The Generous Family

A Guide for Nurturing Giving at Home

National Christian
FOUNDATION®

"You will be made rich in every way so that you can be generous on every occasion, and through us your generosity will result in thanksgiving to God."
— 2 Corinthians 9:11, NIV

As wise stewards, one of the most important roles that parents and grandparents have is raising up the next generation of givers in the family. But nurturing a spirit of generosity can be quite a challenge in contemporary American culture, where a mindset of "getting" prevails rather than giving. With this in mind, *The Generous Family* was designed to help families turn the cultural tide and establish their own legacy of generosity.

With the solutions, scriptures, statistics, and tools featured throughout this guide, parents and grandparents will discover exciting new ways to help children grow in the grace of giving—which is one of life's greatest joys and one of the best ways to change the world for generations to come.

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Your Family Portrait of Giving

The Importance of Developing Your Own Family Stewardship Philosophy

The hidden tension of wealth can do strange things to family relationships, especially if the family does not openly discuss money. Often, the dangerous dynamics of wealth rip through a family suddenly, and it's not a pretty picture. Inheritors can develop subtle expectations about their future and the family's wealth. Siblings often feel discomfort and uncertainty over the dramatic ways their lives might be impacted—despite statements to the contrary. And parents tend to minimize the significance of passing large assets from one generation to another, and find it awkward to share their plans for fear of how they'll be received.

Perhaps it was upon observing all these tendencies that the writer of Proverbs 20:21, NIV, was prompted to caution, "An inheritance quickly gained at the beginning will not be blessed at the end." No doubt he noticed that unless families were thoroughly prepared to face such powerful dynamics, they would soon face the loss of things even more valuable than the wealth itself. Ironically, what begins as a desire to bless the family too often becomes a crippling curse. And in the name of net worth, the family loses what is priceless: family relationships.

PAINTING A BETTER PICTURE

To change the threatening picture of wealth in your family, communication is key. In most cases, people spend 40 years accumulating wealth and about 40 minutes deciding how it will be dispensed when they're gone. You owe it to yourself to have a plan that is well thought-out. And you owe it to your family to hold that first meeting at home where they can benefit from your attendance, not in the lawyer's office where they will experience your chair being empty. The reality is that most children really want to talk to their parents…not because they want their inheritance, but because they love their family. Family wealth provides a valuable opportunity to share life together, and the conversation starts with your Family Stewardship Philosophy.

THREE STEPS TO DEVELOPING YOUR FAMILY STEWARDSHIP PHILOSOPHY

Like a good family portrait, a well-developed Family Stewardship Philosophy captures a beautiful picture of what your family believes about the source and purpose of your wealth. The process of developing your philosophy involves clarifying your family's knowledge and core beliefs about money, and expressing and examining them to bring them into alignment with the truth of God's Word. It also involves communicating these beliefs through discussion and written statements that note your convictions, objectives, and intentions in a way that others can understand. You will also make commitments about the wealth that is entrusted to you, which practically demonstrates dedication to your core beliefs, as well as to God and your family.

Working through this three-step process of clarification, communication, and commitment is time-consuming but many families can attest to the fact that it is worth the effort. Your Family Stewardship Philosophy can serve to create a lasting legacy that is passed on to your family and future generations.

STEP ONE: Clarification

Before you can communicate what you believe to others, you need to have a clear understanding of what you actually believe yourself. Thus, developing a Family Stewardship Philosophy begins by examining and clarifying your core beliefs, feelings, and attitudes about wealth in light of scripture.

Why is this important? To a great degree, all of us are products of our environment. Throughout your life, you are bombarded with competing ideas, claims, and experiences that affect how you view money, either consciously or unconsciously. Over time, you develop attitudes, habits, and behaviors that ultimately reflect the beliefs you have adopted.

Even if you've taken the time to spell out your guiding principles, you may not have considered whether your actions and words are truly in alignment. For this reason, it's important to bring thoughts, feelings, and behaviors concerning money out into the open. This allows you to evaluate them in the light of God's Word. The typical discovery process begins with individual study and prayer. You may want to encourage other family members to work through a Bible study in a similar fashion or together as a group.

As you reflect upon your beliefs, it's helpful to write out your thoughts in a notebook or journal. Feel free to record anything significant that God brings to mind. What did your parents teach you about money? What were your feelings about wealth growing up? Have your beliefs changed over time? Do you remember any people, stories, or events that had an impact on your view of money?

As you move into the next step of communication, you may also want to draft one or more statements that express your core beliefs and values, as well as the vision, mission and purpose God has given you for your family's wealth. While such an exercise may at first seem limiting, in reality it can provide a launching point for improvisation. Putting pen to paper also helps to focus your thinking and clarify what it is you actually believe. Additionally, it serves as a means of documenting your wealth-related goals and objectives, which paves the way for tangible discussion and interaction with your family. For more help with this, see the Family Stewardship Statement worksheet in the Appendix.

STEP TWO: Communication

The ultimate goal in writing out your beliefs and objectives about wealth is to share them with your family.

> A Family Stewardship Philosophy is a document that describes your beliefs about why your family has been able to acquire wealth, how much wealth you should preserve, what should be given away, and how you should handle what God has allowed you to preserve.

As a steward, rather than an owner, your role in communicating is a humble one. Any family gathering to discuss finances is essentially a manager's meeting. As the leader of your home, your job is to report on the owner's wishes as you understand them, not your own. So you'll really want to be listening to what other family members have to say as well.

Your goal is to foster communication, promote sharing, and strengthen your relationship with the ones you love. As you work through this communication step or the next one, you'll likely find yourself going back to earlier steps for further clarification.

Some families do not relish the thought of open dialogue about money for fear of conflict. But the potential for conflict is not reason enough to abandon this important task. In fact, conflict is often God's way of getting our attention, bringing accountability, and correcting flawed perspectives. For anyone to see potential holes in their own thinking and behavior, you may need a different perspective. Often, the help of one or more strategic financial advisors is invaluable for resolving potential conflicts and keeping your discussion on track.

It All Starts with Stewardship

"The earth is the LORD's, and everything in it, the world, and all who live in it." –Psalm 24:1, NIV

Prior to delving into the three steps of developing your Family Stewardship Philosophy, it's wise to pause and reflect upon the nature of biblical stewardship, and all that it implies.

In light of scripture, it's clear that our use of the word "ownership" is misleading. The fact is all we possess is really on loan from God. Though we may be able to exercise control over material possessions during life, we never truly have ownership of them. Unlike God, our claims of ownership are limited by the grave. We are simply managers—or stewards—of God's resources. God owns everything. We simply get to manage some of it for a time.

After clarifying your beliefs and communicating with your family about wealth, you're ready to address the final step, commitment.

STEP THREE: Commitment

The true test of the work you put into the first two steps is what you actually do about it. Printing out new confessions of faith or purpose statements is not enough. You need to demonstrate your commitment to God and your family by stepping out in faith and putting your beliefs into practice through giving. When your words and actions match, your legacy is both taught and "caught."

For example, Pat and Pam McKinney of Charleston, SC not only committed themselves to a life of giving, they imparted that lifestyle to their children. Their two daughters have caught the spirit from their parents. They participate in family meetings to prayerfully decide how to direct the family's donations. "One of our daughters gave me a very thoughtful birthday card," says Pat. "The best part was her handwritten note that said, 'You taught me the joy of giving.'"

Commitment is the key. Without it, your beliefs are an empty promise that could drive your family apart. With it, your Family Stewardship Philosophy will become a source of wisdom and inspiration that brings your family closer to each other and to God for generations to come. ■

Creating a Legacy of Generosity

How to Pray, Teach, Model, and Celebrate Generosity with Children

Children and grandchildren are the living messages that we send to a time we will never see. So what will your family say about giving for generations to come?

The legacy of a generous family can be established when parents and grandparents make giving a habit through four key principles: 1) prayer, 2) teaching, 3) modeling, and 4) celebration. And the good news is that it's never too late, or too early, to instill the value of giving in your children.

Here are some practical tips, relevant scriptures, and ideas for children of all ages that will help you develop an intentional plan for giving in your family.

Pray — Nurture

"For God so loved the world, that He gave…"
– John 3:16

God was the first and ultimate giver. He gave extravagantly, generously, joyfully, and sacrificially. Our greatest gift, salvation, was a costly gift. In the midst of the horrific yet beautiful "giving process" of Calvary, Jesus prayed to the Father for each of us and future generations. "I do not ask on behalf of these alone, but for those also who believe in Me through their word; that they may all be one; even as You, Father, are in Me and I in You, that they also may be in Us, so that the world may believe that You sent Me." – John 17:20-21

One of the most effective habits of a generous family is prayer. A spirit of generosity naturally grows when a family prays together. Here are three key points to remember:

1. Make it a habit to bless others — Pray for opportunities to bless others—neighbors, friends at school, and strangers you meet. Then, teach your children to be open to God's interruptions.
2. See people as God sees them — Pray to see the need rather than the task…the person's heart, rather than their external trappings. Encourage your children to look deeper.
3. Be creative — For example, you could create a customized prayer calendar handcrafted with specific prayer requests each week from your family, friends, and the ministries that you support. Or you could use a missions-type calendar (go to www.samaritanspurse.org for an example of their calendar) that lists a specific people group each week with the needs of the group. Position it near the dinner table and pray before each meal for those on the calendar for that day or week.

Teach — Pass on Values Before Valuables

"Yours, O LORD, is the greatness and the power and the glory and the victory and the majesty, indeed everything that is in the heavens and the earth; Yours is the dominion, O LORD, and You exalt Yourself as head over all. Both riches and honor come from You, and You rule over all and in Your hand is power and might: and it lies in Your hand to make great and to strengthen everyone."
– 1 Chronicles 29:11-12

In Ecclesiastes 7:11-12, NIV, Solomon reminds us that, "Wisdom, like an inheritance, is a good thing and benefits those who see the sun. Wisdom is a shelter as money is a shelter, but the advantage of knowledge is this: that wisdom preserves the life of its possessors."

A solid understanding of biblical generosity is one of the best legacies you can give your children. It's important to remember that the spiritual and character capital you pass on to your kids is more valuable than any financial capital they will inherit. So teaching what the Bible has to say about money is the cornerstone to nurturing a generous family. Here are seven key principles to study together:

1. **We recognize God's ownership and our stewardship over all that we have.**
   The 1 Chronicles verses above give a powerful witness to this truth. Psalm 24:1 also states, "The earth is the LORD's, and everything in it, the world, and all who live in it." Also reference Psalm 50:10-12, Matthew 25:14-30, and 1 Corinthians 4:2.

2. **We live our lives to bring glory to God.**
   1 Corinthians 10:31 says, "Whether, then, you eat or drink or whatever you do, do all to the glory of God." Also please reference 1 Peter 4:11 and Matthew 5:16.

3. **We recognize that God has a divine purpose for our lives.**
   John 17:4 says, "I glorified You on the earth, having accomplished the work which You have given Me to do." Also reference John 15:16 and Jeremiah 29:11-13.

4. **We recognize that our ultimate home is in heaven.**
   In Philippians 3:20, the Apostle Paul writes, "For our citizenship is in heaven, from which also we eagerly wait for a Savior, the Lord Jesus Christ." Also reference Colossians 3:1-2 and Hebrews 11:9-10.

5. **We are committed to cooperating with God in building His Kingdom for eternity.**
   Luke 19:10 states, "For the Son of Man has come to seek and to save that which was lost." Also reference Revelation 5:9.

6. **We see ourselves in a spiritual battle.**
   Paul begins Ephesians 6:12 with, "For our struggle is not against flesh and blood, but…" Also reference 2 Timothy 2:3-4.

7. **We believe in and look forward to our eternal rewards.**
   Second Timothy 4:8 says, "…in the future there is laid up for me the crown of righteousness,". Also reference 1 Corinthians 3:14 and Matthew 6:19-21.

Model — Experience Generosity Together

"For I gave you an example that you also should do as I did to you." – John 13:15

In contrast to the prevailing mindset of "me," there are many ways that parents and grandparents can show children how to re-focus on the needs of others.

The Top Ten Parenting Techniques for Generous Families

According to **The Chronicle of Philanthropy**, teenagers report that their parents are the biggest influence on whether they give to nonprofit groups. But many parents are not raising their children in a way that seems to encourage philanthropy and volunteerism, according to a recent study.

The top ten parenting techniques that separate giving from non-giving teens are as follows (percentages are based on things parents "frequently" did, as reported by teens):

1. They explained how I can help other people by my actions. Teen givers (33%) were much more likely than other teens (19%) to report having parents who taught them this.
2. They encouraged me to speak up in family discussions. Teen givers (36%) were much more likely than other teens (21%) to report having parents who did this.
3. They spoke to me about the volunteering and giving they do. Teen givers (21%) were three times more likely than other teens (7%) to report having parents who did this.
4. They supported me on things I cared about. Teen givers (47%) were much more likely than other teens (33%) to report having parents who did this.
5. They told me why they were proud when I did good things. Teen givers (52%) were much more likely than other teens (35%) to report having parents who did this.
6. They encouraged me to be my own person. Teen givers (51%) were much more likely than other teens (33%) to report having parents who did this.
7. They set goals for me to achieve. Teen givers (37%) were much more likely than other teens (22%) to report having parents who did this.
8. They spoke to me about the way my actions made other people feel. Teen givers (33%) were much more likely than other teens (19%) to report having parents who taught them this.
9. They taught me to always consider other people's views. Teen givers (35%) were much more likely than other teens (19%) to report having parents who did this.
10. They explained the importance of giving to others. Teen givers (35%) were nearly twice as likely as other teens (17%) to report having parents who taught them this.

Preston, Caroline, **The Chronicle of Philanthropy,** "Parents Play Biggest Role in Encouraging Teenagers to Give, Study Finds", April 20, 2010.

And the good news is that no matter what age they are, it's never too late, or too early, to inspire a child to give. To spark your creativity, here are some ideas to try with your family:

FOR YOUNGER KIDS (Under Age 12)

"Reverse Gift" Birthday Party — Help your child to identify a need and ask guests to bring gifts for charity. For example, a children's shelter could use gifts of toys, clothing, or baby items. Then bring your child along to deliver the gifts to the charity.

Family Ministry Activities — Hands-on family activities are fun and relevant at this age. For young children, a charity that ministers to other young children may be the perfect fit. Often, a child can relate to another child in a more powerful way than to an adult. Check out charities that invite you to bring your entire family along to serve for a day or a week.

Introduction to Missions — Invite missionaries or ministry leaders to stay in your home. The stories they share of experiences in different cultures can open your child's eyes to the blessing they have, and foster a heart for God's people around the world.

Give a Gift — During a holiday, give each child an amount to use for the benefit of others. Stand back and watch the wheels of their minds begin to turn. Guide them to pray for ideas on how to apply these funds.

TIPS FOR TEENS

Establish a Family Giving Fund — A donor-advised fund is a great way to involve children in the decision-making process of gifting. You can allow teens to research ministries and causes that interest them, and make grants from an amount you stipulate, or set up a fund in their own name and pre-fund the initial balance. Then challenge them to contribute to it on their own as their earnings increase. One teen gets dad to match each amount she gives, creating her own "matching gift program."

Bible Study on Finances — Giving is just one aspect of handling money God's way. Teach your children what the Bible has to say about finances, debt, and generosity. *Discovering God's Way of Handling Money*, from Crown Financial Ministries is helpful for engaging teens. Visit www.crown.org for more details.

A New Spring Break — Choose five charities in your home town and visit one per day with your family during spring break. Your teen may even want to bring a friend to serve alongside him. One week of serving will be transformative in how your child sees life.

> 44% of adults volunteer and two-thirds of these volunteers began giving their time when they were young.[1]

Take the Challenge — Choose a week or month where your family will live on $10 a day for food. This begins to build an understanding of what much of the world must do to survive. It gives you the chance to clear out the pantry and use creative skills to feed the family. Give the amount you save from the food budget to a local food pantry or shelter.

Family Book Club — Are you having a hard time getting your teens to open up and talk? Start a family book club. Choose a generosity classic such as: *Fields of Gold*, by Andy Stanley; *The Treasure Principle*, by Randy Alcorn; or *The Purpose Driven Life*, by Rick Warren. Read a chapter together and discuss it over dinner.

Service Opportunities — Is your teen in a Bible study group or a club? Consider having them take a meal to a needy family or serve at a rescue mission.

ADVICE FOR ADULT CHILDREN

Offer Matching Grants — To encourage giving, offer to match your children's gifts dollar-for-dollar; you could match the contributions they make to their donor-advised fund for example and allow them to challenge your giving.

Inspire Personal Service — Inspire your children to give personally towards things that interest them. Ask them, "What's the one area where you'd like to make an impact?" or "What opportunity do you see to get involved?". Allow their creativity to flourish, using their unique talents.

Take a Family Mission Trip — One doctor travels with his two married adult children to work for one week in Mexico each year, providing medical assistance to children. It is a time of family bonding that far transcends a week at any resort, full of life-changing experiences they will never forget.

Offer a Conference Sponsorship — Consider sponsoring your children and their spouses to attend a conference that promotes generosity such as the Generous Giving conference. This powerful event will give them the opportunity to hear testimonies and interact with others who are growing in the grace of giving. Visit GenerousGiving.org for more information.

Celebrate — Rejoice in Generosity

"And you will sing as on the night you celebrate a holy festival; your hearts will rejoice as when people go up with flutes to the mountain of the LORD, to the Rock of Israel." – Isaiah 30:29, NIV

It's often said, "Whatever is rewarded is most often repeated." This truism should be considered when encouraging generosity within a family. There are three primary motivators for just about everything we do in our spiritual lives: love, reverence (some call this "fear"), and rewards. This last one is often forgotten. The rewards of generosity can be found in this life and the next!

> Only 1 to 2% of Christian colleges and universities teach biblical financial principles at all.[2]

Put your progeny in a position to be generous. Catch them being generous. Praise them for it. Then bring the story of their generosity to your family.

Here's an example: Encourage your teenage grandchild to sponsor a child in need (of the same age) with you. When you receive correspondence from your sponsored child, read it aloud with the family, maybe at a family-related celebration such as Thanksgiving. Then, as a family, celebrate the faithful generosity and the impact it is making.

After a couple of years, let your grandchild know that if they will continue giving, you will celebrate their generosity by taking them to meet their sponsored child!

Celebrating generosity is a beautiful picture of training up a child. It will teach them some of life's most important lessons and will encourage a heart of generosity for the rest of their lives. ■

1 Engaging Youth in Lifelong Service. A report published by Independent Sector and Youth Service America.

2 Christian Stewardship Association, quoted by Holly Hall, "Raising Funds by the Good Book: Churches Use Financial Lessons from the Bible and See Gifts Rise," *The Chronicle of Philanthropy*, June 17, 1999.

Get Your Giving in Gear with the Right Charitable Vehicle

Choosing Between a Private Foundation and a Donor-Advised Fund

Giving together as a family means sharing your time and talent, as well as your treasure. But often, the "treasure" portion of giving is the most difficult to manage in a family of means.

Giving can be a complex process based on a number of spiritual, emotional, and financial components. To train children properly, they have to move from learning concepts to actually making gifts. Choosing the right tool to facilitate family giving is a crucial decision. While families can, of course, make gifts directly to charity, there are a number of benefits to making gifts through special tax-advantaged vehicles. Two of the most popular charitable giving vehicles available for families today are: 1) donor-advised funds, and 2) private foundations. Here's a comparison of the two:

DONOR-ADVISED FUNDS

Donor-advised funds are one of the fastest growing charitable giving vehicles in America today. These funds are offered by a wide variety of sponsoring charitable organizations including community foundations, investment company foundations, or Christian community foundations.

A family can set up a donor-advised fund, make an irrevocable charitable contribution, and receive a charitable contribution receipt for the current tax year. Thereafter, from time to time, the family recommends grants from the fund to charities, and provided that those recommended recipient charities meet the policies established by the sponsoring charity, the grant is typically made as advised. Since most of these funds can be set up and administered primarily on-line, the overhead and administrative costs incurred by the sponsoring charity usually are very minimal. The family may designate one or more people to make the grant recommendations for their fund, and the fund may continue even after the donor's death. Since grants to the ultimate recipient charity are made from the fund and therefore technically in the name of the sponsoring charity, gifts can easily be made anonymously. Additionally, since the sponsoring charity is a public charity rather than a private foundation, the donor is able to claim charitable deductions at the higher adjusted gross income deduction limits allowed for public charities.

PRIVATE FOUNDATIONS

Private (non-operating) foundations are the other most commonly used vehicle for family giving. A private foundation generally supports charitable programs indirectly, providing grants to other nonprofit organizations rather than operating programs of its own.

Private foundations are a good fit for families who want maximum control over their gifted assets. But they must be willing to invest the additional time and money that it takes to manage the more complex administrative and legal requirements of a private foundation.

Private foundations are required to distribute a minimum amount to charity each year, which usually works out to be about 5% of the average market value of the foundation's assets. The foundation must also file federal tax form 990-PF every year, making a family's granting activity public information. So with tax filing and calculating annual distribution payouts, as well as the day-to-day operations of reviewing grant applications, approvals and distributions, and managing assets, sufficient legal and administrative support is necessary.

OKAY, SO WHICH ONE IS RIGHT FOR YOU?

Deciding which vehicle to choose for giving depends on each family's unique circumstances and objectives. David Wills, President of the National Christian Foundation, says, "Many givers ask if there is a certain asset level that makes one choice preferable over the other. But the answer is no. For example, we have had donor-advised funds ranging from 100,000 dollars to 100 million dollars." Some issues you should consider with your tax and financial advisors are: 1) what the true cost of a gift will be after tax savings, 2) how much charity will ultimately benefit from the gift and, 3) how much it will cost to operate the giving vehicle.

For anyone considering a foundation, it is advisable to remember that gifts to a public charity such as a donor-advised fund can result in greater tax savings than private foundation gifts. One instance where this is extremely important is when the family wants to give assets other than cash or publicly-traded securities, such as gifts of real estate or closely-held business interests. Gifts of this kind to a donor-advised fund are deductible at the assets' full fair market value on the date of the gift. However, gifts of this kind to a private foundation are only deductible up to the giver's tax basis in the asset. While gifts of cash may allow for greater deductions (up to 50% of Adjusted Gross Income, "AGI") than gifts of non-cash assets (up to 30% of AGI), giving low-basis stock or other appreciated assets is often more beneficial because the giver can avoid significant capital gains tax by giving the asset and enabling the donor-advised fund or private foundation to sell the asset.

> "In the 1990's, donor-advised funds began to grow in visibility and popularity, and they have become philanthropy's fastest-growing vehicle in recent years. Today, they account for more than 3 percent of all charitable giving in the United States."
>
> NATIONAL PHILANTHROPIC TRUST (NPTRUST.ORG, WHAT IS A DONOR-ADVISED FUND?)

Families may find it advantageous to fund their donor-advised fund or private foundation over time with annual gifts equal to the maximum allowable deduction they can take each year against their AGI.

Even if a family chooses to do their giving through a private foundation, it is still advisable for them to set up a donor-advised fund as well. To understand why this is advantageous, see the Fund and Foundation sidebar on page 20. ■

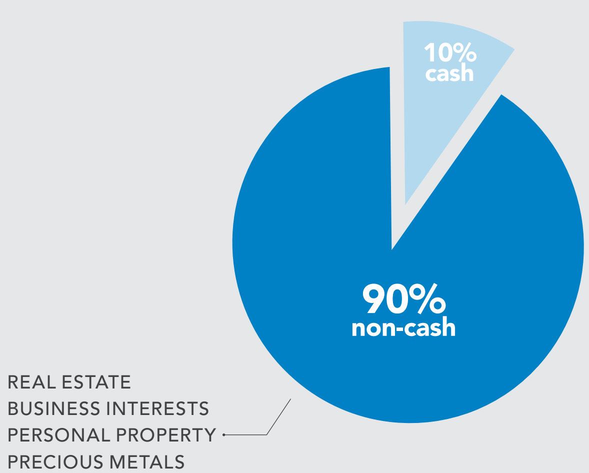
Unlocking Your Family's Giving Potential

A Look at the Power of Asset-Based Giving

Every year, Americans fail to give to charity as much as they otherwise could, simply because they do not take full advantage of the tax deductions provided under the laws regarding charitable giving. This failure equals billions of dollars each year that could have been utilized by charities to accomplish their beneficial purposes. Is your family among those who are making the most common mistakes in giving?

One of the first keys to becoming a generous family is learning how to leverage the current laws regarding charitable giving to the maximum effect. With a few simple principles, a family can unlock their giving potential and establish a legacy of generosity that they may have never even thought possible.

AVERAGE AMERICAN FAMILY'S WEALTH ALLOCATION



* IRS averages data from 2000-2010

To learn the secret to giving more, and avoid the most common mistake when it comes to charitable donations, it's important to understand the difference between what is owned and what is given.

It is estimated that the average American's wealth is comprised of only 10% cash. The other 90% is made up of stocks and non-cash assets such as real estate, business interests, and various types of valuable personal property.

Although most of the wealth in an average family's estate is made up of non-cash assets such as real estate, business interests, and other non-liquid assets, their giving is done from their liquid assets. Gravitating to what they perceive is the easiest gift to make—cash—they simply write checks to their favorite charities and ministries. But given the nature of the current tax laws, cash is often not the smartest way to make a charitable contribution.

Valuable, non-cash assets are where the greatest opportunity for giving can be found. Whenever possible, it's wiser to engage in asset-based giving because there are better tax advantages. When a giver donates an appreciated non-cash asset, he typically receives a tax deduction for the fair market value of the asset, which results in significantly higher income tax savings.

Another benefit is that if he sold the asset outright with the intent of giving the proceeds to charity, there would be capital gains tax on the sale. This would greatly reduce the net proceeds. By giving the asset directly to charity, the capital gains tax is avoided and much more of the value goes to the charity.

HOW DO YOU GIVE A HOUSE?

To facilitate asset-based giving, it is much easier to work with a public charity that sponsors a donor-advised fund program (see page 10 for more information on donor-advised funds). The National Christian Foundation specializes in asset-based giving through donor-advised funds. This type of arrangement is often necessary because many charities, ministries, and churches are unwilling, or unable to accept many non-cash gifts.

But with a donor-advised fund arrangement, the sponsoring charity receives and liquidates the asset, then places the net proceeds from the sale into a donor-advised fund. Then the giver is able to recommend grants to their favorite charities and ministries from the balance in the fund.

Here's one example of how an asset gift can be accomplished:

A family owns a beach house that they bought for $50,000 almost 20 years ago when their children were young. The family no longer uses it for vacationing, and has often considered selling it because the house has appreciated greatly in value over the years. It is now worth over $500,000.

Their church is currently involved in a new building campaign and their pastor has approached them about making a major gift. After talking and praying with their adult children, everyone in the family agrees that they no longer need the beach house and would love to see it used to support their church.

Honoring God with Everything You Own

As stewards of the wealth God has entrusted to them, it's wise for families to explore all the opportunities they have in their estate that are available for giving. To help determine the family's capacity for asset-based giving, some good questions to consider are:

1. Are we planning to sell real estate?
2. Are we planning to sell the family business?
3. Do we have publicly-traded stock that we could use to support ministry?
4. Are we leaving our heirs a "taxable estate"?

They learn from their financial advisor that if they sell the house and donate the proceeds, they will owe capital gains taxes of $94,500 on the sale. So they agree with his suggestion to donate the house directly to charity through a donor-advised fund sponsored by their local Christian community foundation. The foundation sells the house and the net proceeds of $500,000 are placed in the donor-advised fund. They are then able to make a grant of $400,000 to their church's building campaign to erect a new children's ministry center and they have $100,000 left to give later. If they had sold the house and then donated the proceeds to their church, they would have been able to give only $405,500. Mom and dad received an income tax deduction of $500,000, which saved them an additional $38,745 in income taxes (based on a 41% combined federal and state income tax rate), which they eventually used to help fund their youngest daughter's college education. ■

What's My Finish Line?

Essential Questions for a Wise Steward's Estate

Estate issues can be one of the toughest topics for families to address. Parents often have intentions to give charitably and to their children at death, but the plan for how their giving will be accomplished remains vague for a variety of reasons.

Financial expert, Ron Blue, says, "Most Americans, particularly as they get older, have a fear of not having enough money to last throughout their lifetime. This fear is one of the greatest obstacles to experiencing the joy of giving."

But many Christian financial advisors are recommending a different approach to overcoming this fear through the concept of setting a "financial finish line." Ron Blue explains, "I encourage people to set a finish line in terms of income and wealth. Decide the limit of your lifestyle and then set a cap. This is important to do in advance because as your wealth increases, so do the endless ways to spend, save, or invest it—and the finish line gets pushed further and further away."

> Over the next 50 years, between $41 trillion and $136 trillion will pass from older Americans to younger generations, suggesting that roughly $1 trillion to $3 trillion in wealth will change hands every year.[1]

For a more Kingdom-minded plan, David Wills, President of the National Christian Foundation, urges families to consider four important questions:

1. WHY HAS MY FAMILY BEEN ENTRUSTED WITH RESOURCES?

This is a highly personal question that goes straight to the heart of the matter - what is the purpose of weath? The purpose of your family is to glorify God and enjoy Him forever. We are all called to know Him and make Him known. But there are personal applications to this truth that are unique to your family.

When it comes to purpose and wealth as a family, you need to understand how to further your purpose by leveraging the resources God has entrusted to your care. He has allowed you to acquire, utilize, manage, and dispose of this wealth. The next three questions will help you think through these issues of utilization and disposition.

2.HOW MUCH IS ENOUGH FOR ME AND MY FAMILY?

After a person has acquired and preserved wealth, how should it be utilized? To answer this question, a clear definition of a financial finish line is essential. For example, during his life, noted author and Christian financial expert, Larry Burkett, set a modest standard of living and gave away the rest. One year before he passed away, his book sales were very strong, enabling him to give away $800,000. Terry Parker, founder of the National Christian Foundation and a personal friend of Larry's, says, "Larry knew what it meant to stop at the finish line each year. And he never lacked for anything."

Determining how much is enough to live on is not so much a formula as it is a guard against excess accumulation. Although the target may change over time depending on your circumstances, the process of trying to determine how much is enough is still helpful. The end result is recognizing that an estimated amount, or range, is enough.

> "Many regret having not given enough. Few regret giving too much to the cause of the Gospel."
>
> DAVID WILLS, PRESIDENT, THE NATIONAL CHRISTIAN FOUNDATION

3. HOW MUCH SHOULD I GIVE TO THE NEXT STEWARD?

Don't forget to consider who your next steward is, and if they are prepared. Most parents give very little thought to this question. The default plan is to divide the remaining estate equally among the heirs, pass on as much as possible at the lowest possible tax cost, and never discuss those plans before death. But this approach overlooks crucial factors to planning God's way such as instilling a good work ethic, and preparing children to manage wealth with grace and generosity. In Chapter 7 of the book of Ecclesiastes, the Bible says to impart wisdom before wealth. In other words, pass on values before passing on valuables!

4. SHOULD I GIVE NOW OR LATER?

Once you've determined how much is enough for you and your heirs, the rest of your estate is free for giving. Why wait? By giving now instead of waiting until after death, you enjoy lower taxes today and have the benefit of seeing and experiencing the impact of your giving.

START WITH GENEROSITY

Setting a lifestyle finish line is one of the most important keys to a generous family. Ron Blue says, "When I ask the question, 'How much is enough?' most people immediately start to think about how much money they need to live on, or to save, or to achieve their long-term goals. These considerations are important but I challenge givers to look at the question another way—How much is enough to give? Instead of trying to figure out how much you can give out of whatever's left over, flip-flop your perspective. Start by asking yourself how generous you want to be…and you just might discover the answer to true wealth." ■

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1 "Why the $41 Trillion Wealth Transfer Estimate Is Still Valid: A Review of Challenges and Questions," *The Journal of Gift Planning* 7, no. 1, January 2003, by John J. Havens and Paul G. Schervish.

Planning and Your Progeny

How to Ensure Your Children Don't Get Burned in Wealth Transfer

For believers, wealth is a sacred trust given by God—and one of life's greatest opportunities to worship Him and accomplish His purposes. Estate planning from this type of "trustee" perspective engages parents to care for what has been given to them for a time, and then transfer that trust wisely and effectively to their progeny.

In most cases, the subject of inheritance revolves around how much to leave the kids. But there are two greater concerns parents should have regarding inheritance from a biblical perspective. One is that their children are equipped to be content with whatever circumstances they experience in life as the apostle Paul describes in Philippians 4:11-13, NAS, "Not that I speak from want, for I have learned to be content in whatever circumstances I am. I know how to get along with humble means, and I also know how to live in prosperity; in any and every circumstance I have learned the secret of being filled and going hungry, both of having abundance and suffering need. I can do all things through Him who strengthens me." And the other is that they grasp what author, Randy Alcorn describes as the "the treasure principle"—an understanding that true wealth is in heaven as described in Matthew 6:19-21, NAS, "But store up for yourselves treasures in heaven, where neither moth nor rust destroys, and where thieves do not break in or steal; for where your treasure is, there your heart will be also."

> "No man has the right to handicap his son with such a burden as great as wealth. The question he must face squarely is not 'Will my fortune be safe with my boy?' but rather 'Will my boy be safe with my fortune?"
>
> ANDREW CARNEGIE (THE GOSPEL OF WEALTH, 1889)

A keen observation is that discontent, consumptive children will never have enough, regardless of their endowments. Beneficiaries who do not embrace the concept of eternal treasure and understand their role as a steward of God's sacred trust will often dissipate wealth in a fraction of the time their parents took to build it. And an inheritance that may be intended to bless heirs could actually become a curse.

Many parents today are beginning to understand that passing along a foundation of stewardship is a more valuable legacy than money could ever be. Financial advisors in biblically-based practices often take a more holistic view of legacy that involves not just money but three types of transferable capital including, in order of importance: 1) spiritual capital, 2) character capital, and 3) financial capital.

Spiritual capital is a family's greatest wealth. It is an understanding of God's Word and the application of it to life. A Christian's greatest inheritance is the truth that they are heirs indeed—sons and daughters of their Heavenly Father! If you have never shared your testimony of how you came to faith with your children, and especially your grandchildren, don't hesitate to do it. It has been said that God has no grandchildren; in other words, your children cannot inherit salvation from you. This is true, yet it is also true that parents and grandparents are in the unique position to teach and model God's plan of salvation to their children with more influence than anyone else.

Spiritual capital is necessary to develop strong "character capital." These are the specific values that parents embrace such as honesty, patience, discernment, integrity, and the qualities they wish to be remembered for in future generations. Scripture warns that the love of money is a root of all forms of evil (1 Timothy 6:10). When families are blessed with more than they need, their progeny face a temptation to stray from a reliance on God, and their character will follow. This is not inevitable, but in a family of means, more teaching and modeling of Christ-centered character is prudent.

Spiritual and character capital must be the first priorities for parents in what they transfer to their children. The possibilities to impart this invaluable capital are endless, including activities such as taking mission trips as a family, supporting Christian education, and giving to local missions and Christian organizations. Pray together as a family for direction in giving both your time and assets. Steer your family toward giving opportunities where they can invest in God's Kingdom. Then celebrate their choices of generosity, beginning with the small acts of giving in their youth and on to large acts of benevolence as they grow, along with their resources. Involving your children and grandchildren in using your financial resources for spiritual and character gain will develop those forms of capital in their own lives. (For more specific ideas, see "Creating a Legacy of Generosity" on page 5).

Kingdom-focused advisors say it is simply not wise for parents to impart financial capital to their heirs until a child's spiritual and character capital has been tested. It is often advised to give children less early on, rather than more, and to monitor their spending and giving decisions. Christian parents must be willing to reject the worldly model of, "How much can I leave my children?" because their mandate is to pass on Christian values, not just valuables.

> Spiritual and character capital must be the first priorities for parents.

ASKING THE TOUGH QUESTIONS

The issue of equality in inheritance is perhaps the most difficult question, and must be handled with great care. We need to love our children and grandchildren equally, but treat them uniquely. Parents must shift the question from, "What is fair?" to "What is right?" God Himself models this in the way He specifically rewards and disciplines His children for their greatest good as individuals. Yet, none can deny His intense love for all His children despite the vast range of circumstances in which all their lives can be found.

In no other area is it more challenging for parents to love equally, yet uniquely, than in the transfer of wealth. Some questions a parent must consider are: 1) Will my children need my money?, and 2) Will my children use it wisely? In both cases, if the answer is "no", then parents should not feel compelled to leave it to them. Author Randy Alcorn advises, "If the answers markedly differ from child to child, you should deal differently with them according to those real differences."

> "He decreed statutes for Jacob and established the law in Israel, which He commanded our forefathers to teach their children, so the next generation would know them, even the children yet to be born, and they in turn would tell their children."
>
> PSALM 78:5-6, NIV

FINDING THE RIGHT ANSWER

Fortunately, when parents approach the transfer of wealth by first asking why God has given them the privilege of being trustees of that wealth, the decisions they make in their estate planning process will take on a clarity that overcomes even the most challenging tax codes. The key is understanding that God has more interest in developing the trustees, than in maximizing their net worth. Likewise, His assignment to parents and grandparents is to train their children to be faithful trustees, not mere recipients of earthly wealth. ■

Eliminating Loopholes in Your Legacy

Establishing Parameters for Your Giving Vehicle

Establishing a legacy of generosity is a hallmark for most generous families. But one question that often plagues the minds of givers as they grow older is how they can ensure that God's Will for their giving will be carried out after they're gone. This is a pressing issue because there are many obstacles when it comes to maintaining giving intentions after a giver's death.

Many givers have provided in their will, or other testamentary documents, specific amounts to go to charity. Every time they change their minds, they must remember to undergo the proper legal process of amending their wills. Also, many families name their private foundation in their wills. But what many don't realize is that when those instructions are not permanently established as corporate provisions unable to be modified without the approval of the donors, a successor board of directors can change any instructions that the original giver has put in place.

Even if a family puts their children in charge of their private family foundation and the kids agree to abide by their parents' wishes, problems can arise. As time goes by, children might be swayed by spouses who feel differently. And in subsequent generations, grandchildren and other heirs whom the grandparents have never even met will be in charge.

To overcome these issues, many Christian givers have brought into the picture an independent third-party organization that has a long-standing commitment to the general intent of the giver. For example, many have turned to an enhanced type of donor-advised fund sponsored by the National Christian Foundation (NCF). In these types of "legacy funds," NCF assumes greater responsibility to ensure that the family's giving intent and granting desires are carried out faithfully after death, with parameters for giving that are not antithetical to the Gospel.

As with other donor-advised funds, the donors make an irrevocable donation to the charitable organization that sponsors the donor-advised funds, transferring ownership and control of those funds to that organization. The donor still has the right to make recommendations to that sponsoring organization regarding the ultimate distribution of those funds. In a "legacy fund," though, NCF works with family members to create a customized plan that is consistent with the community foundation's granting policies, and that establishes a framework of the donor's preferences regarding recommendations for grants from the fund after the donor's passing. Such a plan outlines how much, how often, and to which ministries or types of charitable work the donor would plan to make recommendations. After the donor's passing this framework is used by NCF as an expression of the previously-established desires of the family. A great benefit of this arrangement is that, since the gifts of the assets to the community foundation have already been made, givers do not need to amend their will if their giving strategy changes; instead, they simply notify NCF to modify their legacy instructions accordingly.

A donor-advised fund like this can be used in very creative ways. For example, the family can recommend that the money be totally granted from the sponsoring organization within a certain number of years. Or they could recommend that only income and gains will be used for grants from the sponsoring organization, preserving the principal. They can also name successor advisors such as children, friends, or a pastor to recommend specific charities consistent with their legacy plan.

HOW A LEGACY LOOKS IN REAL-LIFE

An example of a donor-advised fund with legacy parameters

Karen and Paul had a private foundation that they used to support Christian churches and ministries. They frequently discussed what would happen to the foundation upon their deaths. Rather than simply grant out all the assets immediately, Karen and Paul hoped that their two children would continue their family tradition of giving for years to come.

However, they knew their children would need training and guidance to be ready to carry on this responsibility. They were also concerned that as their kids grew older and started families, future generations might want to give to charities they would have never supported when they were living.

Therefore, Karen and Paul wanted to leave specific instructions to be carried out after their deaths, but still leave room for their children's giving passions as they grew in their walks with God. Most importantly, Karen and Paul wanted to ensure that their family foundation would continue to only give to organizations that adhere to their own intent.

Fund and Foundation

Why Every Private Foundation Needs a Donor-Advised Fund

A donor-advised fund can complement your private foundation giving in a variety of ways. For example, you can:

Make non-cash gifts easily, with the benefit of being able to deduct the fair market value of appreciated assets such as real estate and business interests. If given to your foundation, the deduction is limited to the cost basis.

Make an anonymous grant through your fund when you want to keep your gift private, or grant outside your foundation's focus area.

Train family members and board members by giving them certain grant recommendation privileges over the donor-advised fund.

Maintain the donor-advised fund as a charitable outlet for some or all of the assets maintained by the foundation, should the foundation need to distribute certain assets for liability or other purposes.

Receive grant training for your board and other staff when you have a fund at a local Christian community foundation.

For additional help in deciding the right tool for your family, see the Diagnostic Tool in the Appendix. And to make the best decision in the end, families will need to rely on the help of expert professional advisors well versed in the tax and legal implications of charitable giving vehicles as well as the practical and spiritual dynamics of giving.

After a meeting with their professional advisor, Karen and Paul decided to dissolve their private foundation and transfer its funds into a donor-advised fund at the National Christian Foundation (NCF). They used this to do all of their lifetime giving, allowing their children to recommend grants from the fund as well, with increasing responsibility as they grew older. They also set up a legacy framework with the foundation regarding their recommendations for grants from the donor-advised fund after their deaths. A group made up of Karen and Paul's children, a close family friend, and a representative from NCF would act as the "advisory committee" for the fund, and provide the security and permanence that they were seeking.

> "In most cases, people spend 40 years accumulating wealth, 20 years trying to preserve it, and about 40 minutes deciding how it will be dispensed when they're gone."[1]

Upon their deaths, the legacy parameters regarding the balance of their donor-advised fund were:

- They desired that grants would be made from the income earned on the balance of the fund, rather than from the principal. An appropriate investment strategy was also selected.
- Prior to recommending a grant from the fund to a particular ministry, the advisory committee would require the potential ministry grantee to sign a statement of faith that Karen and Paul created. The ministries would also have to be willing to provide reports and information as required by the committee to ensure proper stewardship and accountability of grants they received.
- Each year, the committee would ensure that at least 25% of all grants would be recommended according to a pre-determined list of ministries that Karen and Paul provided. Fifty percent of all grants would be given to organizations that serve the poor and needy.
- The timing of all grant recommendations would be left up to the advisory committee, which could also recommend the remaining annual grant amount at their discretion to other ministries that signed the statement of faith.

In summary, Karen and Paul were able to use their donor-advised fund to give while they were alive. They could also use the fund as a tool to teach their children important values about generosity. And they could rest assured that after their lifetime, their giving desires would continue to be carried out to the glory of God. ■

1 *Family. Money.* 2008, The National Christian Foundation

Family Stewardship Statement

Giving together as a family can be done in a very strategic and effective manner. Taking the time to record your family beliefs on stewardship and your family's unique giving goals provides a road map for your family giving. Just as an organization has a mission statement that guides their day-to-day operations and their long-range planning, your family's giving statement provides a valuable, documented mission statement for your stewardship responsibilities.

I. Our values and beliefs

We believe ....

....

(State what you collectively believe about God's ownership and your role as His steward.)

He has blessed us so that ....

....

(State what you think God has called you to support…what has stirred your hearts.)

II. Our unique interests

We will give our time, talent, and treasure toward:
(Check all that apply and assign percentages of your giving budget.)

- ☐ Arts and Culture ....
- ☐ Children and Youth ....
- ☐ Disaster Relief ....
- ☐ Discipleship ....
- ☐ Education ....
- ☐ Environment and Animals ....
- ☐ Evangelism ....
- ☐ Family ....
- ☐ Human Services and Medical ....
- ☐ Place of Worship ....
- ☐ Social Civic Public Policy and Philanthropy ....
- ☐ Urban ....
- ☐ Other (List below.)

....

....

....

III. Our target geographic areas

(Assign percentages that match your giving objectives.)

.... % Local Charities.

.... % National Charities.

.... % International Charities.

IV. Our giving goal (annual or lifetime)

What amount can we give as a family?

$ ....

What amount would we like to give as a family?

$ ....

If God blessed us even more, what amount would be our dream goal?

$ ....

Diagnostic Tool: Which Giving Tool Is Right for Your Family?

Rate the relevancy of each statement for your family.

		DISAGREE ←				→ AGREE
1	Giving privately is important to us.	1	2	3	4	5
	The ability to make anonymous gifts to charities and individuals is important.	1	2	3	4	5
	Simplicity in managing giving is important to our family.	1	2	3	4	5
2	We will have a sale of an appreciated asset within the next ten years (real estate, business interests, etc.).	1	2	3	4	5
	Minimizing taxes so that we can maximize giving is important to us.	1	2	3	4	5
3	Giving while establishing a future income stream is an option we'd consider.	1	2	3	4	5
	We're interested in having a safety net option for future income.	1	2	3	4	5
4	We plan to have the family involved in giving decisions.	1	2	3	4	5
	Training future generations in giving is important.	1	2	3	4	5
	We're concerned about the next generation(s) adhering to our family's giving values.	1	2	3	4	5
	Family members will be involved in managing family giving in the future.	1	2	3	4	5
5	We will likely contribute less than $5 million charitably.	1	2	3	4	5
	We like to partner with experts to help us manage compliance, legal matters, and accounting for our charitable organization. Limiting risk is smart for us.	1	2	3	4	5
	Absolute control over charitable assets is not of paramount importance.	1	2	3	4	5

Total your circled answers: ....

Score 14 – 28 You may want to consider a Private Foundation, particularly if you scored the last section of questions as a "1." A private foundation will provide maximum control while giving your family a tool to manage giving for many years. If you scored the first five questions as a "4 or 5," you should consider a donor-advised fund (DAF) as an additional tool to complement your private foundation for your family giving. A DAF can provide heightened tax benefits with the feature of anonymous giving to meet your family's giving needs.

Score 29 – 60 You may want to consider the donor-advised fund (DAF) as your family's primary giving tool. The DAF will give you the flexibility and ease you need as well as serve as a training tool for generations of giving. With its heightened tax benefits, the DAF can help you propel more into Kingdom work by reducing income and capital gain taxes. Particularly, if you will fund your charitable account with non-cash assets, you should consider a donor-advised fund.

If you find you scored low on the last section and scored high on other points, you might consider an innovative hybrid charitable tool, a Supporting Organization. It provides the greatest tax benefits while providing the grant-making flexibility you desire.

If you scored high on the questions in section 3, you may also want to consider an additional giving tool, such as a Charitable Trust or Charitable Gift Annuity, that will provide the flexibility of receiving an income now or later while also making a charitable gift.

Giving Vehicle Comparison Chart: Donor-Advised Funds, Supporting Organizations, and Private Foundations

ISSUE / FEATURE	DONOR-ADVISED FUNDS	SUPPORTING ORGANIZATIONS	PRIVATE FOUNDATIONS
Description of the donor's role and Governance	Donors have advisory privileges only. Ultimate control rests with the public charity.	Neither the donor nor a family member can control, directly or indirectly, more than 49% of the board, but the donor may participate in the selection of board members.	The donor family can control 100% of the board; however, after the donor's death, the board has control.
Control over grants and assets	The donor may recommend grants and investment options, but the public charity has ultimate control over decisions.	The donor may recommend grants and investments, but the board of the SO has ultimate control over decisions.	The board has complete control of all grants and investment decisions, subject to self-dealing rules.
Tax deduction limits for gifts of cash and publicly-traded securities	Cash: 50% of adjusted gross income Publicly-traded securities: 30% of adjusted gross income	Cash: 50% of adjusted gross income Publicly-traded securities: 30% of adjusted gross income	Cash: 30% of adjusted gross income Publicly-traded securities: 20% of adjusted gross income
Tax deduction limits for other non-liquid appreciated assets (long-term capital gain)	Fair market value up to 30% of adjusted gross income	Fair market value up to 30% of adjusted gross income	Lesser of fair market value or the donor's basis in asset up to 20% of adjusted gross income
Excise taxes	None	None	Up to 2% of net investment
Distribution requirements	None	None	5% of foundation assets must be distributed annually
Start-up costs	None	Legal and accounting fees for incorporation, IRS filing, and other documents (+/- $5,000)	Legal and accounting fees for incorporation, IRS filing and other documents ($5,000 – $30,000[1])
Ongoing administrative and management costs	It varies depending on the public charity providing the service… generally 1% per year or less.	Ongoing fees for accounting, legal and administrative advisors ($5,000 – $40,000+[1]) to oversee the assets, balance the books, pay the bills, keep the records and file the tax returns	Ongoing fees for accounting, legal and administrative advisors ($5,000 – $40,000+[1]) to oversee the assets, balance the books, pay the bills, keep the records and file the tax returns
Ability to employ people and pay salaries and benefits	No	Yes, subject to reasonable compensation limits; no to disqualified persons	Yes, subject to reasonable compensation limits
Ability to pay expenses for travel/other reimbursements	No	Yes, able to pay expenses but not able to reimburse expenses to disqualified persons.	Yes
Ability to make grants to non-exempt individuals	No	Yes, subject to the same requirements as grants to foreign charitable organizations	Yes, subject to the same requirements as grants to foreign charitable organizations
Anonymity of donor	Yes	No[2]	No[2]
Privacy	Complete privacy is available. DAF information is aggregated with other DAF information to maintain privacy, and an individual tax return is not required for each DAF.	The donor must file Form 990, which becomes a matter of public record and contains detailed information on grants, investment fees, salaries, etc.[2]	The donor must file Form 990 which becomes a matter of public record and contains detailed information on grants, investment fees, salaries, etc.[2]
Succession and Perpetuity	Can exist in perpetuity	Can exist in perpetuity	Can exist in perpetuity

1 The creation of any legal entity, especially one that could last in perpetuity and/or involves irrevocable actions, requires the careful input and oversight of a competent attorney that has a thorough understanding of the donor's family and their giving goals and objectives.
2 Combining this tool with a donor-advised fund (NCF Giving Fund) can achieve partial privacy and anonymity.

* Information in this chart is based on federal laws as of the date of this printing, July 2014. These laws are subject to change and can affect the accuracy of this information.

Glossary

501(C)(3)

Section of the Internal Revenue Code ("Code") that designates an organization as a tax-exempt charity. Organizations qualifying under the Code include religious, educational, charitable, amateur athletic, scientific, or literacy groups; organizations testing for public safety; or organizations involved in prevention of cruelty to children or animals. (Most organizations seeking foundation or corporate contributions have a 501(c)(3) status.)

CHARITABLE GIFT ANNUITY (CGA)

A contractual arrangement in which donors give an asset such as stock in a business in exchange for an annuity that carries the promise of fixed payments for the rest of their lives. This is known as a "split-interest" type of gift in which part of the gift is a charitable contribution, and part of the gift is an investment. The CGA is a popular gift plan because the annuity payments are guaranteed by the assets of the charity that issues the agreement, and because a shortened annuity payment yields benefit to a charity that advances the donor's ministry intent rather than to a for-profit company.

CHARITABLE LEAD TRUST (CLT)

A split-interest trust arrangement in which one or more charitable recipients receive current, regular distributions from the trust during its term. At the termination of the trust, the remainder of the trust assets are distributed to the donor or to third-party beneficiaries designated by the donor. Under this arrangement, the donor receives a charitable contribution deduction for the portion of the property distributed to the charitable recipients.

CHARITABLE REMAINDER TRUST (CRT)

A split-interest trust arrangement in which the donor, or third-party beneficiaries designated by the donor, receive current, regular distributions from the trust during its term. At the termination of the trust, the remainder of its assets are distributed to one or more charitable recipients. Under this arrangement, the donor may avoid capital gains taxes on donated assets, while also receiving a charitable contribution deduction for the calculated fair market value of the remainder interest likely to be distributed to the charitable recipients. Since the assets contributed to the trust will never return to the donor, those assets are removed from the donor's estate, resulting in beneficial estate tax and estate administration effects. While the contribution is irrevocable, the grantor may have some control over the way the assets are invested, and may even be able to modify the recipient charity or charities over time. CRTs generally come in three types: charitable remainder annuity trust (which pays a fixed dollar amount annually), a charitable remainder unitrust (which pays a fixed percentage of the trust's value annually), and a charitable pooled income fund (which is set up by the charity, enabling many donors to contribute).

COMMUNITY FOUNDATION

A type of foundation formed by broad-based community support from multiple sources: trusts, endowments, individual contributions, private foundations, or corporate grants. A community foundation generally makes grants only within a specified geographic area and is governed by a board representing the community it serves. Some community foundations sponsor donor-advised funds for contributors.

CONTRIBUTIONS COMMITTEE

A corporate group organized to make grant decisions usually with the guidance of a corporate foundation or contributions administrator. Typical responsibilities include setting and interpreting policy, approving an annual budget, and reviewing grant requests.

CORPORATE CONTRIBUTIONS

A general term referring to charitable contributions made by a corporation. Usually used to describe cash contributions only, but may also include other items, such as value of loaned executives, products, and services.

CORPORATE FOUNDATION

(also called a company-sponsored foundation)

A foundation that receives at least most of its revenue from a profit-making company but is an independent legal entity. Usually this type of foundation carries the name of the parent company. Corporations may fund these foundations with a donation of permanent assets or with periodic contributions.

CORPORATE GIVING PROGRAM

(also called a corporate contributions program)

Funding that is distributed directly by a corporation, rather than through a foundation. Often handled by the Public Affairs or Public Relations department.

DONOR-ADVISED FUND

Donor-advised funds are alternative charitable giving vehicles offered and administered by a sponsoring charity. Designed to be accessible, simple, and administratively inexpensive, donor-advised funds are the fastest growing charitable giving vehicle in America today. An individual, family, or business entity can set up a donor-advised fund quickly online, make an irrevocable charitable contribution, and receive a charitable contribution receipt for the current tax year. Thereafter, from time to time, the donor recommends grants from the fund to charities, and provided that those recommended recipient charities meet the policies established by the sponsoring charity, the grant is typically made as advised. Since most of these funds can be set up and administered primarily on-line, the overhead and administrative costs incurred by the sponsoring charity are usually very minimal. The donor may designate one or more people to make the grant recommendations for their fund, and the fund may continue even after the donor's death. Since grants to the ultimate recipient charity are made from the fund and therefore technically in the name of the sponsoring charity, gifts can easily be made anonymously. Additionally, since the sponsoring charity is a public charity rather than a private foundation, the donor is able to claim charitable deductions at the higher public charity adjusted gross income deduction limits. Donor-advised funds are offered by a wide variety of sponsoring charitable organizations including those affiliated with mutual fund or investment companies, broadly focused community foundations, and more narrowly focused organizations such as Christian community foundations.

FINANCIAL ADVISOR

An individual or firm who provides counseling and evaluative services to donors before and after grant-making decisions.

FOUNDATION

A private, nonprofit organization with funds and a program managed by its own trustees and directors, established to further social, educational, religious, or other charitable activities by making grants (also see Private Foundation below). A private foundation receives its funds from, and is subject to control of, an individual family, corporation, or other group of limited number.

GRANT

The award of funds to an organization to undertake charitable or tax-exempt activities.

GRANTEE

Individual or organization that receives a grant. Also called a donee.

GRANTOR

Individual or organization that makes a grant. Also called a donor.

IN-KIND CONTRIBUTION

Support in the form of goods or services rather than a cash contribution.

INDEPENDENT FOUNDATION

A private foundation that is no longer controlled by the original donor or donor's family.

MATCHING GIFTS PROGRAM

A corporate contributions program that will match contributions made by employees, retirees, and their spouses to qualifying nonprofit organizations. Specific guidelines regarding the type of organizations included, donor eligibility, and the dollar amount that will be matched are established by each corporation.

MATCHING GRANT

A grant or gift made with the specification that the amount donated must be matched from other sources on a one-for-one or some other prescribed basis.

NONPROFIT

A term describing an organization whose income is not used for the benefit or private gain of stockholders, directors, or any other persons with an interest in the company. A nonprofit organization's income must be used solely to support its operations and stated purpose.

PAYOUT REQUIREMENT

Private foundations are required by law to pay out at least 5% of the fair market value of their assets each year in grants and administrative expenses.

PRE-TAX NET INCOME

A corporation's annual net income before it has paid taxes. The Internal Revenue Service currently allows corporations to deduct charitable contributions of as much as 10% of their pre-tax net income.

PRIVATE FOUNDATION

A Foundation that receives most of its income from, and is subject to control of, an individual or other single or limited source. (See Foundation.) Also the technical IRS term for an organization that is tax-exempt under Internal Revenue Code Section 501(c)(3) and classified as a private foundation under the Internal Revenue Code.

PRIVATE OPERATING FOUNDATION

A legal classification for an endowed organization that uses its income to directly operate a charitable activity, such as a school or camp, rather than primarily to make grants.

PUBLIC CHARITY

Public charities are designated under Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code and are defined in Section 509 (identified by the Code as "not a private foundation"). A public charity normally receives a substantial part of its income, directly or indirectly, from the general public or from government sources. The public support must be fairly broad, not limited to a few individuals or families.

SUPPORTING ORGANIZATION (SO)

Tax-exempt Section 501(c)(3) charities are further characterized as either "public charities" or "private foundations," with private foundations being subject to greater limitations than public charities. A supporting organization qualifies as a public charity (and not a private foundation) not as the result of the nature of its activities or of meeting a public support test but rather because it has a close relationship with another public charity. As part of that relationship, the supporting organization must provide meaningful support (financial, programmatic or both) and give some degree of structural and operational control to one or more other public charity organizations. Supporting organizations allow their founders less control over the organization than private foundations; but supporting organizations also are not subject to the additional excise taxes and other limitations placed on private foundations. Further, unlike donations to a private foundation, donations to a supporting organization benefit from the higher adjusted gross income deduction limits permitted for other public charities.

TAX-EXEMPT ORGANIZATION

A nonprofit organization that does not have to pay federal income taxes and typically state income taxes as well. An organization other than a church must apply to the IRS and often to a state Attorney General or other agency to receive tax-exempt status.

UNRELATED BUSINESS TAXABLE INCOME (UBTI) AND UNRELATED BUSINESS INCOME TAX (UBIT):

UBTI is income earned by a tax-exempt entity from a trade or business regularly carried on that is not substantially related to furthering the exempt purposes of the organization. UBIT is the tax the charity may owe on this income after deducting the business expenses associated with its production. Exempt organizations are often subject to UBIT on the UBTI produced by (1) certain fundraising activities carried on by the organization (i.e., selling buttons, mugs, T-shirts), and (2) certain business interests contributed by generous donors. Organizations must assure that their unrelated activities are not substantial enough to jeopardize their exempt status. Beyond that, they typically seek to reduce UBIT as much as possible within the law, but consider the remaining UBIT to be an understandable "toll charge" on the ancillary activities that are yielding supplemental funds with which the organization carries out its exempt purposes.

National Christian
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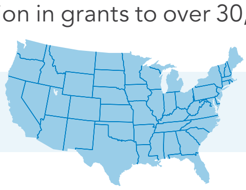
About Our Ministry

With creative solutions, unparalleled expertise, and biblical values, our team at the National Christian Foundation (NCF) helps you simplify your giving, multiply your impact, and experience the joy of sending more to your favorite causes than you ever dreamed possible. From the simplicity of the Giving Fund to the multiplying power of Asset-Based Giving, our creative solutions can help your give more by giving more wisely and efficiently. We also serve professional advisors and ministries and churches in exciting ways. The result? Since 1982, we've sent some $5 billion in grants to over 30,000 charities.



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