



OPTIONS FOR GIVING

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE

*Therefore, when we build, let us think that we build forever . . .
Let it not be for present delight or present use alone,
Let it be such work as our descendants will thank us for . . .*

— John Ruskin

If you are an individual, corporate executive, lawyer, bank trust officer, broker or estate planner, or any citizen of Middle Tennessee, here are a number of ways you can work with The Community Foundation of Middle Tennessee to do more good with your charitable contributions, to save taxes, and to help clients understand their philanthropic options.

We hope this information will stimulate your own ideas and that you will feel free to discuss your charitable giving goals with us.

SUMMARY

The Community Foundation of Middle Tennessee – you may know a great deal about it, or very little. Either way, this booklet will suggest ideas to enhance your charitable giving.

You may find the concept of a community foundation a bit puzzling. In its simplest terms, it is a pool of funds which serve as a permanent endowment for the nonprofit sector in our community.

Funds of every size receive professional administration, as every donor receives the maximum tax benefits allowed by law for charitable contributions. Every gift matters.

Your gift to The Community Foundation of Middle Tennessee has great flexibility as well. You may name your fund, you may make your gift without restrictions, or choose a field of interest. You may select specific organizations to benefit from your fund.

Some people have asked if we accept only cash contributions. The answer is “no.” Included here are other ways to give, some of which you may not have thought of, including the use of securities, real estate or a host of other items of value.

A fund you establish with us becomes a component of The Community Foundation of Middle Tennessee, and will not

only receive the most advantageous tax treatment but also the greatest performance of any we know. And you may be assured that decades from now, when conditions may have changed, the spirit and intent of your charitable wishes will be honored regardless of shifts and changes among charitable organizations.

You can create an individual charitable fund with us at any time using any of the ideas in this pamphlet. And – if you have an idea not covered here – please talk to us. We’d like to try our best to make your vision a reality.

For simplicity, we refer in this material to the fund you establish as Your Fund. You may actually ask us to name the fund anything you want – your name or your spouse’s name or both, in memory of someone, your company’s name, a charitable purpose name, your hometown’s name, or anything. Just let us know.

TYPES OF FUNDS

1. UNRESTRICTED IMPACT

Both during and after your lifetime, you want your charitable giving to accomplish what it can; to make a difference; to have an impact. You believe that a group of living men and women will always be better able to assess current situations than any written document from the past, no matter how perceptive.

You write in your Will a major bequest to establish or add to Your Fund with us as an unrestricted or all-purpose Fund. You require only that all grants be made in your name, and you place the responsibility for selecting the most appropriate beneficiaries year after year on our dedicated board. Grants may then be given in any of the major areas of philanthropy – environment, health, education, arts, cultural affairs, human services, preservation, conservation, or social welfare. These all-purpose Funds are the most flexible in meeting emerging charitable needs.

2. FIELD-OF-INTEREST

You want to have an impact on a particular geographic area, field, issue, or cause, but do not want to tie your money down to a particular organization, since time changes all things.

You set up Your Fund with us as a Field-of-Interest Fund. You describe this field as broadly or as narrowly as you wish. You can make substantial gifts now to Your Fund, you can provide a bequest to it in your Will, or you can do both. We regularly identify deserving recipients working on the issues you care about. If Your Fund is operating during your lifetime, you can receive periodic reports on the gifts made from your philanthropy.

3. DESIGNATED

You have been supporting one or more favorite charities with annual gifts, and you would like to have this support continue after your lifetime. You are planning a new Will and could leave each charity a substantial bequest, but your thoughtfulness might soon be forgotten. You are not sure the charity will always be performing well in the area that interests you.

You set up Your Fund with us, and in your estate plans, provide a bequest to the Fund. You ask us to send the proceeds to your favorite charities, perhaps even specifying the percentages of each. Donations are sent yearly to the named charities. If one of the organizations ceases to operate or does not continue to provide the type of service that interested you, we will keep the gift fresh and vital by finding one that does.

4. COMBINATION

You have a number of charitable interests. You make gifts to a few nonprofits regularly, but your remaining charitable donations change each year. You would like to have this pattern continue after your lifetime.

You set up Your Fund with us and, in your Will, provide a bequest to the Fund. You ask us to divide up a portion of the Fund's income each year – say a third or a half – among your standard favorite charities. For the balance you specify your field or fields of interest – for example, the arts, handicapped children, aid to seniors, education, recreation, or any other field. We select grantees where your gift can make a meaningful difference. The awareness of your philanthropy is kept current.

5. DONOR-ADVISED

You would like the advantages of a charitable Fund with us now, but you would like to be able to make suggestions about which charities should be supported.

Federal policy favors the concept of a donor attaching conditions, if any, to his or her gift at the time of the gift and not later.

In this example, you would like to make a charitable gift but then later play some role in suggesting where the grants

should go. This can be done subject to specific guidelines set out in the tax regulations.

You set up Your Fund with us as a Donor-Advised Fund. Your contributions to the Fund qualify fully for tax deductibility in the year in which each is made. From time to time you give us recommendations on distributions. We check these recommendations against the following standards: the organization must be approved by the U. S. Treasury Department as a legitimate charitable agency; the purpose of the grant must be charitable; these facts must be verified by our staff, either individually or from publicly available documents, and found deserving of support; and the proposed grant must fit within the broad charitable purposes of our organization.

We welcome advice from donors and others, but under current federal tax laws, donor-advisors recognize that complete control over distributions is in the hands of our Board. Legally, we can accept or reject any advice, recommendations or suggestions, but no money will leave Your Fund without your written request. And, who knows, your recommendation may introduce us to an organization worthy of our continued support.

6. GROUP MEMORIAL

You and your friends are greatly saddened at the death of a dear friend. Can something be created to preserve his or her memory and the great good that flowed from that life?

You can set up Your Fund in the name of the person who died. Anyone can contribute to the Fund at anytime. You dedicate the purpose of the Fund to an interest which would have pleased that person. Your kindness becomes a living memorial.

7. SCHOLARSHIP/LOAN

You would like your money used to set up scholarships or loans in your name so that deserving young people can get an education they might not otherwise receive. You realize scholarship programs take a lot of administration and have to conform strictly to standards of impartiality and integrity.

You set up Your Fund for scholarships or loans. We, of course, prefer flexibility so we can meet the greatest need, but you can specify either the schools the young people are to come from or the ones they are to attend. The aid can be for any level of education you specify.

8. AWARD

Instead of scholarships, you would like money used for a series of awards recognizing outstanding achievement, merit or contributions in the area of public service. Awards can be very meaningful to the recipients, especially when carefully planned and conducted.

You set up Your Fund and ask us to conduct an award program in your name with the proceeds. If you have specific ideas about the nature of the awards, you tell us.

9. GENERAL PURPOSE LOAN

You like the idea of Your Fund being available to aid charitable organizations, but you would like to find ways to stretch the Fund's effect.

You set up Your Fund as a general purpose loan Fund making income and principal available to charitable programs. Foundation staff will help determine when a loan may be a practical alternative to a grant and what conditions might apply.

10. GRANDKID'S FUND

Are you interested in preserving more of your estate for your grandchildren? This year, why not give them a gift which will last the rest of their lives: their own Charitable Fund at The Community Foundation of Middle Tennessee?

If philanthropy is important to you, chances are good you hope it will be to them. You can help them get started by creating a Grandkid's Donor-Advised Fund which can serve as a source for those future gifts (See section on Donor-Advised Funds). You make the fully tax deductible gift to create this "nest-egg" for them, and you avoid any generation skipping or gift taxation as well. You specify the age at which you want the Grandchild to be able to begin requesting grants from the Fund. And, if you wish, you share a letter which tells the Grandchild why you were so committed to philanthropy that you created this opportunity for them.

In a matter of minutes, you've given the gift of a lifetime.

WAYS TO CONTRIBUTE

1. CASH

Let's say that when you give to charity, you like to give cash. You would write a check, and that's that. It's simple and straightforward, and everybody likes it. Or is there a better way?

A possibility: You establish Your Fund with us and write out a check to it whenever you can afford to. The Fund grows. Some years you can afford more, some less. You can get a full tax deduction for your contribution in the year you make it. Only the income generated by the money you contribute to the Fund might be distributed. Or you can ask that we pay out a portion of the principal periodically. Your Fund has great flexibility and gives you immediate and maximum tax deductibility.

2. SECURITIES

In this case, you have discovered how you can give more at less cost than by giving cash. That is, with appreciated securities – stocks or bonds that are now worth more than they were when you bought them. But to use them as gifts to a lot of charitable organizations is an endless nuisance.

You donate the securities to Your Fund. You get the maximum tax deduction – in fact, if the amount is larger than you can use in one year, you can use the surplus as deductions over the next five years. The charities that are supported by Your Fund will receive cash. So everyone benefits.

3. BEQUESTS

You are making decisions on a new Will. You have taken care of the usual details, assigned sentimental possessions and provided for relatives. You decide you would like to help make the world a better place for your having been here.

You provide a set amount, a percentage of your estate or that all remaining assets go to Your Fund, significantly reducing the taxes otherwise owed. Your Fund continues doing good work in your name permanently, a living symbol of your caring. For good. Forever.

4. EXISTING LIFE INSURANCE

You have been paying premiums on life insurance for years, and now the protection it offered earlier is really no longer needed. The policies have some value, and you would like charity to benefit.

You donate the policies to Your Fund. You get an immediate tax deduction now, usually equal to their cash surrender value. Your Fund grows, and charities benefit in your name.

5. NEW LIFE INSURANCE

You want to leave a charitable legacy when you're gone, but you don't have a large estate.

You call your insurance agent and arrange for a life insurance policy to be owned by The Community Foundation of Middle Tennessee. You make a tax deductible gift to The Foundation which we choose to use every year to pay the premium. You also file with us a letter telling us how you wish the proceeds to be used when the policy matures. All proceeds can go to Your Fund for its broad charitable purposes or to create designated funds to continue your lifetime support of your favorite charitable organizations. You can update your recommendations as often as you wish.

6. ASSIGNMENT OF TRUST INCOME

You are the beneficiary of a trust. You receive income from it regularly, and you pay income tax on the full amount. You are giving part of the income each year to charity, but this does not reduce the tax very much.

You decide how much of this annual income you want to give to charity each year. You assign this portion to Your Fund. You pay no tax at all on this income and, in addition, you may receive a substantial deduction at the time of the assignment. Both you and charity benefit.

7. GIFTS FROM AN ESTATE OR TRUST

You are the Executor or Trustee under a Will. The Will says you are to allocate a certain amount of money to charity, but either the organizations and amounts are not named or the task of carrying out the charitable provisions is too burdensome for your role as Executor or Trustee.

With the approval of the court, you set up Your Fund at The Community Foundation in the name of the person who died. The charitable portion of the estate is then paid to the Fund. We assume the burden of carrying out its charitable provisions.

8. LIFE INCOME, FIXED AMOUNT

You find yourself in older years with a fairly comfortable accumulation of assets, perhaps not “super wealthy,” but comfortable. You would like an assured income for yourself and your spouse for the rest of your lives. You figure out just the amount you will want each year. You want charity to benefit after both your lifetimes.

You establish an Annuity Trust, with the remainder going to Your Fund. You get a healthy tax deduction which may reduce your income taxes for years. You and your spouse receive income for life, the same amount each year. When either dies, the survivor will get the income. Your estate taxes will be reduced, and charity will benefit by the remainder which becomes a permanent charitable Fund in your name.

If you prefer, you can do this in your Will, providing a life income for your surviving spouse or another individual. Because of the estate tax charitable deduction and because capital gains are not taxed to the trust, the income beneficiary may actually receive a larger income than would otherwise be the case.

9. LIFE INCOME, VARIABLE AMOUNT

You are in the same situation as the last example, but you are worried about inflation. A fixed income might buy less and less. You'd like a chance to have the income grow over the years.

In setting up Your Fund, you arrange for a Unitrust instead of an Annuity Trust. You specify that you want a percentage of the Fund's assets paid to you each year for life, instead of a fixed number of dollars. An example would be five percent. If the assets grow, your income grows. Again, as indicated in the last example, this can be done in your Will, if you prefer, for your surviving spouse.

10. POOLED INCOME FUND

You want the advantages of Life Income but don't have a lot of money. You know that setting up your own trust would be expensive.

You join the Community Pooled Income Fund by contributing \$5,000 or more. You earn immediate tax benefits, but the gift does not go to charity right away. Instead, it is invested for you. You get checks of all the

income earned for the rest of your life. You can even name a second person to receive the income after you're gone.

11. CHARITABLE LEAD TRUST

You are trying to plan what will happen to your estate, which is sizable. You can take good care of your children even though the estate taxes will take a big bite out of what you leave. But what about your grandchildren? Will there be much left for them when more big tax bites are taken out of your children's estates?

You set up what is called a Charitable Lead Trust. You donate part of your estate to the trust now, and the income goes to Your Fund for a designated period of years. Your gift taxes are reduced, and the property is not taxed to your children. When your grandchildren reach maturity, the trust terminates, and the assets go to their benefit. Charity benefits during all those years, and your grandchildren receive much more than they would otherwise.

12. TRANSFER YOUR FOUNDATION

You are a trustee of a private foundation, and some of the fun has gone out of the job. Washington lays down more and more rules about what you can and can't do. They even tax part of the income and require detailed reports. You are concerned about personal liability. None of the trustees are getting any younger. Sooner or later a better setup has to be worked out.

You establish Your Fund at The Community Foundation, probably with the name of the private foundation. You arrange to transfer all the assets of the foundation to the Fund and to dissolve the foundation. Suddenly things get better. The purpose continues as before. There is no more tax to pay, and charity benefits. We take care of all the paperwork required by the government. Investment problems are handled by investment people. And there is satisfaction in knowing that a permanent organization is in place to administer the Fund in the future. Although you no longer control the Fund, you may advise and consult with us on its use. None of the money leaves Your Fund without your written consent (see the section on Donor-Advised Funds).

13. PARTIAL TRANSFER OF FOUNDATION INCOME

Again, you are the trustee of a private foundation, but not all of your fellow trustees can agree now on transferring all the foundation's assets to The Community Foundation. Isn't there a smaller step you could take to try out the relationship while you think about it?

You can set up Your Fund in our organization, probably with the name of the foundation. You arrange for the foundation to contribute part or all the current year's income to the Fund. The trustees get to know our organization. This arrangement, if mutually desirable, can go on indefinitely until the trustees are ready to take full advantage of The Community Foundation's services.

14. OPTIONS FOR CORPORATIONS

You are an executive in a large corporation responsible, in part, for corporate giving. Part of your job is easy – support the standard charities, do good-citizen things, and give to the projects in which the top officers are involved. But what about the numerous appeals you get from other charities? Who will sift through all of them and make some sense of a giving program?

You set up Your Fund at The Community Foundation, either with the name of the corporation or a simple anonymous name. You divide the corporate giving into two parts. One part is to cover those things to which you know you must give. The other part is discretionary, and you transfer that to the Fund you have established here. Then our staff, in consultation with you (see Donor-Advised), develops a giving program that will reflect credit on the corporation for caring about the needs of the community. Or you set up a scholarship Fund that benefits your employees or the children of your employees so they can receive assistance as they pursue an education.

15. OPTIONS FOR BUSINESS OWNERS

You are a business person who has built your own business to a very respectable size. On paper you are quite well-to-do. You own most or all of the stock in your corporation, earnings are good, and unrealized capital gains on the stock are large. You would like to begin sharing some of the wealth you created with charitable institutions.

You set up Your Fund with us. If the stock is publicly traded, you transfer a block of it to the Fund. If the stock is not publicly traded, you discuss the matter in advance with us so that we can determine how best the assets can be accepted. And comfortably, conveniently, and cost-effectively, the Fund becomes a permanent vehicle for carrying out your charitable desires.

16. OPTIONS FOR ORGANIZATIONS WHO ARE LIQUIDATING

You are on the board of a charitable organization with a problem. The service the organization offers is no longer practical. Costs are outrunning income; others are serving the same mission; there is little prospect for relief. It would be logical to fold up the agency, but there are still some assets, perhaps a building or some restricted funds. Your board is still interested in that particular field of service.

You create Your Fund with us, probably with the name of your organization. When you liquidate the assets, you transfer them to the Fund, and we handle the transactions. You specify grants will be used only for that particular field of service. The mission of your organization is thereby continued in the years ahead.

17. REAL ESTATE

You own real estate which has appreciated in value since you acquired it.

You give the property to The Community Foundation of Middle Tennessee. The property can then be sold by us to establish Your Fund. And you are entitled to maximum tax advantages as a result of your gift, in addition to feeling that your property will be put to good use for community charitable purposes.

LEGACY SOCIETY

Planned giving allows people to make charitable gifts beyond that which they might give on an outright basis. The Legacy Society of The Community Foundation provides a meaningful way to recognize individuals now for the gifts that will be realized sometime in the future. While the vehicle for the gifts may differ, the effect is the same: enhancing the lives of Middle Tennesseans, now and always.

The Community Foundation understands and appreciates the thoughtful planning which results in gifts of bequests, charitable trusts, life insurance policies, etc. Participation is easy. All that is required for membership in the Legacy Society is a minimum testamentary gift of \$1,000 and a signed Statement of Intent. Gifts can be used in a variety of ways, to achieve a variety of charitable goals. Members will be recognized in Foundation publications.

On behalf of future generations, we thank those who have let us know of funds to be given to The Community Foundation in the future.

ABOUT THE COMMUNITY FOUNDATION

The original idea for a community foundation came in 1914 from Frederick Goff, a Cleveland banker. There are now nearly 700 such organizations across the country. Over the years, community foundations have distributed billions of dollars in grants covering a broad range of needs in education, art and culture, health, social, and youth services. Assets in these foundations have grown dramatically.

Overall direction of The Community Foundation of Middle Tennessee is provided by a board of individuals who are all prominent members and leaders of the community. They set policy and assure The Foundation's reputation for integrity is protected. Current board members are listed each year in our annual report and at www.cfnt.org.

The Community Foundation is proud to be a publicly-supported, tax-exempt organization under provisions of both Section 501(c)(3) and Section 509(a)(1) of the tax code, and is not a private foundation. It is not subject to excise tax levy and various restrictions placed upon private foundations by the Tax Reform Act of 1969 and later regulations.

All contributions to The Community Foundation qualify for maximum deductibility for income tax purposes.

Our Financial Policies and Investment Guidelines provide opportunities to have the Fund you establish handled by the bank or money manager of your choice if it surpasses \$250,000 in assets. They manage the investment of the funds, and our Board is responsible for grantmaking.

As a donor, you receive an annual report on The Foundation's activities. You receive periodic statements showing appreciation credited to, and grants paid from, the funds you have established with us. You may also meet with members of our staff to discuss any aspects of charitable giving.

To find out more about us or any of the ideas in this booklet, get in touch with your lawyer, banker or investment counselor or call The Community Foundation of Middle Tennessee at 615.321.4939.