

Planned Giving: Starting a Program on a Small Scale

AFP Permian Basin Chapter

August 27, 2008



DOWNEY ASSOCIATES, LLC

Mary Downey, MBA

San Antonio, TX 78209

210-391-6830

www.downeyassociates.biz

marydowney@sbcglobal.net

Objectives

Provide answers to two questions:

- “Why should a small nonprofit start a planned giving program?”
 - Define “planned giving” & how it differs from other charitable gifts
 - Describe “typical” planned giving donors
 - Describe the benefits of planned giving programs– for donors and for charities – and how offering planned giving options to donors can enhance your fundraising efforts.
- “Is it possible for a small nonprofit to have an effective planned giving program?”
 - Identify the best planned gifts to promote in a new program.
 - Look at the basic resources needed to start



What is Planned Giving?

- A fund raising function; gifts that require planning; often through a legal instrument
- Giving from wealth rather than income
- The education & cultivation of donor prospects for the purpose of receiving current and deferred major gifts



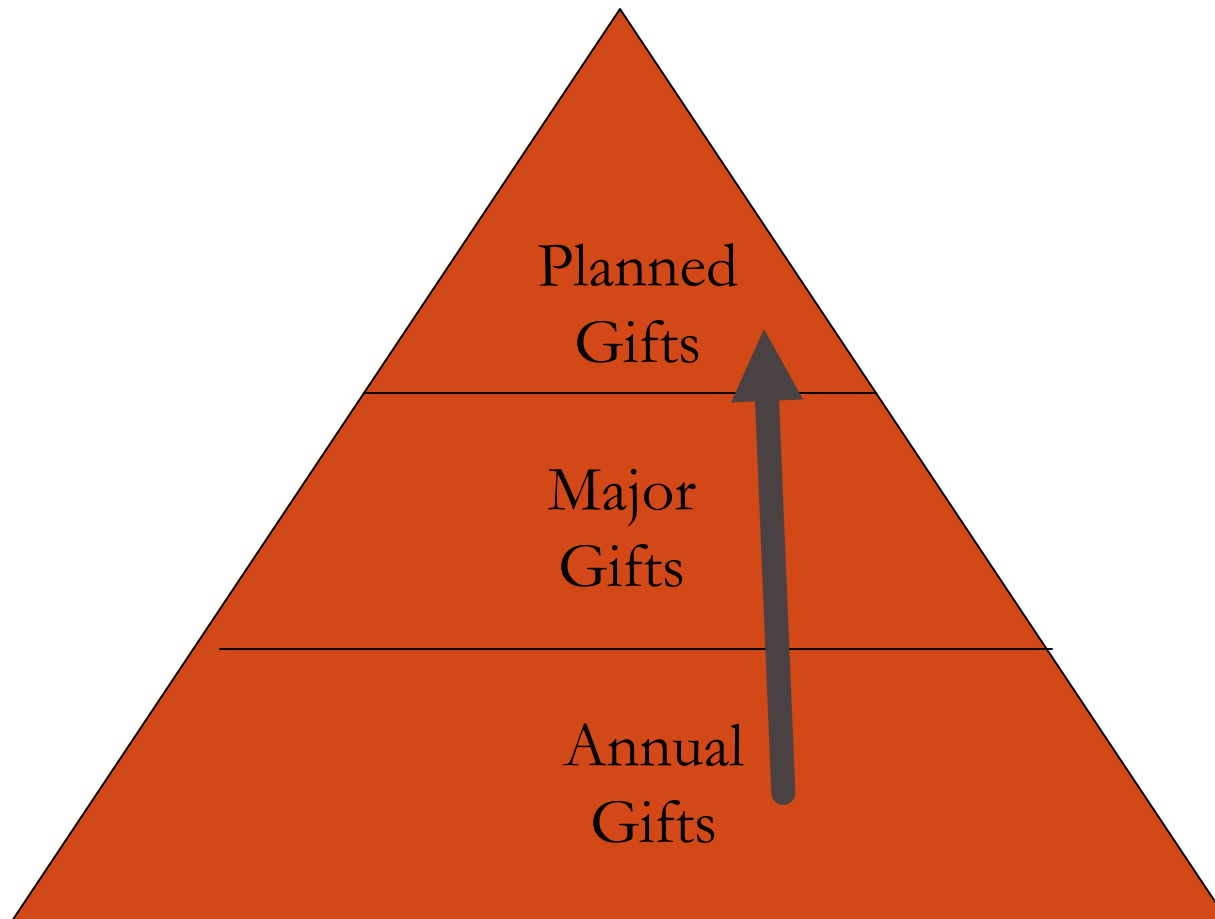
Myths & Misconceptions

- A nonprofit must have many wealthy donors
- A nonprofit must have staff who are tax and legal experts
- A nonprofit must offer the full “menu” of planned giving options

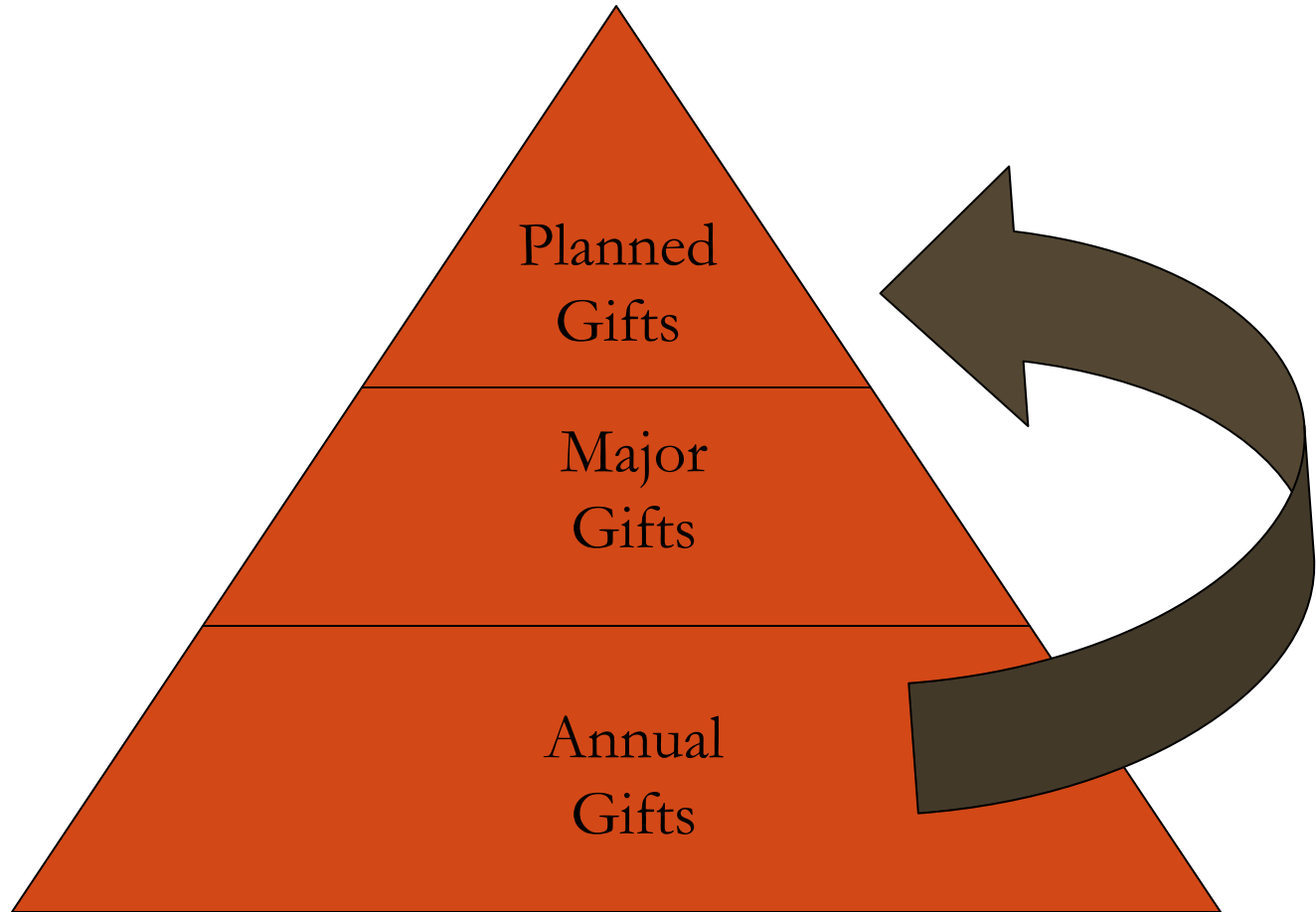
All these statements are False!



The Giving Pyramid



The Planned Giving Pyramid



Sources of Funds for Charitable Gifts

Purpose of gift:

- Annual gift – current programs & operations
- Major gift – buildings, equipment
- Planned gift – Endowment



Source of Gift:

- Current Income (Discretionary)
- Assets
- Estate

Common Planned Gifts

- Bequests
 - A gift or legacy left by will, typically personal property or assets.
- Stock Gifts
- Life Insurance
- Retirement Accounts
- Real Estate



Other Types of Planned Gifts

- Charitable Gift Annuities
- Charitable Trusts
 - Charitable Remainder Annuity Trust
 - Charitable Remainder Unitrust
 - Charitable Lead Trust
- Donor Advised Funds (DAFs)



Identifying Potential Donors

- Consistent donors
- Donors 55+
- Older “lapsed” donors
- Single donors
- Donors without children
- Board members; former & founding Board members
- Long-term volunteers & staff
- Major donors (maybe)



Identifying Potential Donors

Typical “legacy pledgers”:

- On average – 69 years old
- College graduates
- Donate on average \$2500 annually to charity
- Have fewer children & grand children
- “Consistent” givers
- 91.9% felt it appropriate for charities to ask for such gifts

“Determinants of U.S. Donor Behaviour: The Case of Bequests” Adrain Sargeant & Elaine Jay Sponsored by the Association of Fundraising Professionals



Why Start a Planned Giving Program?

Benefits to Donors

- Provides more flexibility in giving opportunities
- Helps people meet personal and financial goals-tailored to meet specific needs
- Can increase current income for the donor
- May avoid capital gains tax



Why Start a Planned Giving Program?

Benefits to Donors

- Provides a way for donor to pass assets to family at a reduced tax cost
- May provide current tax benefits for future gifts
- Allows a donor to make a significant gift **NOW**



Why Start a Planned Giving Program?

Benefits to the Charity

- Increases number of potential donors – gifts that would otherwise be left on the table
- Allows charity access to larger (major) gifts
- Allows charity to increase professionalism of its fundraising efforts
- Enhances the mission & builds endowment
- Other charities are asking for these gifts...why not you?



Gift Plans for the New Planned Giving Program

- **Bequests**
- Life Insurance
- Retirement Accounts
- Real Estate



Bequests

- Approximately 70% - 80% of planned gifts come in the form of bequests.
- In recent years: \$20 billion annually
- Only about 42% of adults have a will (according to legal resource Martindale-Hubbell)



Bequests – The “Typical” donor

“According to recent studies, approximately 70% of Wills that contain charitable dispositions are, on average, executed by a 78-year-old woman some 3.5 years prior to death at the age of 81 or 82.”

Robert F. Sharpe, Jr.



Bequests

“..only 5% of those who die leave a bequest to charity, compared to over 85% who give in their lifetime...”

“Determinants of U.S. Donor Behavior: The Case of Bequest” by
Adrian Sargeant & Elaine Jay, June 2004



Bequests



- For an entire estate
- For a % of entire estate
- For a specific asset or \$ amount
- For the remainder estate after specific bequests
- Contingent

Bequests

NCPG Survey – Reasons people do not leave an estate gift to charity:

- No one asked them to
- No one suggested that they do so
- Didn't think of it



Gifts of Life Insurance



- Giving to charity a paid-up policy taken out when family needed protection:
 - Donor changes ownership & beneficiary designation in favor of charity
 - Donor receives current income tax deduction & removes asset from estate
 - Appraisal required

Gifts of Life Insurance

- Charity as a listed beneficiary on an insurance policy:
 - Donor retains ownership
 - No income tax deduction
 - Like a bequest is “revocable”



Gifts from Retirement Accounts

- IRAs, 401(k)s, pension plans
- Charity as beneficiary
- Changes to IRS regulations for distributions from IRA benefit charities



Gifts of Real Estate

Retained Life Estate

- Donor deeds property to charity subject to the right to live in the home for the rest of his/her life
- Donor receives an income tax deduction based on the present value of the gift; appraisal required
- Donor agrees to maintain property, pay taxes & insurance
- At donor's death, property goes to charity
- Removes asset from the donor's estate



Gifts of Real Estate

Bargain Sales

- Sale of property to charity for less than its FMV; part gift/part sale
- “Gift” part of the transaction allows donor to take a charitable deduction; appraisal required
- A win/win situation if property is very marketable or the charity has a current or future use for the property



Requirements for Starting a Planned Giving Program

- The full commitment of senior staff & board members
- A “designated” staff member to be responsible for program
- A staff person or consultant with background in planned giving, tax law, finance, banking
- Donor database information for target marketing
- Adequate budget for operating program, training, & marketing
- Gift policies that incorporate planned gifts
- Sufficient financial stability to initiate a program
- Back-up contacts in estate law, tax law, & real estate law



Resources for Your Planned Giving Program

National Committee on Planned Giving (NCPG)

- Education-- *Syllabus for Gift Planners*A
- Annual NCPG Conference
- Research--studies analyzing behaviors
- Outreach--cooperation among various professionals
- Government relations--support for legislation favorable to charitable giving
- **Ethics**--*Model Standards of Practice for the Charitable Gift Planner*
- Local NCPG councils & “Leave a Legacy” programs
- www.ncpg.org



Summary – Are you ready?

- A strong donor base of committed, mature donors
- A board and senior staff that understands, approves, supports, & participates in planned giving
- Financial stability
- A well developed and stable infrastructure
- A strong, well-articulated mission and strategic plan
- Necessary resources to devote to PG
- Maturity

