

# LIFE INCOME AGREEMENTS

We've all been taught you can't have your cake and eat it too. But when it comes to life income agreements ... actually you can! Life income agreements allow you to give a significant irrevocable gift in support of ministry, while also providing an income for yourself or a loved one. There are several options when it comes to life income agreements, all of which offer an immediate calculated income tax deduction, an income for life or a specified number of years, and a gift of the remaining balance to ministry when income payments stop. If appreciated assets are gifted, capital gains can also be avoided. Life income gifts can be an excellent way to use an asset two ways – first to provide the income you or a loved one needs, and then to meet a ministry's needs.

## KEY INFORMATION

The three most common life income agreements available through FM Financial are:



**Charitable Remainder Unitrust (CRUT)** – In general, a CRUT pays a **specified percent (not less than 5%) of the value of the trust's assets (revalued annually)**, either for life or a specified number of years. Variations of the CRUT (straight, net income, net income with makeup, and flip) provide flexibility to meet your unique income needs. A CRUT requires a minimum gift of \$25,000 and can accept additional contributions.



**Charitable Remainder Annuity Trust (CRAT)** – A CRAT pays a **fixed percentage (not less than 5%) of the initial value of the assets** irrevocably contributed to it, either for life or a specified time period. If you want to know the amount of income you will receive each year without variation, a CRAT might be a good choice. CRATs require a minimum gift of \$25,000 and do not allow additional contributions.



**Charitable Gift Annuity (CGA)** – FM Financial currently partners with the National Christian Foundation to offer charitable gift annuities. For a minimum gift of \$10,000, donors receive **guaranteed income payments for life based on age and the corresponding rate** set by the American Council on Gift Annuities. The National Christian Foundation makes a calculation of the projected remaining balance of the annuity, which is immediately available to the ministry(ies) of your choice.

FM Financial would be happy to run sample gift illustrations so you can see how various life income agreement options would work in your unique circumstances. These illustrations provide projected income information as well as tax implications of your gift.

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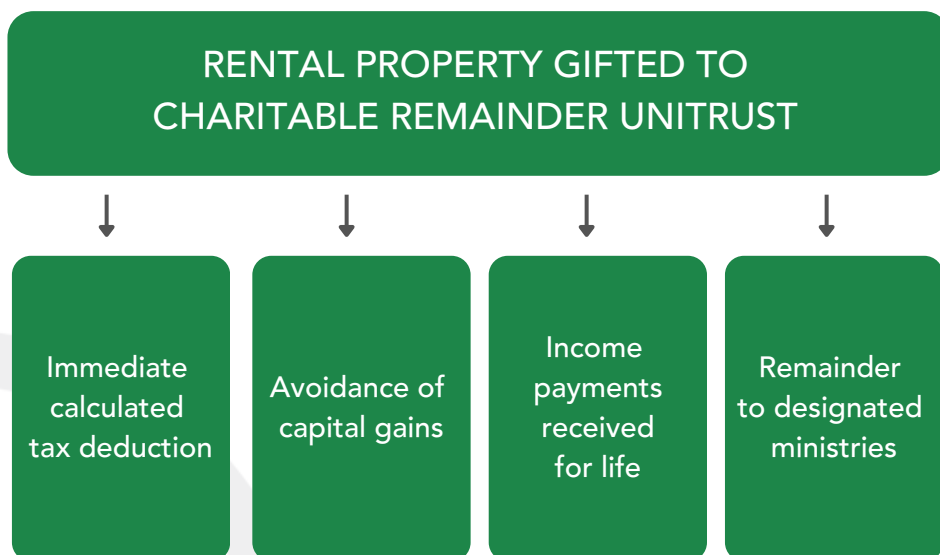
## A REAL LIFE STORY

Dave and Jan have used a rental property for many years to provide extra income. It has served them well, especially during their kids' college years. Now in retirement, they no longer wish to put the time and effort into maintaining the property and servicing the tenants. They want to visit the grandkids!

Their first thought was simply to sell the property, but since they have owned it for a number of years, they were concerned about the capital gains that will be realized if they sell. When considering their options, they remembered a desire they had years ago to somehow use the rental property to support their local church.

After talking through various scenarios with FM Financial, Dave and Jan decided to gift the rental property to fund a charitable remainder unitrust (CRUT). They will immediately receive a calculated income tax deduction based on the appraised value of the property, and also avoid realizing the capital gains. The income payments they will receive for life will help replace the rent payments they were receiving.

But perhaps best of all, when God calls them home, the remaining value of the trust will be divided equally between their local Free Methodist church and another favorite Free Methodist ministry, fulfilling the hope they had long ago to use the rental property for the glory of God.



FM Financial is the financial services ministry of FMCUSA. We offer professional planning, investing, and giving services for individuals and organizations from a biblical perspective.