

Creating an Endowment Fund for your Church

Theological Foundations

Endowment gifts are theological statements which demonstrate one's belief that we are never ultimately proprietors, owners, but only stewards, lifetime guardians entrusted by God to use wisely what God has placed in our hands. When an individual creates an endowment gift for the church during or beyond their lifetime, it declares to the present and future generations the importance of our faith and trust in God. We have each drawn water from the wells we have not dug; we have sat under shades trees we did not plant and we each have a wonderful opportunity to provide the means for the church to have a strong and empowering ministry for generations to come.

Matthew 2:11b – “Opening their treasures, they offered him gifts...” Read this passage in the third person, then in the first person. Endowment gifts usually come from treasures, our accumulated assets.

Genesis 26:17-25 – “And Isaac dug again the wells of water which had been dug in the days of Abraham his father...” Leave something behind which is better than what you found.

Preliminary Considerations

Create a task group to explore the implications of creating an endowment fund and a planned giving program to support the fund. An open discussion of the following questions will provide the task group with a framework for considering the benefits of an endowment.

- Are we concerned about our congregation's ability to raise funds to support our annual operating budget?
- Do changes in the economy affect our ability to meet our annual stewardship goals?
- Do we face increased operating costs?
- Do we anticipate future needs that will strain our budget?

- Has our church ever had to reduce our mission programs because of a lack of money?
- Do we have dreams for new or expanded mission initiatives?
- Does the church serve a purpose or need that is likely to exist on a long term basis?
- Does the church face increasing competition for current dollars from other worthy charitable organizations?
- What percentage of gifts comes from individuals 65 years of age or older?
- What percentage of the annual budget comes from the top 3 to 5 giving units?
- Do we anticipate decreased levels of giving as long-term, committed members face old age, disability, and death?
- What would it mean to the church if members planned today to endow their pledges in perpetuity?

Creating Your Church's Endowment Fund

You have decided to move forward. Great! Establishing an endowment fund takes a careful step-by-step effort by a task group. The following steps will help the task group move through a process that will result in a defining document for the endowment fund and an action plan for introducing the fund, educating the congregation about the fund, and implementing initial funding ideas.

- **Name a Task Group** - Through an appropriate Committee, request the Session to convene a task group to create an endowment fund - recommend membership to be up to 7 individuals with demonstrated commitment to mission and ministry. Include one or two individuals who receive the admiration and respect of Presbyterian Women as well as one or two persons with expertise in fiduciary law, finance, investments, and marketing/promotion.
- **Involve Your Presbyterian Foundation Ministry Relations Officer** - Invite your local Presbyterian Foundation Ministry Relations Officer to meet with your task group. This person brings a wealth of experience and numerous resources to help you formulate recommendations to the Session's consideration.
- **Involve Your Pastor** - The support and experience of the pastor is vital in helping the committee create a program and process, which will bless your church's expanded mission support for many years. An important contribution the Pastor can provide is how this proposed endowment fits into the congregation's vision of what God is calling them to be and do.
- **Conduct Research on Your Church's Giving Patterns**

General information about giving patterns can be gleaned from church records without invading privacy. Attention should focus on what portion of the annual budget is funded by various 10-year age groups, particularly members over age 60. The over 60 group is likely to have your best endowment prospects. One suggestion to consider is challenging members to endow their pledges by making a gift that equals twice their annual pledge with a zero added. Example: Multiply a \$1,000 pledge by 2 and add a zero to reach a suggested gift of \$20,000.

- Develop a “Case” for an Endowment Fund? – Why should members make bequests or lifetime gifts to our church’s endowment? That question will arise very soon in your deliberations. Through task group discussions and informal meetings with church members (usually in private homes) identify three or four mission priorities that would benefit from endowment support. Examples might include: enhanced youth ministry programs, special mission trips, an expanded music ministry, additional Christian education opportunities, local mission programs, building maintenance or capital improvements. While many of these program areas today demand increasing levels of funding, it is important to stress that endowment income will primarily provide expanded ministry opportunities beyond the capacity of the annual budget. In some cases, the endowment income could assure support for ongoing programs during occasions when ordinary income may fluctuate. As you consider and develop your case statement, the deliberations will hopefully stimulate excitement about the endowment and may result in financial commitments for those involved.
- Create an Endowment Fund Policy Document – This policy document is designed to clearly state its operating principles such as: the purpose of the endowment fund, how the endowment income will be used, how gifts received will be handled (with or without restriction), disposition of non-cash gifts, how are funds to be invested, how a responsible committee will be structured and elected and what officers might be necessary. Working with the Foundation’s Ministry Relations Officer, the Task Group might consider the following:
 - What restricted funds do we already have?
 - Can any of those funds be converted into the new endowment fund?
 - Do we want a general endowment or do we want several ministry area endowment funds?
 - The Ministry Relations Officer can provide guidelines for an endowment policy as well as some sample documents that other churches have given permission to share.
- Utilize Presbyterian Foundation Resources - The Foundation provides both print and people resources at little or no cost to support your endowment efforts. (**See Foundation/Church Partnership below**) For more information go to: www.PresbyterianFoundation.org

- Consult the PEER Network for Resources - The website of the Presbyterian Endowment Education Resource Network (www.presbyterianendowment.org) contains valuable information and by-law samples.
- Finalize the Endowment Fund Policy Document - Fine tune your endowment policy document. A caution is in order here. Do not allow this step to consume more than a reasonable amount of the Task Force's time. You will need to have an attorney review the document to insure it is consistent with requirements of state law.
- Keep Your Pastor Involved - The pastor should either participate in all meetings or be regularly informed of the progress of the task group. The pastor's endorsement of the endowment program and policy is crucial.
- Session Approves Endowment Document - Present the proposed document to the Session for final approval. It is recommended that the Session consider the plan over two Session meetings – presentation at the first meeting and discussion/action at the second. Then, in accord with the provisions of the document, the Endowment Committee is named.
- Endowment Committee Meets with the Ministry Relations Officer for Orientation – At this meeting the committee learns about its work and begins to formulate a plan to introduce the endowment program to the congregation, design a brochure, schedule initial educational events, and determine how it will fulfill the adopted policies (i.e. procedures).
- Develop a Marketing Plan – Plan at least 18 months of educational, celebratory, and recognition events at a time. Assign people to specific tasks in execution of the plan. Producing an endowment brochure is one of these tasks.
- Initial Funding of the Endowment - Some existing memorials, designated, or loosely restricted funds may be folded into the new endowment fund. Recommend these changes to the Session. Also consider other initial funding ideas such as leadership gifts, birthday gifts, or other gifts appropriate to the congregation.
- Leadership Gifts - Since leadership gifts are critical to the success of your endowment, formulate a plan to identify and approach individuals to consider bequests or lifetime gifts to the endowment. Some of these leadership commitments may well come from those who were initially involved in formulating the case statement and policies. One strategy used by many churches

is to hold small, informal coffee and dessert gatherings in members' homes. These meetings give the pastor an opportunity to talk about the long-range mission of the church and the importance of laying the groundwork now for the church's vital ministry in the future. Leadership gifts come in any size and include a charitable bequest. The amount of the gift is secondary to the willingness of church leaders to step forward with a commitment to the endowment fund. If church leaders, including officers and members of the endowment committee, are not willing to make their own commitments, other members are less likely to do so.

- Investment of the Fund - The Endowment Committee should formulate an investment strategy and recommend approval to the Session. Your Foundation Ministry Relations Officer will provide information on the Foundation's investment management services including permanent endowment funds. It is critical that investment decisions and the monitoring of investment performance be entirely transparent to the Session and congregation as a whole.
- Introduce the Endowment Fund to the Congregation - Plan a Sunday worship time to introduce the endowment. Explain its structure, vision, and ways people can be supportive. It is a good idea to have an endowment brochure to distribute with the Sunday bulletin.

Key Elements of an Effective Endowment Program

You want your endowment to be effective and successful. The following key elements are reminders of core values the committee should always keep in mind.

- A Vision of What Could Be - A committee should annually revisit its collective vision of ways that endowment income can impact the current and future mission of your church.
- Definition of How the Endowment Will Function - The committee should be guided in its work by the established endowment policies in fulfilling its goals and providing income to enhance the support of mission.
- A Program of Education and Encouragement - An annual calendar of events will educate, inspire, and encourage people to make gifts to the endowment. Announcements, print materials, seminars, and celebrations should be scheduled with at least one event each quarter.
- Accountability - Regular written or verbal reports to the Session are essential to show that endowment income is having an impact and that the funds are properly

managed. This process provides credibility to the endowment and does much to encourage new gifts. The committee should report to the congregation at least once a year. But never miss an opportunity to “tell the story” as soon as a gift is received and communicate the positive impact it creates.

- **Enthusiastic Committee** - Persons with a strong commitment to the endowment and to the mission and ministry of the church is crucial. These people bring a diversity of talents to the process and will not only perform mundane functions but will also speak up with conviction and enthusiasm for what the endowment can do to fund the church’s ministry.
- **Identify and Refer Prospects** - Committee members and the pastoral staff know the congregation best and should be alert to signals that individuals need the professional assistance of the Foundation Ministry Relations Officer to make a gift. A successful endowment program requires that leaders make these referrals to those with experience in planned giving.

Rejuvenating Your Church’s Endowment Program

Many churches have endowment programs on paper but have done little in recent years to promote them. Is your church one of them?

In these churches, the endowment committee may focus primarily on the investment of funds with little effort to solicit new gifts. Its members may have lost the vision that accompanied the fund’s inception; they may be new to the church with little historical memory; they may have negative experiences with endowments in previous churches; or they may be uncomfortable asking others to consider an endowment gift.

For whatever reasons, the endowment committee meets infrequently, rarely reports to the Session, makes little effort to proclaim the endowment’s accomplishments, and rarely educates members about ways of giving to the endowment fund. Long time church members who are aware of the endowment and who have the greatest potential for making significant gifts may simply discount the endowment fund as having little impact on mission and ministry. In extreme cases members may view the endowment committee as an example of the lack of the church’s leadership in general.

- **Review the Key Elements of an Effective Endowment**
The endowment committee’s review and discussion of the key elements can spark new enthusiasm for the group’s important work.

- **Why is the Endowment Important to Our Church**
The committee needs to consider the motivational reasons why members should make lifetime gifts or estate gifts to the fund. Consultation with other Session committees will clarify how extra income from the endowment can make a difference in the life of the congregation, its members and mission.
- **Convene Focus Groups -** Members want to support a program that can make a difference in an individual's life or the world. Get people excited about ways to become a part of this effort. The committee may gain additional insight by sponsoring informal gatherings with church leaders in members' homes. Members will emerge who have a passion for what the endowment can accomplish.
- **Review Giving Patterns in Your Church –** See section on [page 2] regarding researching giving patterns.
- **Challenge Church Leaders to Make a Gift -** Support of recognized church leaders will strongly influence others to make a gift. Leadership gifts come in any size up to and including a bequest. The amount of the gift is secondary to the willingness of church leaders to step forward to support the endowment fund. If church leaders, including officers and members of the endowment committee, are not willing to make their own commitments, other members are less likely to do so. The Presbyterian Foundation has an excellent video featuring former General Assembly Moderator, Price Gwynn, challenging the session to make a charitable bequest to the church.
- **Keep Your Pastor Involved -** The pastor should be an integral part of the committee's work. In "tending the flock", the pastor learns about members' various passions for mission or ministries and can encourage gifts to make their dreams become reality.
- **Develop a Marketing Plan and Work the Plan -** Information about disbursements, education about the stewardship of accumulated assets, the difference in the lives of those receiving distributions, and personal donor testimonials convince others that the endowment is making a difference in your church. Provide information to as many groups as possible. Consider revisions in your endowment brochure to keep the information current.
- **Increase the Number of "Church in My Will" Members**
A bequest is the easiest gift for most members. A survey can determine how many people have included the church in their estate planning. A goal of increasing that number by 20 percent each year is reasonable.

- **Annual Assessment of Work and Results** - At the first meeting of the endowment committee each year, evaluate what worked and what needs improvement. Plan the next 18 months' events using the knowledge gained from the assessment and assign people to particular events or communication projects. A good rule of thumb is 85 percent of the committee's time will be spent on planning and implementing marketing programs. **(See Appendices B and C)**

Partnering with your Church

The Presbyterian Foundation is eager to develop a partnership with your church to help create a culture of generosity. The Foundation's trained professionals are available to assist your endowment committee to achieve its goals.

- **Ministry Relations Officer** - The Ministry Relations Officer bring their experience and expertise to your church to assist committees, consult with donor prospects, present informative seminars, provide information on the Foundation's investment management services, consult with pastors about how to encourage gifts for endowment, and generally support your endowment effort.
- **Endowment Committee** - The endowment committee is ultimately responsible for planning and executing its work. Many events involve committee members accepting responsibility to order and distribute materials, present a minute for mission, give a testimony, tell a story or make a report. In some churches, the committee also oversees the investment of endowment funds by monitoring the performance of the fund.

Pastors and members of the committee should take the lead in creating a list of potential donors to the endowment. Potential donors would include those with a history of regular giving and actively participate in the ministries and mission of the congregation.

The committee arranges for recognition events for new gifts and their donors (within the constraints of confidentiality) and recommends disbursements in accordance with the endowment guidelines and donor restrictions.

- **An Active Endowment** - Studies show that passive endowment work results in occasional “surprise” gifts while active education and promotion result in more and larger gifts to the endowment. So, be an active committee!
- **Other Resources** - The Presbyterian Endowment Education and Resource Network (PEER) is an association of endowed Presbyterian churches, which assists churches in their endowment efforts. PEER sponsors an annual conference on endowments and planned giving and maintains a website that has regular informative articles for the use of endowment committees. The address is www.presbyterianendowment.org.

Who Are the Best Prospects for an Endowment Gift?

The most likely donors are those strongly committed to Presbyterian values and mission and who have been active in the programs of their local church and other Presbyterian missions. They are usually found among the following groups:

1. **Church Leadership** – These individuals have significant involvement in the church and are usually passionate about mission. They are also sources of referral to other members. They include members of the Session, Stewardship, Finance, Investment, Endowment, and Pastoral Nominating Committees, inactive elders, deacons, church school teachers, Presbyterian Women and Presbyterian Men, and other persons involved in such activities as providing flowers, special lectures, and new member outreach groups.
2. **Church Members** – They have often considered gifts to the church through their wills and may be interested in permanent endowment gifts either restricted or unrestricted. Older members may be interested in receiving a lifetime income from their gift before it becomes a part of the church’s permanent endowment.
3. **Families of Donors** – Families of existing donors, living or dead, may be excellent prospects for a gift whether or not they are members of your congregation. They may be children, parents, surviving spouses, or other relatives who wish to honor their memory.

(See Appendix D - Identifying Prospective Donors, for additional information)

Appendix A

Endowment Program Timeline and Checklist

Activity	Date Completed
1. Session appoints task group to consider endowment	_____

- | | |
|-------------------------------------------------------------|-------|
| 2. Task group discusses preliminary considerations | _____ |
| 3. Contact and involve Ministry Relations Officer | _____ |
| 4. Involve the pastor | _____ |
| 5. Conduct research on your church's giving patterns | _____ |
| 6. Develop a 'case' for endowment | _____ |
| 7. Create an endowment fund policy document | _____ |
| 8. Utilize Presbyterian Foundation resources | _____ |
| 9. Consult the PEER network for resources | _____ |
| 10. Finalize endowment document | _____ |
| 11. Keep the pastor involved and informed | _____ |
| 12. Session approves endowment document | _____ |
| 13. Endowment committee is named | _____ |
| 14. Develop a marketing plan | _____ |
| 15. Committee meets with Ministry Relations Officer | _____ |
| 16. Initial funding considerations and actions | _____ |
| 17. Leadership gifts considered | _____ |
| 18. Investment of the funds | _____ |
| 19. Introduce the endowment fund to congregation | _____ |

Rejuvenating an Endowment Program

Activity	Date Completed
1. Review the key elements of an effective endowment	_____
2. Why is endowment important to our church?	_____
3. Convene several endowment focus groups	_____
4. Research giving patterns in your church	_____
5. Challenge church leaders to make gifts	_____
6. Keep pastor involved	_____
7. Develop a marketing plan and work the plan	_____
8. Increase 'church in will' donors	_____
9. Annual assessment of work and results	_____

Appendix B Endowment Program Planning Tool
"Where there is a vision..."

What is our vision for how the endowment fund will affect our church?

A brief statement

What goals do we have for our endowment fund?

In 3 years

In 5 years

In 10 years

In 20 years

Appendix C Endowment Program Planning Tool

Event/Activity: _____

Date: _____

By Whom _____

Event/Activity: _____

Date: _____

By Whom _____

Event/Activity: _____

Date: _____

By Whom _____

Event/Activity: _____

Date: _____

By Whom _____

Event/Activity: _____

Date: _____

By Whom _____

Appendix D Identifying Prospective Donors

Identifying prospective donors requires a review the church's membership roll to identify members who, over a period of years, have consistently supported the ministries and mission of the church.

The church treasurer, within the limits of confidentiality established by your church, will review giving records to select those who have given consistently over a period of time, from five to ten years or longer. **A record of consistent giving is the best indicator of a willingness to leave a legacy gift to the endowment.** Many modest givers leave sizeable bequests if they understand the concept of endowing their pledge. Stories abound of these unexpected large gifts from unlikely donors.

Each of us has a 'passion' about some part of our church's ministries or missions. It is helpful to discover what a member's passion might be. Often there may be common knowledge about this, but we may rely on information pastors or other long-term members can provide about individuals' particular interests or pattern of support over the years. Knowing this background, we can positively approach individuals to consider an endowment gift that will provide long-term support for their interest.

Donors should be thanked with a personal note and recognized in some public form unless they request the privilege of anonymity. Current donors are most likely to make additional gifts, especially if they see that their gifts are making a positive impact. Regular reports of the endowment committee, noting particular disbursements and achievements, will affirm that gifts do make a difference. Celebrate their faithfulness in worship or special events and ask donors if they are willing to speak to others about their gift or provide a public testimony during worship.

Current donors are a good source for referral of other prospects and may be asked to introduce the development officer and/or committee member(s) to these individuals. This is an important way to widen the circle of those who are helping build the endowment.

Adding members skilled in fiduciary law, estate planning, financial advising and marketing can always strengthen the endowment committee. It is also advisable to make it known that, if a donor is creating a gift with the Foundation's Ministry Relations Officer, we make it a priority to work with a donor's various advisors to be sure that the gift process will work smoothly.

Appendix E Gift Items and Instruments

A wide variety of items and instruments can be used to make planned gifts to your church. Listed below are some of the possibilities:

- **OUTRIGHT GIFTS:** cash, securities, real estate, insurance policies, other valuable item
 - ~ can be direct to the church, valued at date of gift
 - ~ can go to permanent endowment fund with Presbyterian Foundation with an income stream to the church
- **BEQUESTS:** donor can specify an amount, a percentage, or a particular asset; donor should make a general designation for gift
- **PERMANENT ENDOWMENT FUND:** outright gift to Presbyterian Foundation to create an income stream to the church - may be restricted or unrestricted use of the fund.
- **ENDOWMENT GIFT:** a general designated gift, unrestricted, to the endowment fund that provides long-term income stream
- **LIFE INCOME PLANS:** a charitable gift annuity, a pooled income fund or a charitable remainder trust may provide tax benefits, an income stream to donor(s), and remainder gift to the church; administered by the Presbyterian Foundation
- **DONOR ADVISED FUND:** the donor-advised fund allows the donor(s) to advise grants to a variety of charitable causes at any time for any amount. Gift provides some tax benefits.
- **TRANSFER ON DEATH (TOD):** a TOD can be assigned to church from any mutual fund, many qualified retirement accounts, life insurance, and insurance annuities; bank account requires the donor to complete a beneficiary form naming the church as full or partial beneficiary. Any TOD gift is revocable during the lifetime of the donor(s).

Creating a gift to benefit your church is a transforming experience, and a wonderful example of Christian stewardship.



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