

QUESTIONS AND ANSWERS

What is The Foundation of Hope Fund? Why is it good for LCH to have this fund?

The Foundation of Hope Fund is a special fund that is invested for long-term growth and exists to support the mission of Lutheran Church of Hope (LCH) now and in the future. It is in place to receive gifts and address a variety of future needs, beyond what LCH's annual budget is designed to provide.

I would like to give money to Lutheran Church of Hope , but how can I make sure that the gift will be lasting?

Endow for the future. The Foundation of Hope Fund is designed to preserve the principal and a portion of the earnings, and use the remainder of the earnings to fulfill the Foundation's mission. Because only a portion of the annual earnings (after the fund reaches \$250,000) is used each year, the fund continues to grow, buffering the fund against inflation and providing a permanent source of support to the mission.

Do I need a will?

Without a will, state law dictates who will receive your assets and who will manage your estate. A will allows you to appoint a guardian for your minor children, choose a representative to carry out your wishes, and decide the final destination of your estate's assets. It is worth noting that the state's plan for your assets may not include all of the persons that you would like to benefit and definitely will not include your church and other charities close to your heart.

Making a charitable bequest (i.e., giving assets to LCH or other charities through a will) is the simplest way to make a planned gift. You can specify in your will the amount or percentage of assets that are to pass to The Foundation of Hope Fund. Your estate will receive an estate tax deduction for the bequest. There is no limit on the amount of the charitable gift made by bequest or on the amount that can be deducted for estate tax purposes.

As an alternative to a specific dollar amount or percentage bequest, you may wish to designate a charity, such as The Foundation of Hope Fund, as the "residual beneficiary of the estate." After children, friends, and others have received specific bequests, The Foundation of Hope Fund as a "residual beneficiary" will receive what is left in your estate.

Can life insurance be given to benefit The Foundation of Hope Fund?

You can give an existing or a new life insurance contract to The Foundation of Hope Fund, by making it the owner and the beneficiary of the contract. At your death, The Foundation of Hope Fund will receive the death benefit. You will receive a charitable deduction for your income taxes. If you give a new insurance contract, you can deduct the amount of the annual premiums you pay each year to keep the insurance in force. If you give an existing insurance contract, you can claim an immediate income tax deduction on the lesser of: (1) the cash value of the insurance contract; or, (2) the aggregate amount of paid premiums.

Alternatively, you can remain the owner of the insurance contract, but name The Foundation of Hope Fund as the primary beneficiary. Although you will not receive an income tax deduction, your estate will be entitled to an estate tax deduction for the amount of the death benefit. You can also name The Foundation of Hope Fund as a contingent beneficiary, meaning that The Foundation of Hope Fund receives the death benefits only if the primary beneficiary dies before you do.

I would like to make a large gift to The Foundation of Hope Fund, but I also need an income during my lifetime. What can I do?

There are two charitable vehicles that enable donors to gift an asset and receive payments in return. They are the charitable remainder trust and the charitable gift annuity.

Charitable Remainder Trust

The charitable remainder trust works like this:

- 1) You transfer an asset into the charitable remainder trust.
- 2) The trustee pays you and/or other people, if you wish, income from the trust for life or a term of years from the trust investment.
- 3) At the time of your death (or the end of the term), the remaining assets in the trust go to The Foundation of Hope Fund.

There are different types of charitable remainder trusts: one type pays you a fixed income that will not vary from year to year; and another type pays you a percentage of the value of the trust, which is recalculated each year.

If you have an asset, such as real estate, that has increased in value significantly, the income stream from a charitable remainder trust could be greater than the income you are now receiving from the asset. It even can also be greater than the income you would receive if you sold the asset outright, paid the capital gains tax and invested the balance for income. Because the charitable trust is not required to pay capital gains taxes on the sale of the appreciated assets, the full fair market value of the asset contributed to the trust provides income back to you. And when you make a gift of appreciated stock or real estate to a charitable remainder trust, you are entitled to a charitable income tax deduction equal to a portion of the fair market value of the contributed asset.

Charitable Gift Annuity

In contrast, the charitable gift annuity works like this:

- 1) You transfer an asset to a charity.
- 2) The charity creates a gift annuity contract.
- 3) The charity pays you a fixed annual payment, if you wish, for your lifetime.
- 4) Upon death, the residuum of the gift annuity goes to The Foundation of Hope Fund.

While the charitable gift annuity sounds like the charitable remainder trust, it differs in some very significant ways. First, donors of a charitable gift annuity enter into a contract with the charity. In contrast, charitable remainder trust donors create a trust. Second, a charitable gift annuity donor who gifts appreciated long-term capital assets, such as stock, will recognize a portion of the capital gain spread out over a period of time. In contrast, the charitable remainder trust donors who donate long-term capital assets will recognize no capital gain at all.

Finally, a portion of the payments received by charitable gift annuity donors is usually tax-free. In contrast, charitable remainder trust donors are taxed on all of the income they receive from the trust.



Foundation of Hope Frequently Asked Questions (FAQ)

Who serves on The Foundation of Hope Fund Board?

The Foundation of Hope Fund Board consists of five members. They are:

- The President Elect of the Lutheran Church of Hope Congregational Council
- The Lead Pastor of Lutheran Church of Hope is a permanent member of the Board
- Three members are appointed by the Board of Trustees and ratified by the congregation.

The appointed positions are for a three year term.

- One appointed member serves as Chairman.
- One appointed member serves as Financial Recorder.
- One appointed member serves as Secretary.

If I still have questions, who do I contact?

Contact Lutheran Church of Hope at 303-466-4823, any current Foundation Board member, or email Foundation@lchope.org.

The current Constitution and Bylaws, and Operating Policies and Guidelines for The Foundation of Hope Fund are also available on LCH's web (<http://www.lchope.org>) site (about us/Foundation of Hope)