



fountain hills community foundation

FOUNTAIN HILLS COMMUNITY FOUNDATION LEGACY / ENDOWMENT FUND**

Part One

How can I make a gift that supports our Community and our Fountain Hills Community nonprofit foundation into the future?

Our endowment fund is designed to provide long-lasting support for our mission. Only a portion of the annual earnings from our endowment fund are used each year, so the fund continues to grow. Through careful investing and growth, this fund provides a buffer against inflation and a permanent source of support for the mission of our organization.

Our endowment funds are held at the Arizona Community Foundation in Phoenix, Arizona. The Fountain Hills Community Foundation and the staff of the Arizona Community Foundation are available to help you make a gift that matches your interests and financial circumstances. For more information about giving options, contact The Fountain Hills Community Foundation at FountainHillsGives.com and complete the "contact request" on the site.

What is an endowment fund? Why do we need one?

An endowment fund is a special fund that's invested for long-term growth and exists to support our mission and yours now and in the future. It's in place to receive gifts and address a variety of future needs, beyond what our annual budget is designed to provide.

Our organization is currently discussing and initiating the creation and implementation of an endowment fund to benefit Fountain Hills and the surrounding areas. Over the next few months, you will have an opportunity to join this discussion and help shape our endowment fund, so it serves our needs and our vision. We welcome your thoughts as to how this endeavor will benefit our community. Your assistance with our endeavor will be appreciated. To assist us in our endeavor, please call Bill Pape at 480-836-8680, Mark Dalton at 480-390-7255 or complete our contact information at FountainHillsGives.com. Through the Fountain Hills Community Foundation Endowment Fund, working in concert with the Arizona Community Foundation, based in Phoenix, Arizona, you can create a permanent charitable fund to benefit our community, work and mission.

Would you like to make a lasting difference?

All of us look for ways to use our time, talents and money to make positive changes in the world. We work hard to gather pledges and budget wisely every year. We organize successful festivals, charitable auctions, and benefit dinners which help us raise much-needed funds for special projects, but as soon as they are over, we start planning the next one because the need will return. We can't effectively plan several years of annual budgets at once and we can't effectively organize more than one year's events at a time, but we can take other steps that will have a long-term positive difference within our community.

An endowment fund is one of these steps. An endowment fund is a repository for long-term gifts from many donors. It is also a resource for long-term plans and projects; plans and projects that may not find enough resources in annual budgets.

An endowment fund works like this: Gifts to the endowment fund are invested and preserved for the long-term future of the Community Foundation. Every year, a modest part of the fund (usually about 4%) is used for current needs. Within our community, the annual distribution from the endowment will be allocated to special projects and initiatives that cannot be funded through regular annual giving or fund raising. Those foundations with an especially long-term view provide for both short-term needs and long-term disaster protection. They invest their endowment funds for long-term growth and try to spend only part of each year's investment earnings. A portion of the annual investment gain remains in the fund, building a buffer against future market fluctuations. The Fund supports our long-term success.

While it is possible for a Foundation to set up, invest and run its own endowment fund, many Foundations choose to seek assistance from an established organization like the Arizona Community Foundation. The Arizona Community Foundation holds and manages endowment funds for hundreds of non-profits and offers expertise and large investment pools with all the related benefits of diversification. Such an organization can not only invest more effectively, its staff can assist members of our community who make gifts that are sometimes complex. With almost a billion dollars in assets under management, The Arizona Community Foundations offers investment diversification that is not available to the Fountain Hills Community Foundation with an endowment fund of a much smaller amount.

The key to an endowment fund that works is the effort that goes into shaping an endowment to the needs of the particular community. Directors and leaders of our local Fountain Hills Community Foundation, who understand the needs and desires of our community, and the Foundation's donors will shape an endowment fund that supports the community and will be rewarded by the growth and expansion of the fund.

The Fountain Hills Community Foundation endowment fund offers supporters the opportunity to ensure that resources are available to support our mission, plans and projects down the road. The Fountain Hills Community Foundation endowment fund, working in concert with the Arizona Community Foundation, is available to receive gifts of cash, securities and real estate, as well as bequests, beneficiary proceeds and life insurance. Supporters can also make gifts and receive a lifetime income through charitable gift annuities and charitable remainder trusts.

In each case, the professional gift planners, working on behalf of the Fountain Hills Community Foundation and the Arizona Community Foundations, are available to assist individual supporters who wish to make gifts that match their financial circumstances and provide the donor with maximum deductibility for income, gift and estate tax purposes. We can also accommodate those who wish to remain anonymous in their giving but require legal substantiations of their gifts for tax purposes.

Is it possible to make one gift that supports our endowment fund as well as other favorite charities?

Yes, you can make a single gift that supports both our endowment fund and other charities that are important to you. Our endowment fund is held at the Arizona Community Foundation in Phoenix Arizona. Our gift planners will help you design a gift supporting our endowment fund and other charities and causes that are important to you. It is a way to simplify your charitable giving.

What is "planned giving"?

"Planned giving" means creating a specific plan for a gift that typically goes beyond the gifts we make throughout the course of a year. Many people first consider planned giving when preparing a will or along with other estate planning, but planned giving can be made part of our financial plan at any time in our lives. Those who make planned gifts are often motivated by a strong commitment to a particular project or mission of the Fountain Hills Community Foundation. The planned gifts they make acknowledge their gratefulness for being allowed to fulfill their goal of supporting charitable work important to them - work that reflects their values and commitments. In addition, you may receive tax benefits and lifetime income depending on when and how you give.

Planned giving takes many forms and can be tailored to meet the needs and goals of the donor. A person's dreams make each gift unique and important, and planned giving is not only for the wealthy. Martin Luther stated, "The heart of the giver makes the gift dear and precious."

Planned gifts to our Community endowment fund ensure our mission will continue. Our endowment fund is held by and investments are directed by the Arizona Community Foundation in Phoenix, Arizona. Our professional gift planners can help you make a gift that matches your interests and financial circumstances. Contact us at FountainHillsGives.com to get started.

Do I need a will?

Through your will, you can 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. Without a will, state law dictates who will receive your assets and who will manage your estate. It's worth noting that the state's plan for your assets may not include all the persons you would like to benefit and definitely won't include the foundations and charities close to your heart.

Making a charitable gift in your will (i.e., giving assets to your Community Foundation or other charities) is one of the simplest ways to make a planned gift. Through your will, you can specify the amount or percentage of assets that are to pass to the endowment fund. Your estate will receive an estate tax deduction for the bequest and there is no limit on the amount of the charitable gift made by your will 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's endowment fund, as the "residual beneficiary" of the estate. After children, friends and others have received specific bequests, the Foundation's endowment fund, as a "residual beneficiary", will receive what is left in the estate. To be sure you have an enforceable will that accomplishes your objectives, it is best to work with an experienced estate planning attorney. Our professional gift planners will help you with suggested language to name our endowment fund in your will or living trust. Call or e-mail us for more information.

Can life insurance be given to benefit our endowment fund?

There are several ways to make a gift of life insurance to our endowment fund. You can give an existing or new life insurance contract to the foundation by making the foundation owner and beneficiary of the contract. Upon your death, the foundation will receive the death benefit. If you give a new insurance contract, you can receive a charitable deduction for 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 based on the lesser of: (i) the current cash value of the insurance contract or, (ii) the aggregate amount of the paid premiums.

Alternatively, you can remain the owner of the insurance contract, but name the Foundation as the irrevocable 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 Fountain Hills Community Foundation as a contingent beneficiary, meaning the Foundation receives the death benefits only if the primary beneficiary dies before you do. Our professional gift planners can explain the benefits of giving life insurance and how this type of gift might work for your situation.

I would like to make a large gift to our endowment 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 charitable remainder trusts and charitable gift annuities.

A 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; and
3. At the time of your death (or the end of the term), the remaining assets in the trust go to our endowment 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 the other 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're now receiving from the asset and even can 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 isn't required to pay capital gains taxes on the sale of 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.

A charitable gift annuity works like this:

1. You transfer an asset to charity or the Fountain Hills Community Foundation;
2. The Foundation creates a gift annuity contract;
3. The Foundation pays you a fixed annual payment to you and your spouse, if you wish, for your lifetimes; and
4. The residuum of the gift annuity goes to our endowment fund after the passing of you and your spouse.

While a charitable gift annuity sounds like a 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 gives 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, charitable remainder trust donors who donate long-term appreciated securities will recognize no capital gain. 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 the income they receive from their trust.

Our gift planners will help you design a charitable remainder trust or gift annuity that works best for you.

I would like to give my home to the endowment fund and continue to live in it during my life. Is that possible?

Yes, you can deed your home or recreational property within the USA to the endowment fund now, reserving the right to live there for the rest of your life. You have the comfort of knowing that someday the Fountain Hills Community Foundation endowment fund will benefit from the value of your property without having to wait for a probate proceeding. You may also receive an immediate income tax deduction based upon when and how you give. During your life, you would continue to enjoy use of the property or rental income (if you choose to rent it out). You would continue to pay for the costs of maintenance, insurance and property taxes. At the time of your death, the property would be sold for the benefit of our endowment fund.

Can I receive a charitable income tax deduction by making a gift of securities?

Yes, in fact if your gift of stock or bonds has appreciated since you first bought it, and you have held those securities for at least one year and a day, you can make a gift at a significant discount to you.

For example, assume you paid \$3,000 for stock in Company X six years ago and that stock is now worth \$8,000. If you sell the stock for \$8,000, you will net about \$7,000, if you are in a 20% capital gains tax bracket. If you then gave that money to the Foundation's endowment fund, you may receive an income tax deduction of \$7,000.

If, however, you transferred the stock itself to the Foundation's endowment fund and it is sold for \$8,000, the endowment fund receives the entire amount because the fund is exempt from capital gains tax. In addition, you may receive an income tax deduction of \$8,000, the full fair market value of the stock. You can make a gift of appreciated securities to our endowment fund.

How to make a gift of appreciated assets:

It is often advantageous to make a gift with appreciated stocks rather than making the gift with cash resulting from the sale of appreciated stock. If you give appreciated stock to our endowment fund, you may receive an income tax deduction* on the fair market value of the stock on the day of the gift. In addition, you will avoid paying capital gains taxes on the increase in market value of the stock. The result will be more net cash income for other purposes and less taxes to pay.

*Your ability to use the deduction in one tax year is limited. Charitable deductions resulting from gifts of appreciated assets may be limited to a percentage of federal adjusted gross income. Any unused deduction may be carried forward to a currently permitted number of subsequent tax years.

You can make a gift of appreciated securities to our endowment fund and we are happy to work with you and your professional advisors in order to implement your planning.

Can I leave the remaining balance of my qualified retirement plan to the endowment fund?

Yes, in fact if you leave your qualified plan balance to someone other than your surviving spouse or a charity, it could be subject to income and estate taxes. The amount of the tax depends on the balance in your qualified plan and the marginal income tax bracket of the beneficiary.

If you have planned to leave your IRA to children or others, you might want to consider the tax implications. One alternative could be to leave the balance to the Foundation's endowment fund, thereby avoiding income tax on that gift and providing a benefit to the Foundation.

If you are over age 70 1/2 you can currently transfer up to \$100,000 annually from your IRA directly to the Fountain Hills Community Foundation with no tax implementations. We can provide specific information to assist you.

How can I make an anonymous gift to our endowment fund?

If you wish to remain anonymous in your giving, you can give directly to our endowment by contacting The Fountain Hills Community Foundation. Simply contact us at the FountainHillsGives.com and they will assist you to make an anonymous gift to our endowment fund. Professional gift planners will help you make a gift that matches your needs and financial circumstances, with maximum tax benefits to you and the satisfaction of knowing that your gift will benefit your interests for the foreseeable future.

As you consider the many charitable giving options available today, your personal financial needs and interests should be balanced with your charitable giving goals. A charitable gift through The Fountain Hills Community Foundation endowment fund also offers a simple solution for people who wish to make a gift and, in turn, receive continuing recognition for their contribution. It is important to note that the Foundation has established a “gifting policy”, which requires that all gifts/donations be approved by the Foundation Board prior to acceptance.

For more information about The Fountain Hills Community Foundation contact FountainHillsGives.com. For more information about giving options, please contact the Foundation or call Bill Pape at 480-836-8680 or call Mark Dalton at 480-390-7255.

Please contact us for additional information:

Bill Pape 480-836-8680

Mark Dalton 480-390-7255

Our Web site FountainHillsGives.com

Via E-mail Legacy@FountainHillsGives.com

** The Fountain Hills Community Foundation, Inc. was formerly known as the Sunridge Foundation, Inc., which was formed in 1995 and has provided over one million dollars in financial support to our community. It is a 501(C)(3) non-profit organization [EIN: 86-0800268].