

# Introduction to Trustees of Funds & Endowments, Inc.

Presented by Jill Heller, Executive Director  
for the Diocesan Wardens and Treasurers Meeting  
March 18, 2021

# Meeting Agenda

- ✓ TFE Structure, Mission and Services
- ✓ The Combined Fund
- ✓ Special Brokerage Account – Charitable Gifts of Stock
- ✓ Planned Giving and Endowment Building Consulting
- ✓ Staying in Touch



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# TFE Structure and Governance

- Traces origin to 1848
- Separate organization from the diocese
- Board of Trustees
  - Six elected at diocesan convention to three-year staggered terms
  - Three appointed by the TFE board to three-year staggered terms
  - Ex-Officio with voice and vote
    - Bishop
    - Diocesan Treasurer
- Two part-time staff
  - Executive Director
  - Communications Director



# Trustees of Funds and Endowments, Inc.

## *Stewardship for Mission and Ministry*






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TFE promotes the enhancement of the financial futures of the Episcopal Diocese of Milwaukee, its member parishes, and its outreach organizations.

# TFE's Services

1. Manage The Combined Fund
2. Maintain a special brokerage account to assist with charitable gifts of stock
3. Planned giving and endowment building consulting

# TFE Service #1 – The Combined Fund

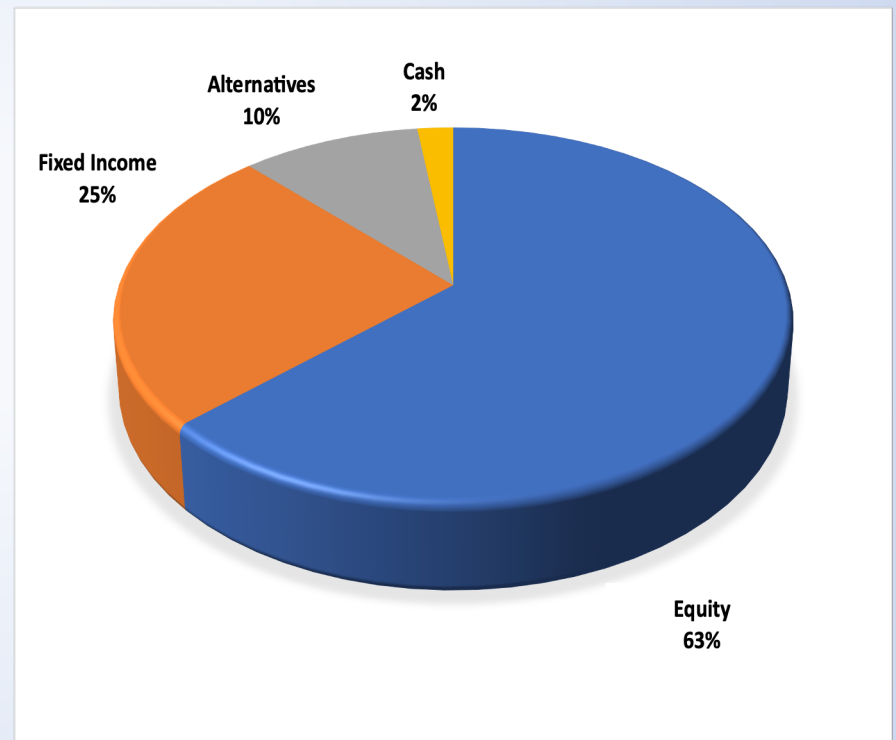
- A common, or pooled, investment fund for parishes, the diocese and related entities
- Three investment pools (long-term, mid-term, short-term) and a money market fund
- Total value of approximately \$30 million
- Professional Advisors
  - Investment Advisor – AndCo Consulting (21 years with TFE) 
  - Custodian – TMI Trust 
  - Auditor – CliftonLarsonAllen, LLP 
- Investment and Endowment Policies guide TFE's Board



# Long Term Pool

## The “Original” Combined Fund

- Intended for long-term investments, primarily endowment funds
- Goal to protect principal, provide annual income and capital growth
- \$5,000 minimum
- Monthly, quarterly or annual distributions



## Sidebar: What is an endowment fund?

- An endowment is a fund that
  - Is separately accounted for on an organization's financial records,
  - Is invested for preservation and growth of principal,
  - Exists in perpetuity (forever)
  - Has periodic distributions, as specified by the donor or spending policy,
  - Is often for a particular purpose





# Example of Endowment Growth

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
Beginning Value	10,000	10,409	10,835	11,278	11,739	12,219	12,719	13,239	13,781	14,344
Plus Annual Growth *	834	868	904	941	979	1,019	1,061	1,104	1,149	1,196
Less Distributions Taken **	(425)	(442)	(460)	(479)	(499)	(519)	(541)	(563)	(586)	(610)
Ending Value	10,409	10,835	11,278	11,739	12,219	12,719	13,239	13,781	14,344	14,931
* using 10-year average return value										
** assume 4.25%										

*Note: Historical investment returns are not a guarantee of future results.*

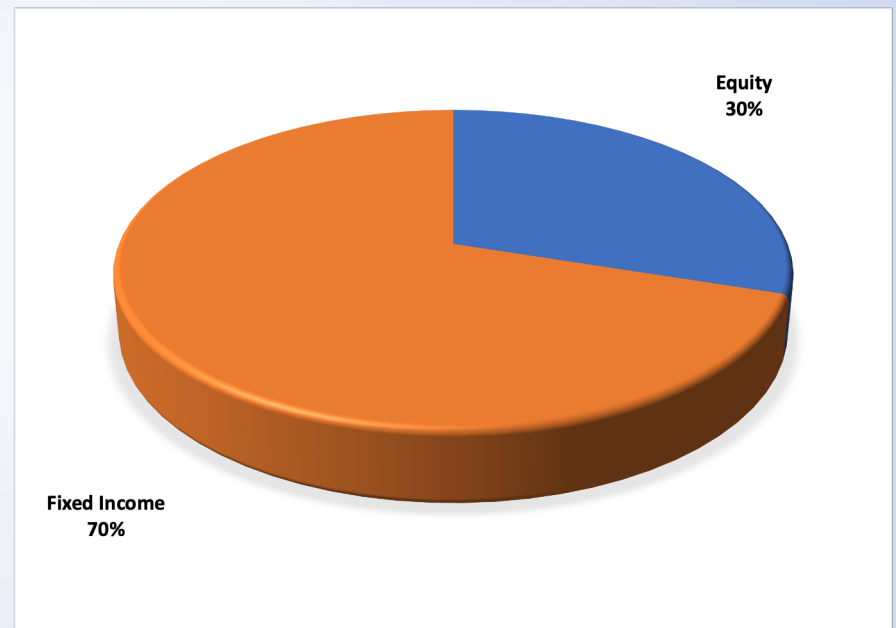
# Long-Term Pool Distribution Options

1. Funds distribute monthly, quarterly or annually according to TFE's distribution policy
  - Total Return Concept - 4.5% of 20 quarter rolling average
2. Option to accumulate distributions in a money market fund
3. Option to reinvest distributions to grow the fund



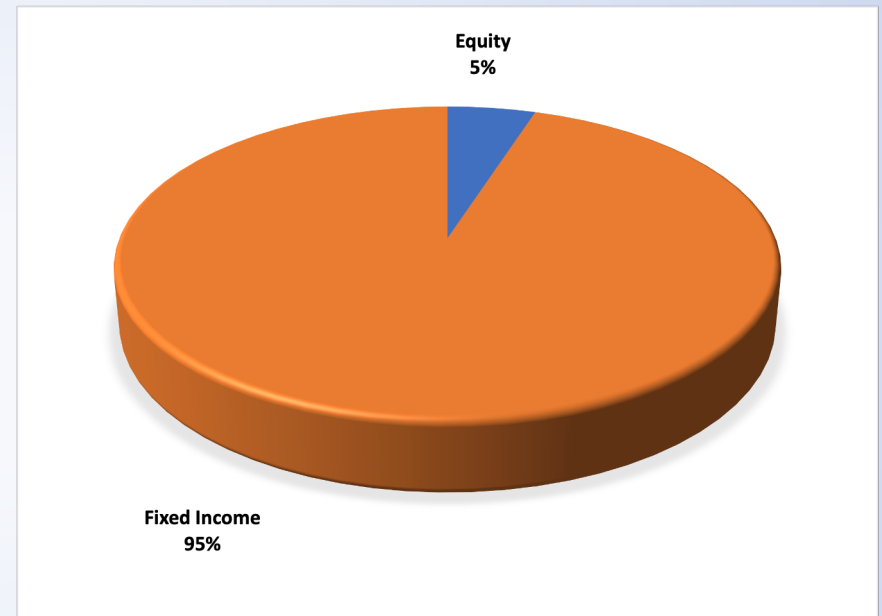
# Mid-Term Pool

- Intended for intermediate-term funds (3-5 years), such as capital campaign funds.
- Goal to preserve principal and provide some growth
- \$3,000 minimum
- Periodic distributions not available



# Short Term Pool

- Intended for short-term funds (up to 18 months)
- Goal to preserve principal and provide some growth
- \$3,000 minimum
- Periodic distributions not available



# Money Market Fund

- An alternative to a bank saving or checking account
- Invesco Premier US Gov Institutional Fund (IUGXX)
- Used to hold endowment accumulations and funds pending investment
- Often has a higher rate of return than bank accounts, but not in recent months
- Not FDIC insured

# Combined Fund Returns – December 31, 2020

	1- year return	3-year return	5-year return	10-year return
Long-Term Pool	12.45%	8.06%	9.73%	8.34%
Mid-Term Pool	6.73%	5.44%	5.66%	
Short-Term Pool	5.19%	4.06%	3.54%	

Note: Returns recorded in the table include fees implicit in the funds. They do not reflect other TFE fees.

*Note: Historical investment returns are not a guarantee of future results.*



# Combined Fund Ownership Options

- Parish as Owner of Fund
  - Parish retains responsibility for fund oversight and operation
  - TFE (the Combined Fund) is simply an investment vehicle
  - Maximum flexibility for future parish leadership
- TFE as Owner/Trustee of Fund
  - TFE assumes responsibility for fund oversight and operation
  - Reduced oversight by future parish leadership



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# Benefits of investing in the Combined Fund

- Consistent professional investment management
- A staff and board focused on fund oversight
- Economies of Scale – TFE's size allows for
  - The use of professional advisors that may not be available to a parish
  - Access to investment opportunities that may have higher minimum investment amounts
- Consistency in policies and governance



# TFE Service #2 - Special Brokerage Account

Established to assist parishes in accepting charitable gifts of stock.

Benefits to donors of giving **long-term, appreciated** stock:

	<b>\$10,000 CASH</b>	<b>\$10,000 STOCK Cost Basis \$4,000</b>
Charitable Deduction	\$10,000	\$10,000
Tax Savings @ 37%	\$3,700	\$3,700
Capital Gains Tax Saved	\$0	\$1,200
Net Cost of Gift	\$6,300	\$5,100

This hypothetical example is for illustrative purposes only. Please consult your tax advisor for information specific to your individual tax situation.

# Special Brokerage Account

- Most parishes do not have brokerage accounts in their name.
- TFE's special brokerage account is currently held at Charles Schwab.
- TFE will accept stock gifts from parishioners, sell them and send the proceeds to the parish.
- TFE's services are free, but brokerage (Schwab) fees are deducted from the sale proceeds.
- Instructions are on the TFE website at <https://tfemil.org/special-brokerage-account/>



# TFE Service #3 - Planned Giving Consultation



- Most planned gifts are made at death (bequest in will or trust)
- TFE can be your planned giving “coach”.
- Planned giving is not just for the wealthy

## For more information about TFE

- Join our newsletter for monthly updates - send an email request to [JillHellerTFE@gmail.com](mailto:JillHellerTFE@gmail.com).
- Review our website: [www.tfemil.org](http://www.tfemil.org)
- In 2021, TFE will request a Zoom meeting with all fundholders to review account holdings.