



## **ENDOWMENT FUND FREQUENTLY ASKED QUESTIONS**

### **What is an endowment fund?**

An endowment is a permanent fund established to provide a long term source of income for the support of church programs, ministries and schools. In most churches, either the income from the investment or a set percentage of the value of the fund is available to spend on an annual basis. A healthy endowment can provide a source of funds – beyond the annual budget – for opportunities in operations and outreach and a hedge against challenging economic times.

### **What is the purpose of the PHUMC endowment fund?**

The purpose of the Permanent Endowment Fund is to help support the ministries, programs, and schools at PHUMC beyond the annual operating budget and the members' regular giving. The difference between the Permanent Endowment Fund and other types of operating or capital funds is that the endowment assets are invested for perpetuity in an effort to provide a steady, predictable source of income over time.

### **Who can donate a gift to the fund?**

Anyone can donate to the Endowment Fund...church members, friends, young, seniors, individuals, families. Donors have the opportunity to leave a living legacy by donating a portion of their God-given worldly blessings.

### **Are gift donations tax deductible?**

Yes. For more information about how donations can help your tax situation, please contact your financial consultant or tax advisor.

### **What types of gifts are accepted?**

Gifts to the Endowment Fund fall into two categories. *Outright gifts* include cash, publicly traded securities, closely held securities, real estate, real property, and other personal property. *Planned gifts* are deferred gifts usually transferred to the Fund after your death.

### **What is a planned gift?**

A planned gift is a wonderful way to create a legacy of generosity that will benefit PHUMC and its ministries, programs, and schools for years to come. Anyone can make a planned gift – you don't need to be wealthy. A planned gift is a gift that you develop in your lifetime, however, the principle benefits do not pass to the Endowment Fund until sometime in the future, usually upon your death or the death of the person you have designated as a secondary beneficiary. Meanwhile you may receive attractive benefits such as lifetime income and tax savings. Some of the most popular planned gifts include wills, living trusts, charitable trusts, life insurance, and gift annuities. You can learn more about planned gifts by reviewing the *Florida United Methodist Foundation Planned Giving Guide*. Since these gifts usually require advance planning, you should seek the advice of an attorney, financial advisor, or tax advisor before making a gift. The Florida United Methodist Foundation in Lakeland, Florida, also provides free confidential counsel to anyone who is considering a planned gift to the church. They can be contacted through their website at [www.fumf.org](http://www.fumf.org), or by phone 866-363-9673.

**Do my gift documents need to have specific language?**

Yes. Leaving a bequest is one of the easiest ways to create a legacy. As you consult with your attorney/advisors on the exact wording to reflect your goals and intentions, be sure to use the correct legal name for the church and specific language to designate the gift to the Endowment Fund. An example would be:

*I/we give to the Permanent Endowment Fund at Palm Harbor United Methodist Church in Palm Harbor, Florida, a Florida non-profit corporation, (insert dollar amount, percentage of estate, or description of particular property).*

**Can a donor specify the use of their gift?**

Yes. Contributions to the Endowment Fund may be designated for any of the seven sub-funds: *Capital improvement and unbudgeted property maintenance; children and youth ministries; adult and senior ministries; worship and music ministries; scholarships and Christian education; outreach and missions; and undesignated general fund.* Gifts of \$50,000 or more may be used to establish a new designated sub-fund. Gifts of under \$500 will be placed in the undesignated fund.

**How are funds distributed to the various missions, programs, and schools at PHUMC?**

Each ministry, including programs and schools, have the opportunity to receive annual distributions. The PHUMC Endowment Fund is governed by the Permanent Endowment Agreement document. In the document, there is a written specific spending policy for the distribution of the funds. In summary, each January, the payout is calculated by using the ending balance in the Endowment Fund at December 31, and the applicable federal rate as defined in The Internal Revenue Code. The payout is communicated to the Executive Committee along with recommendations and/or requests for funds; the Executive Council then discusses and approves the final distributions.

**Can the principal ever be used?**

The principal funds can only be used in extreme financial crises with the approval of the Executive Council.

**How is the endowment fund administered?**

The PHUMC Endowment Committee administers the fund on an ongoing basis in accordance with the Permanent Endowment Agreement. A financial report is presented to the Charge Conference each year and is included with the annual audit of church funds.

**Where are the endowment funds invested?**

All investments in the endowment fund are professionally managed mutual funds selected and monitored by the *Florida United Methodist Foundation in Lakeland, Florida* ([www.fumf.org](http://www.fumf.org)).

**How would a donor make a gift?**

The first step is to contact Michelle Premuto, Finance Manager, in the Church office for more information or to review the Permanent Endowment Agreement. You should also consult your financial advisor, attorney, and/or tax advisor.