

# LONG-TERM MINISTRY FUNDING



# A Message TO MINISTRY LEADERS

Greetings in the name of our Lord and Savior, Jesus Christ!

Congregations and ministry organizations are often the recipients of significant gifts. These gifts are often bequests and other end-of-life gifts. With organization and vision, these gifts can be used to establish long-term ministry growth resources.

The LCMS Foundation can help. It starts with planning for long-term ministry objectives, along with establishing a fund that promotes gift planning and provides the organizational structure for long-term growth. The Foundation's investment program, the very same that serves colleges, universities, seminaries, congregations and other ministry organizations, provides a variety of options to meet your ministry's objectives.

There are a number of methods a ministry may use to establish a fund. It is important to define exactly what the ministry objectives are to avoid needless complications. Leaders are encouraged to read this booklet and become familiar with all the options, and contact the Foundation with any questions or concerns.

The Foundation staff has developed a rigorous process to **establish** or **review, promote, grow** and **manage** funds. Our gift planning and investment teams will work directly with you covering every aspect of the establishment process. Promotional materials and resources are available to announce, explain and grow a fund.

Our hope is that you find this information helpful as you discover additional resources beyond the offering plate for long-term ministry growth.

Thank you for your service, and please contact us if we can assist your ministry.

Start the process of establishing a ministry fund today through contacting your area gift planning counselor by visiting [lcmsfoundation.org](http://lcmsfoundation.org), or contact the LCMS Foundation directly at **800-325-7912**.

Faithful Christian stewardship is not just for individual Christians but for Christians gathered in congregations and other ministries as well. Putting a plan together for how ministry funds will directly connect to the Lord's mission is a challenging but rewarding task. Ministry funds are not about holding money back, but putting forward a plan for how the ministry plans to use God's gifts for the ultimate purpose of sharing Jesus Christ with the billions of people God has placed on this earth. Use of God's gifts is what defines faithful stewardship.

# *How can the Foundation help your ministry?*

## FRAMEWORK FOR THE MINISTRY FUND

### **Establishing or reviewing the fund** (pages 4-13)

- Understanding restrictions
- Formulating a vision for the fund
- Selecting the fund option that is right for your ministry

### **Promoting the fund** (page 15)

### **Growing the fund** (pages 17)

### **Managing the fund** (pages 18-21)

A ministry fund provides a long-term vision for providing resources for future ministry. It also demonstrates the ministry's commitment to fulfilling its mission and promotes confidence in the ministry. Congregations and ministry organizations then become responsible recipients of significant gifts generated from members' estate plans, a process we call **A Lifetime Plan for Giving™**.

## *Getting Started*

Any LCMS ministry organization can establish a ministry fund. Before establishing a fund, leaders of the organization must organize the goals and objectives of the fund, and what its long-term vision is for the fund. Consider some of the common reasons we hear for wanting to start a fund:

- We received a large bequest and would like to endow the funds.
- We would like to begin a planned giving program and use a fund to receive and distribute gifts.
- We need a fund to receive special gifts, like memorial gifts, to be separated from the operational fund.

A traditional endowment fund may or may not be the right solution for a ministry's long-term goals and objectives. The ministry may not want to be involved in endowment fund management. Or, the ministry may find it too costly to form committees and hold regular meetings, which take time and resources.

So what is the solution? Although there is no "one size fits all" solution to every ministry, and often it is a combination of solutions, the Foundation can make the process straightforward to help make those decisions objectively.

## *Understanding Restrictions*

### **Selecting a type of ministry fund that is right for your ministry**

When considering ministry funds, it is important to understand the difference between permanent restrictions and temporary restrictions.

#### **Permanent Restrictions**

Permanent restrictions are sometimes called donor restrictions. An example of a permanent restriction occurs when a donor makes a gift and communicates a restriction on what it can be used for and/or how much can be used. Unless the donor gave your ministry the right to change the restriction, the gift, with few exceptions, must be used by the ministry in line with the restrictions. The one who placed the restriction on the gift, in this case the donor, is the only one that can release the restriction on how the gift is used. Before accepting a restricted gift, a ministry should always consider whether the gift furthers its mission and whether it can faithfully carry out the terms of the gift.

Another example of a permanent restriction occurs when the ministry creates a ministry fund and the terms of the fund do not give the ministry the right to change any of the restrictions unless they become impractical. Gifts contributed to the fund must be used in line with the restrictions, again unless the donor releases the restrictions. The advantage of a ministry fund with permanent restrictions is the restriction is approved up front when the ministry establishes the fund, and it provides certainty to donors and ministry leaders regarding how the gift will be used.

#### **Temporary Restrictions**

Temporary restrictions are sometimes called board restrictions. An example of a temporary restriction is when the ministry puts a ministry fund in place with terms that give the ministry the right to change the restrictions. Assets in the fund are considered temporarily restricted because the ministry can change the restrictions. The advantage of a ministry fund with temporary restrictions is that it gives the ministry flexibility to adapt to changing circumstances, but still gives donors confidence that the ministry has a plan in place for how the fund will be used. With this type of fund it is important that ministries communicate to donors, and make sure they understand, that the ministry can change the terms of the gift.

Another example of a temporary restriction is when the ministry has unrestricted assets and places them in a ministry fund that contains permanent restrictions. Even though the fund contains permanent restrictions, the unrestricted assets the ministry places in the fund are temporarily restricted since the ministry has the right to release any restrictions it places on the asset. Sometimes this is described as once unrestricted, always unrestricted. However, ministry funds that are designed to receive unrestricted assets are still helpful as they provide the ministry with a planned use for unrestricted gifts, with flexibility to adapt should circumstances change.

#### **Should our ministry fund have permanent or temporary restrictions?**

It depends on your ministry's needs and what you are trying to accomplish with the fund. Donor desires should also be considered. It may be advantageous to have at least one ministry fund with permanent restrictions and one ministry fund with temporary restrictions, so your donors can choose which they prefer to support.

# Formulating a Vision for your Fund

## ESTABLISHING YOUR FUND

The following questions will help you formulate a vision for your ministry fund. Please review and discuss them with the leadership team that is planning the fund.

### 1. Does your ministry already have assets you want to use for a ministry fund?

- Yes
- No (skip questions 2 and 3, and go to question 4)

### 2. Are the assets already restricted?

- Yes (skip questions 3-16, and go to question 17)
- No
- Some are restricted, some are not.

### 3. Do you want to put a plan in place for how your ministry will use the assets that are unrestricted?

- Yes
- No (skip questions 4-16, and go to question 17)

### 4. How do you want to use the fund?

The most successful ministry funds are those which communicate the mission of the ministry and connect its members to the vision of its mission. This builds confidence in God's people that your ministry has a plan to receive and distribute gifts that come from their A Lifetime Plan for Giving™ through a will, living trust, or perhaps a beneficiary designation.

Choosing specifically named funds to accomplish the ministry's vision is an important step to connect people for present and future support. It is necessary to help others see how the monies from the ministry fund impact their world as it relates to accomplishing the vision.

#### Ministry fund purpose (check all that apply)

- Support operating budget of the ministry organization
- Fund special ministries within the ministry organization (identify)
- Fund ministry outreach beyond the ministry organization (identify)

## 5. How much of the fund do you want to make available?

Ministries often establish what they call "endowment funds." To most people, the term "endowment" means that the principal will be kept intact and only the income expended for a specific purpose. However, it is possible to establish a fund with different terms as long as they are documented and individuals contributing to the fund understand them.

### How much to make available to expend (check all that apply)

- Income only (no access to principal)
- Income and portion of principal each year
- Income and discretion to use some or all principal
- Income and limited discretion to use some or all principal

## 6. How do you want to determine the income?

How the income is determined can have a big impact on how the fund performs. Most states have a default definition of income if it is not defined. Accounting rules can also apply. The definition can affect the fund's investment and the cash flow available each year. For example, if the ministry fund provides that income can be expended each year, and the traditional definition of income is used, the fund will likely be invested primarily in fixed income assets to maximize the amount available for ministry. If income includes capital gains, or is based on a percentage of the fund value, a more balanced investment may be appropriate.

Some ministries choose to define income in the terms of the fund to add certainty. Others prefer more flexibility and allow the organization to define income on an ongoing basis, subject to certain limitations. What is important is that there is an understanding on what income means and that it fits with the purpose of the fund.

### Definition of income

- Traditional income (interest, dividends, rent)
- Percentage of annual fund value (identify)
- Rolling average of fund value over last three years (identify)
- Determined by the governing body based on the goals of the fund  
(modern spending rate policy)
- Other (identify)

## 7. How often do you want the fund to make distributions?

Most ministry organizations choose to allow flexibility in the timing of distributions but require that distributions be made at least annually. The fund's purpose and practicality will often determine the best approach.

### Distribution frequency

- At least annually
- Other (identify)

## 8. Do you want to retain the ability to change any of the terms of the fund?

Some ministries prefer maximum flexibility to respond to doors the Lord may open. Others prefer to limit the flexibility to provide donors greater certainty on how the gifts will be used. At a minimum, the ministry should retain the right to change any restrictions that become impractical or impossible to follow. Whichever method is chosen, it is important that donors understand whether the ministry is retaining any right to change the terms of gifts made to the fund.

### Ability to change the terms

- Unlimited
- Limited to special circumstances (identify)
- No right to change unless restrictions becomes impractical or impossible to follow

## 9. Do you want to limit the fund to holding assets with all the same restrictions, or do you want to allow donors to make gifts with special restrictions?

Donors may desire to make a gift with restrictions that differ from the terms established by the ministry organization. This would be considered a separate fund gift or perhaps a sub-account of the regular fund.

Your fund terms should state whether gifts with different restrictions will be accepted and under what circumstances. The difficulty in separately identifying the gift and the ministry organization's ability to abide by the terms should be considered.

If the ministry accepts the gift it is bound by the restrictions on that particular gift. The terms of the gift should be memorialized in a separate document.

In the alternative, the donor could establish an individual endowment fund at the LCMS Foundation that will benefit the ministry or any LCMS ministry. The LCMS Foundation will manage the separate endowment fund and send regular distribution checks. No paperwork or administration is required on the ministry's part.

### Gifts with restrictions that differ from the terms of the fund

- Do not accept
- Accept, subject to approval process (identify)
- Always accept

## 10. Will the ministry be placing any of its own unrestricted assets in the fund?

One of the primary reasons ministries establish ministry funds is to put a God-pleasing plan in place for dealing with special gifts. This helps ensure the gifts are a blessing and not a cause of discord within the ministry. For this reason, many ministries resolve to place unrestricted gifts that may be of a special nature in the ministry fund, such as unrestricted gifts over a certain dollar amount or gifts received from deceased individuals.

### Placing unrestricted gifts in the fund

- Never
- Yes, if received from an estate
- Yes, if over \$ \_\_\_\_\_
- Yes, under certain circumstances (identify)

## 11. Do you have a special name for the fund?

Your ministry fund should have a name. A name will make the fund easier to identify, particularly if there is ever more than one fund. A name that emphasizes the purposes of the fund is often chosen.

A descriptive name can also be helpful. Some ministry organizations call their fund a "foundation." However, a foundation suggests that the fund is separately incorporated and should only be used when that is the structure. Although the name does not control how the fund will operate, it is best to choose an appropriate name to avoid confusion.

### Name of fund:

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## 12. What reports are needed regarding the administration of the fund?

At a minimum, most ministries should require annual reports that detail investment gain and loss, fund distributions and additions, and any charges against the fund.

### Required reporting

- Annual reports to the governing body assembly by the individual(s) responsible for administering the fund
- Other (identify)

## 13. Do you want to place any investment restrictions on the fund?

Most ministries prefer investment flexibility and provide few limitations on how the fund can be invested. Many choose to prohibit or limit dealings where there is

self-interest, whether it is by an officer of the ministry or an individual on the fund committee. Investments that cause the fund to lose tax-exempt status, or incur tax, should be prohibited.

**Investment limitations (check all that apply)**

- Must not jeopardize the tax-exempt status of the fund and/or create taxable income
- No conflicts of interest or self-dealing
- Other (identify)

## 14. Who is going to be responsible for promoting the fund?

Ministries should create a communication plan that increases donors' awareness of the fund's mission and vision for ministry. The LCMS Foundation can assist ministries with ideas, organization, and materials to help communicate and promote the fund.

**Responsibility for fund promotion**

- Same as for administration
- Other (identify)

## 15. Do you want to prohibit borrowing against the fund?

By borrowing against the fund, it may be possible to obtain resources for uses other than those provided in the fund. The ministry should discuss whether this is acceptable. Ministries should also be aware that penalty taxes or loss of exempt status can occur if borrowed funds are used to purchase an investment, or are used for purposes outside of the ministry's tax-exempt purpose.

**Borrowing against the fund**

- Prohibited
- Allowed, provided it does not result in tangible income
- Always allowed

## 16. Do you want to place any limits on what assets donors can give to the fund?

Most ministries provide that cash and publicly traded securities are always acceptable and that other types of assets must be approved before acceptance. This allows the ministry to ensure the asset can be liquidated, it will not be a liability, and it will not trigger any adverse tax consequences to the fund.

**Acceptable assets (check all that apply)**

- Cash
- Publicly traded securities
- Other
- Other with prior approval

# ESTABLISHING YOUR FUND

## 17. Who will manage and administer the fund?

Managing and administering a ministry fund requires financial expertise, accountability, and the ability to keep and maintain records. Some ministries are well equipped to handle this responsibility. Other ministries prefer not to or are less equipped to do so.

### Which best describes your ministry?

- Our ministry has the expertise and time to manage the fund
- Our ministry prefers to give the LCMS Foundation the responsibility of managing and administering the fund
- Unsure



## Selecting the fund option that is right for your ministry

Just as each ministry's needs are unique, each ministry is different when it comes to an approach for establishing and administering a ministry fund. The LCMS Foundation can help you select an approach that is right for your ministry.

# ESTABLISHING YOUR FUND

### Option #1 Investment Account

**Type of Fund:** Unrestricted

**Ownership:** Ministry

**Administrative time and effort:** Low

**Timeline to establish:** Immediate

**Advantage:** Low-cost access to sophisticated investments available exclusively to LCMS organizations

This approach is for all LCMS ministries, regardless of whether your ministry has a plan for the fund. As an LCMS member ministry, you have the opportunity to pool your investments with other LCMS ministries and access investment options and low costs only available to large investors. With an LCMS Foundation investment account, your ministry retains control of the fund. You tell the Foundation how you want the fund invested, and the amount and timing of the distributions. You can change your directions, or have the funds returned to you, at any time.

To simplify your investment choices, the Foundation offers several pre-set investment options that range from conservative to aggressive. These options have been carefully selected with the assistance of the Foundation's independent investment advisor to match various risk tolerance levels.

If none of the pre-set options fit your ministry needs, the Foundation's investment program also provides the opportunity for you to create your own investment mix from among the various Foundation investments. This also gives you the flexibility to personalize your investment mix.

Although the investment account itself is unrestricted, it is possible to place restricted assets in an investment account. If you already have funds with specific restrictions, separate investment accounts can be established to help you manage and identify the different restrictions.

If you are placing unrestricted assets in the account, consider formulating simple policies for how you plan to use the fund that are consistent with your goals. The Foundation can assist with questions to consider when formulating these policies. Upon request, the Foundation can also maintain a record of the policies for future reference for your ministry.

**For more information on Foundation investment accounts, go to page 18.**

# ESTABLISHING YOUR FUND

## *Option #2*

### Foundation Owned Endowment Fund

**Type of Fund:** Restricted and unrestricted

**Ownership:** LCMS Foundation

**Administrative time and effort:** Low

**Timeline to establish:** Short (less than three months)

**Advantage:** Simplifies establishment, management, and investment of ministry fund and adds an extra layer of accountability

Another simple and popular approach for establishing a new fund is to establish an LCMS Foundation Owned Endowment Fund. This approach is for ministries that prefer not to spend significant time preparing documents to establish and then managing the endowment, or prefer an additional level of accountability to ensure the endowment is used as planned.

The endowment is established by an agreement between your ministry and the LCMS Foundation, which the Foundation will prepare. The agreement can be tailored to meet your goals for the fund. It can contain permanent restrictions to provide certainty, or temporary restrictions to allow your ministry the flexibility to adapt to changing ministry needs. Or, if you prefer, the LCMS Foundation can work directly with your donors to establish individual endowment funds.

Since this is a LCMS Foundation owned endowment, the LCMS Foundation is responsible for investing and distributing the fund, while your ministry retains responsibility for receiving and using the distributions per the endowment restrictions. This gives your ministry freedom to focus on its mission and not worry about, or spend valuable volunteer time on, endowment administration and investment. A LCMS Foundation endowment also provides an additional level of accountability, with annual auditing of your fund by the Foundation's internal auditors as well as the Foundation's independent external auditor. This provides more assurance to donors and current ministry leaders that the restrictions will be remembered and followed.



## *Option #3*

### Ministry Owned Endowment

**Type of Fund:** Restricted and unrestricted

**Ownership:** Ministry

**Administrative time and effort:** Medium to high

**Timeline to establish:** Medium to long (six months to more than a year)

**Advantage:** Gives your ministry control of the ministry fund and provides close connection to your ministry

This approach is for ministries that desire to put a detailed plan in place for the fund, and are willing to devote the time and resources necessary to establish, administer, and sustain it. With a ministry owned endowment, your ministry establishes the terms of the fund, as well as the committees and accountability for managing the endowment. The terms can be tailored to meet your ministry objectives. A ministry owned endowment gives your ministry complete control of the fund, subject to the terms that have been established. See Appendix A for a sample outline for establishing a ministry owned endowment.

Having a detailed plan often increases donor confidence to support your ministry. And it gives your ministry a better opportunity to educate members about, and give them a way to support, specific ministry needs. The LCMS Foundation has general information and sample documents to assist with establishing and marketing the endowment. The LCMS Foundation assistance will not replace your need for local legal counsel. The LCMS Foundation can also help your members put gift plans in place that include the endowment.

## *Option #4*

### Establishing a Separate Foundation

**Type of Fund:** Not applicable

**Ownership:** Ministry

**Administrative time and effort:** High

**Timeline to establish:** Long (more than a year)

**Advantage:** Allows governance separate from ministry

Some ministries prefer to establish a separate foundation to handle gift administration. Because of the complexity and cost of establishing and maintaining a separate foundation, competent tax and legal advice is needed. The LCMS Foundation can provide information and resources to get you started.

The reasons for establishing a separate foundation should be carefully explored to make sure a separate foundation is necessary. Liability protection for the ministry alone is typically not a sufficient reason to establish a separate foundation, as it is often easier and more cost effective to raise the ministry's level of liability insurance than establish a separate foundation. Consideration should also be given as to whether your ministry can sustain the administration of a separate foundation over time.

THINKING BEYOND  
THEIR LIVES ...



ARRANGE A PLAN TO SHARE GOD'S  
GENEROSITY WITH YOUR FAMILY WHILE  
ESTABLISHING A FAITH LEGACY THAT  
BLESSSES OTHERS FOR GENERATIONS.



IMMANUEL  
LUTHERAN  
CHURCH

EMMANUEL LUTHERAN  
CHURCH

*Endowment Fund*

Provide ministry resources  
for the next generation.

The Foundation's *marketing department* can help your ministry in the creation of a planned giving promotion. The collaboration process produces a publishing file that you may print or offer as a download. Pictured are some regular and custom productions.

Contact the Foundation's marketing department at 800-325-7912 for more information.

YOU could do  
something more  
for  
those you love?  
**You can.**

Take the first step to a  
better future...



transferring  
the blessings

CHARITABLE  
*Gift Annuities*

Make your future more secure.  
Experience the joy of giving.  
Further the Lord's work.

WESTER GARDENS



Reaching All  
With The Gospel

Rooted in Christ  
COLOSSIANS 1:27



NEW LUTHERAN HIGH SCHOOL  
LEGACY ENDOWMENT FUND

Providing God's young people the  
opportunity for exceptional Christ-centered  
education in this generation and the next.



CHARITABLE  
*Trusts*

A tax-efficient way to  
provide for your family  
and ministry.

LCMS Foundation



LCMS Foundation

GENEROUSITY PLANS FOR  
*Family & Ministry*  
Make your ordinary assets  
an extraordinary blessing.



LCMS Foundation

TRANSFER THE  
*Blessings*  
Make your ordinary assets  
an extraordinary blessing.

LCMS Foundation



GENEROUSITY PLANS FOR  
*Family & Ministry*  
Make your ordinary assets  
an extraordinary blessing.

CHARITABLE  
*Gift Annuities*  
Have you ever wanted to make  
a gift of income for life through  
your own generosity?



LCMS Foundation

RETIREMENT  
*Assets*  
Maximize the value of  
your savings by making  
charitable and ministry gifts.

LCMS Foundation



LCMS Foundation

PROVIDE FOR  
People you love  
and appreciate you  
and your faith.  
Give Charitable

# PROMOTING THE MINISTRY FUND

Many ministry funds stop short of the resolve and intentionality to promote and grow the fund. The LCMS Foundation is your promotional partner with expertise to help you grow your fund. Whether it is through our gift planning, training, consulting, or providing resources and services, the LCMS Foundation can help you prepare for the future that God has in store for your ministries.

## Announcements

The best way to begin communicating the ministry fund is through the ministry's weekly bulletin or periodic newsletter. Arrange a meeting with those responsible for communicating news to see if they can accommodate a small space in the bulletin or newsletter for stewardship announcements. These frequent announcements will be the best communication vehicle to announce all the ministry fund activities.

## Materials and Resources

The LCMS Foundation produces promotional brochures and other materials that should be used to help promote gift planning opportunities.

Contact the LCMS Foundation's marketing department and order a free set of brochures including information on LCMS Foundation services, gift annuities, donor advised family gift funds, etc. The LCMS Foundation will also assist with the review of the ministry's own promotional fund brochure.

The LCMS Foundation marketing department can also help design a custom promotional piece specific for your congregation or ministry organization. These productions can feature images, logos, and styles specific to the organization.

The bulletin inserts can include direct contact information to the LCMS Foundation's Gift Design Center or can be designed for a direct response from a LCMS Foundation gift planning counselor.

## Website Information and Connection

Bringing awareness to a ministry's fund may result in members having questions about deferred gift instruments. To help answer these questions, the LCMS Foundation has established online resources at [lcmsfoundation.org](http://lcmsfoundation.org) which contains promotional files, presentations, videos and calculators to educate people on these types of gifts. The website's services are free to anyone at any time.

Customizable bulletin inserts and newsletter articles are available on the LCMS Foundation's website as well. The newsletter articles, bulletin inserts and LCMS Foundation brochures should be used in conjunction with each other for a more effective message.

## Presentations

One of the most successful ways to communicate the ministry fund message is to hold small group presentations. The presentations can be facilitated by LCMS Foundation gift planning staff accompanied by the ministry fund leadership. Agendas for these presentations often cover the role of the ministry fund for the ministries mission and vision and the gift development techniques for growing the fund.

## Conducting a Gift Annuity Mailing

Gift Annuities provide a present benefit to donors and future benefit to ministry. The LCMS Foundation helps congregations and other Lutheran ministries by assisting and facilitating gift annuity mailing programs directly from the organization. Typically, gift annuity mailings are best received around April or September. The LCMS Foundation's marketing team has information to help your ministry conduct a gift annuity campaign.

Gift annuities are a smart and easy way to introduce forms of planned giving to a congregation or ministry organization.

**Please contact  
the Foundation's  
Marketing  
Department for  
more information  
at [info@LFND.org](mailto:info@LFND.org)  
or 800-325-7912.**



## Gift Planning Services

## GROWING THE MINISTRY FUND

When discussing the most effective way to grow a ministry fund, most leaders immediately assume that the best and only way is with prudent and effective investing. Ministry fund committees often assume that the investment custodian that has the best “rate of return” is how the fund will grow the fastest. Proper investing does play into the growth equation, but it is more important to create a stewardship environment that welcomes members and donors to support the endowment ministry with their personal Lifetime Plan for Giving™ with charitable gifts that are made today, tomorrow or forever.

Providing grants is not the purpose of the LCMS Foundation. Rather, we help Lutherans develop their Lifetime Plan for Giving™ for their family and all ministries so that the plan God has placed in their hearts can become a reality and accomplish God’s purposes, not ours.

### The Lifetime Plan for Giving™ process includes four distinct steps:

1. The discovery step uses an LCMS Foundation workbook to gather information about the donor and their family
2. The gift design visually shows how the Christian estate and charitable gift plan come together.
3. The summary creates a complete explanation of the gift plan for the donor and his/her advisors.
4. The implementation stage completes the process by making sure that the Christian estate plan (Will/Living Trust) and the charitable gift plan documents are signed with copies distributed to all appropriate parties.

The LCMS Foundation has a team of Gift Planning Counselors who are available to meet with donors and ministries to provide Gift Planning Services at no cost.

Our Counselors provide professional gift planning services specific to members of the Lutheran Church—Missouri Synod.

- Convenient meeting time and place, usually at a donor’s home or congregation.
- Complete confidentiality.
- Counseling on organizing your Lifetime Plan for Giving™.
- No charge for your counselor’s services.

The counselor will share a variety of choices that donors may have in developing a gift plan, such as charitable trusts, gift annuities and donor advised funds. He or she will give an overview of planning tools like wills and living trusts. He or she will summarize your Lifetime Plan for Giving™ and, with your consent, prepare it for your attorney. Charitable trusts and endowments managed by the LCMS Foundation can be drafted by the LCMS Foundation for your attorney’s review.

Contact any one of our Gift Planning Counselors online at [lcmfoundation.org](https://lcmfoundation.org), click on Gift Planning.

# MANAGING THE MINISTRY FUND

## Investment Philosophy and Structure

The LCMS Foundation serves as trustee for individual life income agreements and endowments. The Foundation also acts as custodian for congregations, colleges, seminaries, auxiliaries and other recognized service organizations of The Lutheran Church—Missouri Synod.

Investing with the LCMS Foundation and opening an account does not require a ministry to relinquish its ownership of the funds; the ministry fund asset remains the property of the organization that has control of the funds.

## Investment Overview

The LCMS Foundation believes that long-term investment objectives will be achieved through prudent management of risks associated with long-term rewards. While the preservation of capital is important, varying degrees of investment risk should be rewarded with compensating returns. Thus, prudent risk taking is justifiable. Investment strategies for the LCMS Foundation will seek to achieve total rates of return that exceed the appropriate market benchmarks and will incorporate effective risk controls. The Foundation's investment philosophy is based on the following concepts:

- **Long-term:** Investment objectives are achieved through prudent risk management.
- **No market timing:** It is very difficult to time market cycles. Investment strategies will predominantly focus on processes which do not incorporate market-timing activity.
- **Reversion to mean:** Capital markets are mean reverting over long periods. Investment strategies will be long-term in nature.
- **Active and passive:** Some markets are efficient while others are less so or inefficient. Investment strategies will reflect a mix of active and passive investments.
- **Manage costs:** Costs have a meaningful impact on returns. Investment strategies will favor cost effective approaches.
- **Asset allocation:** The most significant impact on investment results is asset allocation. The LCMS Foundation will focus the majority of its efforts on the development and maintenance of asset allocation strategies, which will optimally fulfill investment objectives.
- **Fundamentals:** Valuation and analysis based upon fundamentals generally produce superior return/risk results.
- **Performance:** The diversity of the Foundation's clients calls for product offerings that favor consistent performance relative to market benchmarks.

Performance measurement and monitoring activities provide assessment of the success of our investment strategies and implementation of those strategies.

The Foundation uses both separately managed accounts and commingled funds in its investment portfolios. As part of its fiduciary responsibility, the LCMS Foundation imposes investment restrictions on managers of separately managed accounts and closely monitors the investment practices of managers of commingled funds.

With assistance of its investment consultant, NEPC, the LCMS Foundation has established a variety of investment options. Organizations may choose from either the Preference Funds or the Standard Funds, or a combination of the two fund types.

The Standard Funds are designed to fit the needs of most custodial accounts. They are invested in the Preference Funds in mixes that provide appropriate diversification and meet a range of investment objectives. If a custodial account has an objective that cannot be



Higher

# PREFERENCE and STANDARD FUNDS

INTERNATIONAL EQUITY FUND

EQUITY FUND

DOMESTIC EQUITY FUND

AGGRESSIVE BALANCED FUND

MODERATE BALANCED FUND

CONSERVATIVE BALANCED FUND

HIGH YIELD BOND FUND

FIXED INCOME FUND

CORE BOND FUND

MONEY MARKET

RETURN

Lower

RISK

Higher

The Standard Funds are in **bold** text and provide an array of options to investors with differing risk preferences and time horizons. They are diversified within order to maximize risk.

The Preference Funds are in normal text. These two fund families allow investors the flexibility to tailor their investment programs. These funds are diversified within to maximize return and minimize risk. (Remember that the higher the return you seek will automatically increase the degree of risk that must be taken.)

Please keep in mind that past results are no guarantee of future performance.



# MANAGING THE MINISTRY FUND

met within the Standard Fund options, then direct investment in the Preference Funds is possible, as is a combination of the two fund types. All investment funds are monitored on an on-going basis by the investment consultant using state-of-the-art tools.

## Preference Funds

The Preference Funds form the primary investment portfolios for the LCMS Foundation's investment program as they provide the specific investment vehicles used by both Standard Funds and Trust Funds. They are diversified within to maximize return and minimize risk. They also allow organizations the greatest flexibility to tailor their investment programs to meet specific investment objectives. Instruments in these portfolios are:

**Money Market**      **High Yield Bond**      **International Equity**  
**Core Bond**      **Domestic Equity**

## Standard Funds

The Standard Funds are designed to simplify the task of the ministry fund committee. Standard Funds are diversified within, in order to maximize return and minimize risk. For example, the Equity Fund contains large cap and small cap stocks, value and growth stocks, domestic and international stocks, and passive and active managers.

**Fixed Income Fund** - low to moderate risk, income oriented

### Balanced Funds:

- Conservative - some growth, mostly income
- Moderate - growth and income
- Aggressive - mostly growth, some income

**Equity Fund** - high risk option

The Standard Funds are rebalanced and monitored on an ongoing basis using advanced tools. They have been structured to provide investors with differing risk preferences and time horizons. An array of options is tailored to meet individual investment objectives.

The LCMS Foundation oversees the external management of all investment portfolios, the safekeeping of trust/custodial assets, and compliance issues. Investment performance is monitored jointly with the LCMS Foundation's independent investment consultant, NEPC. NEPC performs in-depth analyses of both portfolio composition and performance for adherence to the LCMS Foundation's investment policies, objectives and expectations. They provide extensive and ongoing research covering the LCMS Foundation's investment managers. The LCMS Foundation's investment products and monthly performance reports are provided by NEPC and are available on the LCMS Foundation's website.

Contact us today to learn more about how to grow resources beyond the offering plate for long-term ministry funding.

**Please contact  
Ralph Simon,  
VP Investments,  
at 314-996-1056 or  
Ralph.Simon  
@lfnd.org.**

The image shows the exterior of a large, reddish-brown building. The main sign on the wall reads "FAITH LUTHERAN" in large, white, block letters. Below it, in a smaller, white, cursive font, is "Home of the Crusaders". The building has a modern design with dark brown horizontal slats above the entrance. The entrance is flanked by two large, reddish-brown columns. A young woman with a backpack is walking on the sidewalk in the foreground, looking at her phone. There are trees and a clear blue sky in the background.

# FAITH LUTHERAN

Home of the *Crusaders*

# Appendix A

## *Sample Outline for Ministry Fund*

**I. Name** - Lutheran Church & School, City, State

### **II. General Purpose**

... to receive both unrestricted and restricted gifts and bequests and to use them for the vision of the mission and ministry of \* Lutheran Church, legal address and, upon a special request its board, any of the corporations, associations or recognized service organizations of The Lutheran Church—Missouri Synod.

### **III. Standing Endowment Committee**

The Church Governing Board shall establish an endowment fund ministry committee as a standing committee of the congregation. This group shall serve as the gift development and stewardship leadership group and encourage gifts today, tomorrow and forever. It may create its own policies and establish additional funds for the purposes established in the congregation constitution and these fund bylaws.

### **IV. Unrestricted Gifts**

- A. The Mission Outreach-Evangelism Ministry Fund Account shall focus on:
- B. The Lutheran School Ministry Fund Account shall focus on:
- C. The Discipleship-Equipping Ministry Fund Account shall focus on:
- D. The Capital Improvement Ministry Fund Account shall focus on:
- E. The Human Care-Benevolence Ministry Fund Account shall focus on:

### **V. Designated or Restricted Gifts**

- A. A restricted gift or pledge of \$25,000 or more is required to enable a donor to establish a named endowment or ministry fund.
- B. Donors may attach a letter of direction in the file of any contribution made to the endowment fund to direct the use of gifts and bequests for purposes which meet the requirements of the endowment fund.

### **VI. Exceptions to Restrictions on Uses of Unrestricted and Restricted Gifts**

None of the principal or income from unrestricted or restricted gifts shall be used to meet the congregation's operating budget, or for any purpose other than those stated in paragraphs II, III & IV of the bylaws, unless the committee determines that certain conditions exist.

### **VII. Distribution of Income**

Acceptance of all unrestricted gifts is subject to the conditions set forth in the Gift Acceptance Policy which shall be adopted by the congregation.

### **VIII. Committee Membership and Officers**

### **IX. Authority and Duties**

### **X. Custodial Powers**

### **XI. Fiscal Year**

*This publication is intended to provide information of a general character only. The Lutheran Church—Missouri Synod, the LCMS Foundation, nor any of its affiliated organizations or ministries provides tax, legal or accounting opinions. Please consult your own tax and legal advisors for advice regarding your particular situation.*



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