Alliance of Resident Theatres/New York

Planned Giving Workshop:
Why You Should Start a Program

November 9, 2010

So, what is planned giving? What does it mean to have a planned giving program? Are there rules my organization should know before we start? Is planned giving only for organizations of a certain size? Is this the right time for your organization to start a planned giving program? Explore what you will need in resources and staff and volunteer time to start asking your contributors to include you in their estate plans.

The information provided in this presentation is not intended as legal, tax, or investment advice. Please consult your organization's attorney, tax professional, or investment professional for such advice.

Presented by:
Rita Fuerst Adams, CFRE
President
Charitable and Philanthropic Management Counsel
257 Bolton Street
South Boston, Massachusetts 02127
617.268.4960
rita@rita1st.com
www.rita1st.com

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What is Planned Giving?

Planned giving, once called deferred giving, refers to any charitable gift that requires more thought and planning to execute than the average donation. Planned giving has traditionally been defined as the gift that an individual makes near the end of his or her lifetime. There are many kinds of planned gifts, from simple bequests in a will or an estate plan, to annuities, chartable reminder trusts, charitable lead trusts, pooled income, life insurance and life estates.

Making Planned Giving Work For You
Planned giving strategy tips for every organization
Lawrence Henze, J.D., Managing Director, Blackbaud Analytics

Is this the right time for your organization to start a planned giving program?

This is the right time, if your organization:

- Is ten-years old or older
- Has increased its annual gifts each year both in number of gifts received and the total dollars received
- Has a growing number of lead contributors
- Has contributors who are confident you will be around for awhile
- Has contributors who have given for at least three consecutive years, and preferably, are 55-years old or older
- Is visible and known in the community it serves
- Has a strong mission and vision statement
- Has a current strategic business plan
- Has a well-articulated case for support
- Is financially well-managed

Why you should start a planned giving program

- It generally takes from 7 to 10 years to begin receiving significant current dollars for the organization.
- Nationwide, the average charitable bequest is $32,000.
- Nationwide the average charitable gift made with stock is $41,000.

How does planned giving impact the organization?

It encourages your organization to:

- Plan for your future.
- Sharpen your mission and vision statements so contributors want your organization to continue.
- Articulate your case for support so contributors find the message compelling.
- Present your financial data in a way that engenders confidence among contributors.

How does planned giving impact other fundraising?

It encourages your organization to:

- Research current contributors and learn more about why individuals contribute to your organization.
- Personally meet with contributors.
- Engage Trustees and other volunteers in fundraising.

What does it mean to have a planned giving program?

Have you defined the uses for planned gifts?

- Same as annual need for gifts?
- Start or increase an endowment fund?
- Start or increase a fund for special uses?

Do you need policies to govern acceptance of gifts?

- Yes! Establish written policies that are approved and documented at a meeting of the Trustees.
- Determine which forms of gifts your organization will accept, cultivate, and solicit.
- Determine whether or not your organization has the capacity to accept, cultivate, solicit, and manage these forms of gifts.

What is the role of the Board of Trustees?

- Establish written policies governing the forms of gifts that will be accepted.
- Receive the current list of legacy society members and legacies received at Trustees meetings.
- Work with Development Committee members to review the list of the 125 leading prospective contributors. Include Committee members as often as possible in the meetings arranged with prospective contributors.

What is the role of other volunteers?

- Encourage contributors who make a commitment to join you in marketing planned gifts and in contacting other prospective contributors.
- Make thank you calls to those who join.
- Place calls to invite prospective contributors to events.
- Develop a list of 125 leading prospective contributors. Personally meet with each of these prospective contributors.
- Develop a list of estate planners and attorneys in your service area. Prepare a mailing introducing your organization. Mail a reasonable number at a time so you can follow-up to the letter with a telephone call requesting a personal meeting. Meet with as many as possible. Continue throughout the year.

Should you create a planned giving society?

- Name of the society honors an individual who has been instrumental in your organization’s success.
- Tool for marketing planned gifts.
- Most often developed to recognize individuals who are including your organization in their will or trust agreement.

Do you have prospective contributors?

- Contributors who are age 65 years old or older
- May consider contributors as young as 50 years old or older
- Are widows or widowers
- Do not have children
- Are involved in your organization

Who makes planned gifts?

- Contributors who give to the charitable organization – year after year
- Older retirees on fixed incomes who still give to the charitable organization
- Younger married couples in their forties and fifties; may have children at home; are active consumers who use credit
- Single females over age 65, many of whom have outlived spouses
- Wealthier people between their mid-50s and age 70
- Contributors with a high level of education
- Contributors with a higher income
- Contributors who are more frequent religious attendees

Why contributors plan their giving

- Truly care about the charitable organization
- Fulfill their philanthropic goals
- Leave a charitable legacy for future generations
- Make a larger charitable gift than the contributor thought possible
- Retain a stream of income for life for the contributor and other beneficiaries
- Increase spendable income
- Reduce costs and time in estate settlement
- Reduce income tax through a deduction for a gift
- Avoid capital gains tax on gifts of long-term appreciated property
- Eliminate federal estate tax on property passing to charity upon the contributor’s death

Where do they give?

- Charitable bequests reached an estimated $22.66 billion in 2008.
- An estimated 120,000 estates leave a charitable bequest each year.
- The vast majority of the amount in the estimate, 85%, is from about 8,000 estates that file estate tax returns and claim charitable deductions.
- In 2007, $19.7 billion was given through bequests. Of this-

51.2%	$10.08 billion	private foundations
13.9%,	$2.73 billion	education
6.7%	$1.32 billion	arts
6.5%	$1.27 billion	health
6.2%	$1.22 billion	human services
5.6%	$1.11 billion	religion
4.1%	$0.8 billion	environment/animals
2.3%	$0.46 billion	public-society benefit
0.3%	$0.05 billion	international affairs
3.3%	$0.65 billion	other

2009 contributions
$303.75 billion in the United States

Giving in the United States is 2.1% of Gross Domestic Product

% of Total	Amount	Source of Contributions
4%	$14.10 billion	Corporations
8%	$23.80 billion	Bequests
13%	38.44 billion	Foundations
75%	$227.41 billion	Individuals

$ of Total	Amount	Recipient Organization
33%	$100.95 billion	Religion
13%,	$40.01 billion	Education
10%	$31.00 billion	Private foundations
10%	$28.59 billion	Unallocated giving
9%	$27.08 billion	Human services
8%	$22.77 billion	Public-society benefit
7%	$22.46 billion	Health
4%	$12.34 billion	Arts, cultural, and humanities
3%	$8.89 billion	International affairs
2%	$6.15 billion	Environment/animals
1%	$3.51 billion	Foundation grants to individuals

Giving USA 2009
The Annual Report on Philanthropy for the Year 2008
Giving USA Foundation

How do you market the program?

- Print response boxes on all your publications. Ask for contact information. Use on fundraising solicitations, volunteer materials, and other requests for information.
- As often as possible, offer prospective contributors the opportunity to ask for information about planned giving.
- Continue to include one "sidebar" in every newsletter asking readers to include your organization in their will.
- Place similar copy on your website.
- Continue to include a story about a contributor in every newsletter. The story may be about a current contributor, a legacy gift, or a member of the legacy society.
- Rotate these stories on your website.
- Include a list of the legacy society members annually in the newsletter.
- Include a list of the legacy society members on your website.
- List legacy society members in programs. Include an invitation to learn more about joining the legacy society.
- "Mark" legacy society members who attend events with a ribbon or some other form of recognition.
- Host lunches and receptions for current and prospective contributors. Include information about joining the legacy society in the materials provided.

How will you acknowledge and recognize contributors?

- Consider multiple letters to thank a contributor. First letter is the formal, organizational thank you. Determine at what levels, for which types of gifts, or for selected audiences that additional acknowledgment letters or other forms of acknowledgments are sent.
- Place telephone calls for all planned gifts.
- Place telephone calls for other selected gifts.
- Publish the list of individuals who are including your organization in their will. It is often easier to market if the organization creates a society and uses the name to market the membership.
- Acknowledge at your events with special name tags, lists in programs, or special seating.
- Hold an event for society members.

What materials will you need?

- Create a basic bequest information sheet that provides sample wording for wills. Include the organization's legal name, address, even the EIN. You want to eliminate confusion between your organization and sound-alike organizations. Have it available to send to contributors in a PDF to email and in a form that can be faxed or mailed. Also, post the PDF on the website.
- Prepare stories about bequests and what these individuals' gifts have done for your organization.
- Prepare stories about individuals who make it known they are including your organization in their will.
- Prepare a package of information to send to individuals who request more information about planned giving. Include in the package a cover letter extolling the benefits of legacies to your organization, a copy of one of the stories about a contributor, and the basic bequest information sheet for the prospective contributor to share with their professional advisor.
- Prepare a package of information to send to individuals who respond saying they are including your organization in their will. The package should include a welcoming letter, a list of contributors who have made it known they have your organization in their will, and stories about legacies.
- Prepare and regularly update a list of contributors who are including your organization in their will.
- Prepare copies for distribution of the stories of contributors who have made it known they are including your organization in their will.
- Prepare copies for distribution of the stories of how individual bequests have impacted your organization.

How do you broach the subject with a prospective contributor?

Why have you given to our organization?

What is your connection to our work?

What sources do you use to gather information about a charity before you contribute?

How do you typically decide which organizations to contribute to and the amount?

What do you expect from the organizations you give to?

Do we provide you the information you desire? In a timely manner?

Do you have suggestions on how we could improve the information we provide you? Content or format?

Are our materials about how to make a gift clear and easy to follow?

Would you encourage others to give to us? Why or Why not?

As we ask others to give – what do you consider our greatest strengths?

Any weaknesses we should correct?

Do you have suggestions on how we could improve our contacts with you and other contributors?

Are there people you know - who give - you would be willing to introduce us to?

Who is the best contributor you know? Why do you consider this person a good contributor?

Do you know people with an interest in (describe your program)?

Would you solicit others for a gift for our organization?

Would you serve on our Board of Trustees?

Are there people who influence your giving?

Are there people whose giving you influence?

What is the greatest joy you have had from a gift you made? Why?

What is the biggest mistake charities make when they ask you or others for a gift?

Planned Gift Options

Stock: Appreciated stock, publicly traded or closely held, are the most common type of noncash gift. Publicly traded stock is highly liquid as it can be sold quickly by a phone call to the broker and it has a readily ascertainable fair market value. Closely held stock may be difficult to value and may prove to be illiquid. Such stock may be subject to restrictions or difficult to locate an able, willing buyer.

Typically contributors save in income taxes through a charitable contribution deduction and may avoid capital gains tax. In a single year approximately 400,000 gifts are made with stock, or $16.3 billion dollars. Of these 72% are from contributors age 55 or older. Nationwide the average gift of stock is $41,000.

Real Estate: Real estate is the second most common type of noncash gift. The benefit for the charitable organization is the property becomes an asset. Also the gift can be made simply with a properly drawn deed.

The contributor typically may receive a charitable income-tax deduction for the full fair-market value of the property and may avoid tax on the capital gains element of the gifted property.

Yet, there are issues to address when considering gifts of real estate. Among them:

- Is the real estate subject to debt?
- Are there liens?
- Is the contributor the sole owner?
- Will the organization be able to sell the property in a reasonable amount of time?
- Is the property contaminated?
- Will the organization be able to pay the insurance, taxes, and maintenance until it is sold?

Bequests: Bequests are the most popular planned giving method. They are easy to understand and assets are transferred after the contributor no longer needs them. Bequests are a written statement in the contributor's will directing specific assets, or a percentage of the estate, will be transferred to the charitable organization at the contributor's death.

Estate tax deductions can be claimed for charitable bequests. They can reduce the taxable amount of the estate and in some cases eliminate estate taxes that would otherwise be payable by heirs. Nationwide the average charitable bequest is $32,000.

Make sure contributors have the charitable organization's complete legal name.

Retirement Plans and IRAs: For many contributors retirement plan assets may be the single largest asset in their portfolios. These are easy for contributors to understand and to implement. The contributor obtains a beneficiary designation from the retirement plan administrator and names the charitable organization as the entire or partial beneficiary of the retirement plan upon the contributor's death. This may avoid federal estate-tax liability because of the inclusion of the charitable deduction.

Life Insurance: Similar to a retirement plan designation, the gift to the charitable organization is accomplished by naming the charitable organization as a beneficiary of the policy on the beneficiary designation form. The contributor retains ownership of the policy and has access to the policy's cash value. Upon the contributor's death the charitable organization will receive all or a portion of the proceeds from the policy. This may avoid federal estate-tax liability because of the inclusion of the charitable deduction.

For immediate tax benefits, a contributor in New York State may name a charitable organization as the owner. This is the irrevocable assignment of all rights in an insurance policy to a charitable organization. The contributor is allowed an immediate federal charitable income-tax deduction for the lesser of the policy's fair-market value or for the net premiums paid. Income-tax deductions for contributions to enable the charitable organization to pay subsequent premiums are also allowed.

Charitable Gift Annuity: It is a simple contract between the contributor and charitable organization. The contributor makes a gift to a charitable organization that stipulates the charitable organization will make annual payments for life to a specified person(s). Typically the contributor may receive a charitable income-tax deduction for the amount of the gift. In addition, the contributor may take a portion of the income received as a tax-deduction.

Charitable Lead Trust: This trust arrangement pays an annual amount to the charitable organization for a specified period of years. The trust principal reverts to the contributor or the contributor's family at the end of the trust agreement. The payment made to the charitable organization is similar to an outright gift of cash. The charitable organization may use the cash as received, subject to any restrictions placed on the gift by the contributor.

Charitable Remainder Trust: This is an irrevocable trust that provides income to contributors and beneficiaries until their death or the termination of the trust term. At the end of the trust term the remainder of the trust – the corpus – is transferred to one or more charitable organizations. There are two types: the charitable remainder annuity trust and charitable reminder unitrust.

Pooled income fund: It is a trust funded by a number of contributors, each retaining an income interest in the trust for life. Each contributor is paid a pro rata share of the trust earnings. Each contributor's portion of the principal becomes the property of the charitable organization upon the death of the contributor.

Samples

Specific Bequest

I give, devise and bequeath to Organization, a Massachusetts nonprofit corporation, located at Quincy, Massachusetts the sum of One Million Dollars ($1,000,000) to be placed in an endowment and the income to be used to continue to provide mental health, early childhood education, and substance abuse services for people of all ages throughout the South Shore, Southeastern Massachusetts, and Cape Cod.

Percentage Bequest

I give, devise and bequeath to Organization, a Massachusetts nonprofit corporation, located at Quincy, Massachusetts fifty percent (50%) of my estate to be placed in an endowment and the income to be used to continue to provide mental health, early childhood education, and substance abuse services for people of all ages throughout the South Shore, Southeastern Massachusetts, and Cape Cod.

Residuary Bequest

I give, devise and bequeath all of the rest, residue and remainder of my property, wherever located whether it be personal or real, or tangible or intangible to Organization, a Massachusetts nonprofit corporation, located at Quincy, Massachusetts to be placed in an endowment and the income to be used to continue to provide mental health, early childhood education, and substance abuse services for people of all ages throughout the South Shore, Southeastern Massachusetts, and Cape Cod.

Contingent Bequest

If (insert name) predeceases me or disclaims any interest in (describe property), I give such property to Organization, a Massachusetts nonprofit corporation, located at Quincy, Massachusetts to provide mental health, early childhood education, and substance abuse services for people of all ages throughout the South Shore, Southeastern Massachusetts, and Cape Cod.

Other Helpful Language

If any of the above charities are no longer in existence at the time of my demise, I direct that the share designated for it be distributed equally to the other charities, or all to the remaining charity.

Samples

Recommended Copy for Side Bar in Newsletter

Your Legacy for Our South Shore Community

To ensure the continuance of its work, and to offer a greater opportunity for giving, Organization is asking our contributors, grateful clients and their families, and our friends and neighbors to consider contributing through your wills and trusts.

Your gift will be used to continue to provide mental health, early childhood education, and substance abuse services for people of all ages throughout the South Shore, Southeastern Massachusetts, and Cape Cod.

For information for your professional advisor, please contact Name, President/CEO, Organization, 617-444-9999, name@organization.org.

Samples

Recommended Copy for Website

Your Legacy for Our South Shore Community

To ensure the continuance of its work, and to offer a greater opportunity for giving, Organization is asking our contributors, grateful clients and their families, and our friends and neighbors to consider contributing through your wills and trusts.

Your gift will be used to continue to provide mental health, early childhood education, and substance abuse services for people of all ages throughout the South Shore, Southeastern Massachusetts, and Cape Cod.

Organization's full name is Organization Center, Inc. It is a 501(c)(3) public charity and is qualified under Section 170 of the Internal Revenue Service Code to receive gifts, grants, and contributions which are deductible for Federal income tax purposes. Its federal tax identification number is INSERT NUMBER.

The information provided in Organization's materials is not intended as legal, tax, or investment advice. Please consult your attorney, tax professional, or investment professional for such advice.

For information for your professional advisor, please contact Name, President/CEO, Organization, 617-444-9999, name@organization.org.

Samples

Recommended Copy for Side Bar in Newsletter

Your Legacy of Sight

To ensure the continuance of its work, and to offer a greater opportunity for giving, Organization has created the Name Legacy Society. As members of the Name Legacy Society, Organization contributors are given an opportunity to contribute through wills and trusts.

Tens of thousands of people have restored sight because of the generosity of dedicated and thoughtful people who have made Organization part of their legacies through their wills or trusts. Ever since Name founded Organization in 1944 Organization has been the fortunate recipient of a continuous stream of generous bequests and legacies.

Your gift may be invested in Organization's endowment fund. The income is used to continue to give the gift of sight to New York residents, to provide eye tissue for surgeons to learn advanced ophthalmologic surgical procedures, for medical researchers to discover treatments and cures to reduce blindness and visual impairment, and to encourage people to donate eyes to make this sight restoration and medical research possible.

For information on becoming a member of the Name Legacy Society, please contact Name, Director of Development, Organization, 212-555-0000, name@organization.org for additional information and assistance.

Sample Copy for Response Cards, Websites, Newsletters, and Acknowledgments

To inform contributors your organization is qualified to receive contributions:

The (name of organization), a 501(c)(3) nonprofit organization, is qualified under Section 170 of the Internal Revenue Service Code to receive gifts, grants, and contributions which are deductible for federal income tax purposes.

To comply with Internal Revenue Service regulations to inform contributors that no goods or services were provided:

This is to confirm that no goods or services were received from (name of organization) (Federal ID number) in exchange for your contribution, in accordance with current Internal Revenue Service regulations.

To inform contributors that you are not providing legal or accounting advice:

The information provided in (name of organization)'s materials is not intended as legal, tax, or investment advice. Please consult your attorney, tax professional, or investment professional for such advice.

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Brink, Michael and Bryan Clontz, *Charitable Gifts of Life Insurance,* Planned Giving Design Center, February 26, 2008.

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Regenovich, Dean, *Establishing A Planned Giving Program, from Hank Rosso's Achieving Excellence in Fundraising*, The Center on Philanthropy at Indiana University, Indiana University – Purdue University – Indianapolis, John Wiley & Sons, 2003.

The Cleveland Clinic Foundation planned giving marketing materials.

Resources

Center on Philanthropy
http://www.philanthropy.iupui.edu/

Internal Revenue Service
http://www.irs.gov/charities/index.html?navmenu=menu1

Lawyers Alliance for New York
http://www.lawyersalliance.org/

The Planned Giving Design Center
http://www.pgdc.com/host/the-new-york-community-trust

Volunteer Lawyers for the Arts
http://www.vlany.org/aboutus/index.php

Suggested Reading

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Fremont-Smith, Marion R. Governing Nonprofit Organizations, Federal and State Law and Regulation. Cambridge, Massachusetts: The Belknap Press of Harvard University, 2004

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Seymour, Harold J. *Designs for Fund-Raising: Principles, Patterns, Techniques*. 2nd ed. Rockville, Maryland: Fund Raising Institute, The Taft Group, 1988

Shaw, Sondra C., and Martha A. Taylor. *Reinventing Fundraising*. San Francisco, California: Jossey-Bass Publishers, 1995