round. Share the spending policy and how the invested funds are preserved for longevity, while using the earnings to support the annual budget or special projects.

Let me be clear that we are not trying to compete with family or convince members to choose us over the beneficiaries they would normally include in their last estate gifts. But many people choose to leave a gift to a cause or organization that meant something to them in life, and the church is rarely on that list despite its impact on the lives of its members.

Take a close look at your funeral and memorial service materials. I'm astounded how often a long-time church member's obituary lists organizations to contribute to in lieu of flowers with no mention of their congregation. Just a simple "Should you wish to include the Hope Church in your obituary notice for memorial contributions, please use the language below: *In lieu of flowers, the family requests donations in memory of Suzanne be made to Hope Church, 1234 Main Street, Township 09876.*"

Churches who make it a priority to educate their members and seek planned giving commitments will eventually find themselves in a situation where they can better fund and plan their ministry work. Please let us know how we can be of assistance to you as you look at your program. Educate, communicate, strategize and leverage the power of planned giving to change the trajectory of your church's long-term fiscal and missional future.

-Timothy L. Smith

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