FAQs: Association Trusts

1. Purpose.

Association Trusts have been established to meet requests from Associations over the years. The requests were based on Association members' desire to both make a gift to The Mother Church, and to be relieved of the burden of investment management utilizing investments screened for their compatibility with Christian Science. In some instances Associations also wanted to place a portion of their assets in a safe harbor to provide for an ultimate gift to The Mother Church, should the Association ever decide to discontinue.

2. Irrevocable, no distribution of principal.

Association trusts are irrevocable, and generally do not permit distribution of principal. Under certain circumstances, these trusts may allow for access to distributions from the trust principal to provide for the continuity of Association activities. For this reason, it is important that an Association desiring to establish a trust with The Mother Church do so only with assets that it will not need to access.

3. Established at no charge to the Association.

An Association Trust may be established at no charge to the Association. Should the Association desire to have independent advice or review of the trust document during the process of establishing the trust, that expense would need to be born by the Association.

4. Tax Exempt.

An Association Trust is not a taxable trust. No tax returns need to be filed with the IRS for this trust. As long as the Association uses the distributions from the trust for the Association's tax exempt purpose, the Association may not pay taxes on the income from the Association Trust.

For this reason, the issue of what is capital gain or ordinary income does not apply to an Association Trust.

5. What is net income.

Association trusts are net income trusts.

Net income, for this particular type of trust for tax-exempt organizations, describes a distribution of payments that are limited to the lesser of:

(a) the total of dividends and interest earned by the trust, OR
(b) the fixed percentage payout rate amount, usually 5%.

A net income arrangement is designed to protect the principal, not only for what may eventually be the remainder interest, but also to protect the income stream.

6. Income distributed net of fees.

Distributions from the trust to the Association are made, net of fees, on a quarterly basis.

7. What are the fees.

There are two types of fees that are charged to the principal (not the income) of the trust:

(a) Asset Management Fees. These are fees charged to the principal of the trust for investment management services. The fee is .25 (twenty five basis points)
(b) Trustee's Service Charges: Fees charged to the principal of the trust for services provided by the Christian Science Trustees for Gifts and Endowments to cover the expenses involved in operating the trust program. The Trustees' fee varies with the size of the trust: 1st $500,000: .65; 2nd $500,000: .55; Higher: .30.

8. What is the asset allocation.

Association trusts are invested in a Growth asset allocation, 70% equities/30% fixed income. Although there is a wide array of possible asset allocations, as many may be aware from their investment experiences, the growth allocation is the one best suited to what is hoped to be a perpetual trust.

9. How is the asset allocation determined.

Asset allocations are determined as a matter of policy by the Christian Science Trustees for Gifts and Endowments, and based primarily on the horizon of the trust. The policy of the CSTGE is designed to protect the split-interest nature of the gift. Association trusts are presumed to be perpetual, thereby indicating a Growth allocation. The growth allocation cannot be altered by the Association.

10. An Association Trust is a gift and a safe harbor.

This special trust is best suited to situations where an Association wants to primarily make a gift to The Mother Church, where reliance on the income stream is secondary. As a result, an Association trust is not suited to situations where Association members are looking for an investment vehicle. The growth allocation is designed to grow the size of the trust over time, thereby increasing the size of the gift to The Mother Church. With the gift in mind, Associations should fund such a trust only with assets that are above what they need to operate.

11. Your Financial Safe Harbor: Finding the right fit.

Many Associations who establish a trust with The Mother Church have found that the trust meets two important needs:

- The desire to give a gift to The Mother Church that will increase in value over time.

- The need to create a safe harbor for surplus funds.

We recognize that this type of trust may not be the right fit for every situation. We support each Association's democratic nature and their ability to manage their assets in the way that will best meet their needs.