

# Planned Giving in Difficult Times – How to Talk With Your Donors

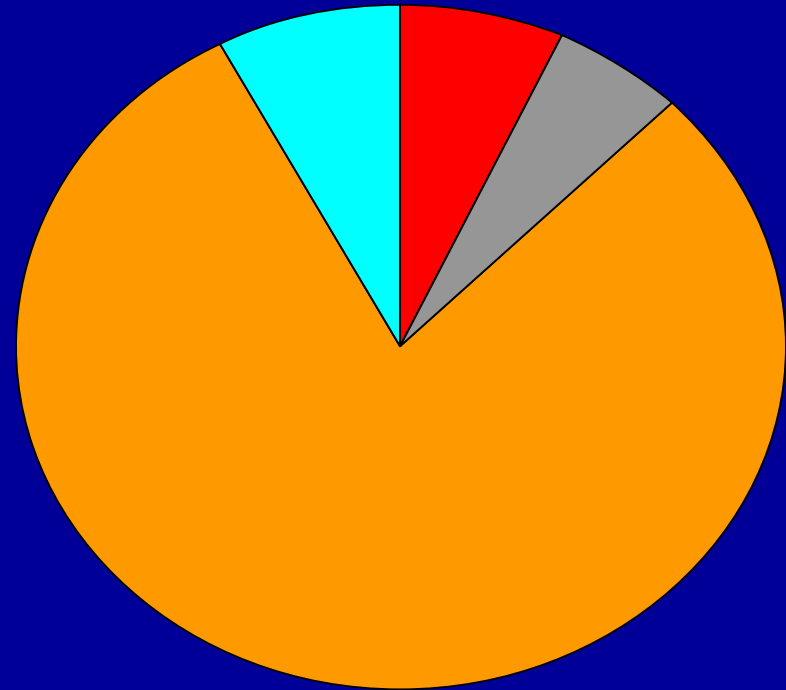
Jewish Community Foundation  
of Greater Hartford, Inc.

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Presented by Ellen G. Estes, LL.B. and Frank Estes, LL.B.

# Giving in 2007

- Foundations – 12.6%  
(\$38.52 Billion)
- Bequests – 7.6%  
(\$23.15 Billion)
- Individuals – 74.8%  
(\$229.03 Billion)
- Corporations – 5.1%  
(\$15.69 Billion)



**Total: \$306.39 Billion**

Source: Giving USA

# What's Out There?

- Gifts of Appreciated Securities
  - Better than cash (sort of):
    - You get full value of the security
    - Donor gets income tax charitable deduction for the full market value
    - Nobody has to pay the capital gains tax on the appreciation

## Example:

Donor has \$1K in cash and 10 shares of stock worth \$1K which he bought for \$100

If he gives you cash and sells stock:

- You get \$1K
- He gets \$1K charitable deduction
- He has \$865 (\$1K sale of stock minus \$135 ( $\$900 \times 15\%$ ) capital gains tax)

If he gives you stock & puts cash in pocket:

- You get \$1K
- He gets \$1K charitable deduction
- He has \$1K in cash in his pocket
- He is happy!

## Example #2:

Same case except donor likes the stock and wants to continue to invest in it.

He still should give you the stock, then use the \$1K cash to purchase another 10 shares

- You get \$1K
- He gets a \$1K charitable deduction
- He still has 10 shares of stock worth \$1K
- He has a basis in that stock of \$1K not \$100
- He is very happy!

# BEQUESTS

- Bequests by Will
  - Most important single form of planned gift - 2/3 of all planned gifts (# & \$)
  - Inevitable for everyone
  - If you involve them - **and ask them** - they will come
  - Surprises are nice, but knowledge is better -
    - Assures the correct language
    - Assures an appropriate purpose
    - Permits you to honor them while they are still living

So make sure to talk with your prospects and ask them to include your organization in their wills and estate plans.

# Every charity can and should have a strong Bequest Program

- Requires a minimal amount of staff time and money – a very cost-effective way of raising funds for your organization
- Does not require a lot of technical expertise
- Can provide significant financial rewards for your organization
- Can enhance your organization's relationships with your existing donors
- Can assure the future viability and stability of your programs
- Can be successfully promoted by ANY charity

# Beneficiary Designations

- IRAs and Retirement Plans
  - Uncle Sam loves you to have them - hates you to leave them to heirs
  - Estate tax of up to 45%
  - Income tax of up to 35%
  - Great asset for charitable giving at death
  - Done by contract not through will
- Insurance Policies

# An Important Characteristic

Bequests and Beneficiary Designations are

**REVOCABLE**

while donor is alive

# Keep in mind -

Studies have shown that the 2 most important concerns for older individuals are –

- Maintaining control (over health, assets, life)
- Leaving a Legacy – desire to make a lasting difference

These two desires can often be in conflict

Bequests and Beneficiary Designations (retirement plans and life insurance) allow donors to do both!

# What's Out There?

## IRA Rollover

- Donor must be 70 ½ or older
- Can rollover up to \$100,000 per year from traditional IRA or Roth IRA
- Must be made outright to qualified charities
- Must be made directly to qualified charities
- Cannot exceed \$100,000 per year
- Amount rolled over from IRA will be excluded from donor's income
- Amount rolled over will count toward donor's minimum distribution requirement
- No income tax deduction for rollover gift
- IRA rollover provision will expire on 12/31/2009 – unless Congress acts.

# What's Out There?

## IRA Rollover

May be attractive to donors who -

- Do not itemize deductions
- Are already giving at their 50% deduction limit

**Note:** Since individuals will **not be required** to take minimum annual distributions from their IRA's in 2009 – it is unclear whether or not donors will want to avail themselves of the IRA Rollover option this year. Donors may prefer to use other assets to make a gift.

# What's Out There?

- Charitable Gift Annuities
  - Contract (not a trust) between Donor & Charity
  - Donor irrevocably transfers assets to Charity
  - Payment by Charity of fixed dollar amount yearly for life
  - Rate based on age of recipient
  - Backed by general assets of Charity
  - Usually has minimum size (5K) and age (55)

# Charitable Gift Annuities

## Some Benefits:

- Fixed income at attractive rate
- Possibly increase income
- Income tax charitable deduction
- Portion of payments are tax-free
- Avoid and defer capital gains
- Retirement planning with Deferred CGA
- Simple to do – donors love them!

# Charitable Remainder Trust

- Most flexible life income arrangement
- Donor irrevocably transfers assets to trustee
- An “income” is paid to people named by donor for life or for a term of years
- Trust then terminates and pays to charity
- Rate of income payout is set by donor, but must be at least 5%

# Charitable Remainder Trust

- Two major types:
  - Charitable Remainder Annuity Trust
    - Income is a fixed dollar amount for the life of trust
    - Think fixed income
  - Charitable Remainder Unitrust
    - Income is a fixed percentage of the value of the trust, revalued on an annual basis
    - Think variable income
- Size of trusts is usually large (\$100K+)
- Trust can benefit more than one charity

# Charitable Remainder Trust

- Benefits
  - Income tax deduction for present value of remainder interest
  - Avoidance of capital gains taxes
  - Flexibility as to income recipients
  - Flexibility as to level of income
  - Helpful in retirement planning
  - Way to make a really big difference to one or more Charities

# What's Out There? – Recap -

- Gifts of Appreciated Securities
- Bequests by Will
- Beneficiary Designations
  - IRAs and Retirement Plans
  - Insurance Policies
- IRA Rollover (maybe?)
- Charitable Gift Annuities
- Charitable Remainder Trusts

# Who Are Good PG Prospects?

- Long term consistent donors (even of small amounts)
- Donors age 55 and older
- Unmarried, or married without children
- Long-term relationship with your Charity
- Board and former board members
- Received services from your Charity
- Volunteers
- **WOMEN** in all of the foregoing categories

# Who Are Good PG Prospects?

“I love your Charity, and I wish that I could do more to support it, but .....

- I’m worried about retirement.
- I have children (parents) to support.
- My income now is barely enough.
- I have a lot of other charitable interests.
- My assets are all tied up in ....
- It’s mine, and I am going to enjoy it ‘till I die!
- In this difficult economy – I Just can’t part with anything...

# Planned Giving Donor Development

## Some Questions

- How do you identify them?
- How do you communicate with them?
- What do you communicate to them?
- What is the process for turning prospects into donors?

# What Makes A Long-Term Consistent Donor?

Pick criteria that produce a workable number  
of prospects for your purpose.

- X number of total gifts
- Y consecutive years of giving
- X gifts in the last Y years

For mailings use broader scope

For individualized focus use narrower scope

# How Do You Communicate?

- The post office will not do your job for you.
  - Letters, PG Brochures, and Newsletters can:
    - Cause a person to self-identify as a prospect.
    - Remind a prospect to get that will drafted or that beneficiary designation made.
  - They seldom, by themselves, cause donor action.

# How Do You Communicate?

## Get Personal!

- Development work is all about **building relationships**.
- The strongest relationships tend to be created through inter-personal contact – not by mail.
- Planned giving is a face to face, individual contact business.
- Success lies in visiting your prospects and continuing to visit your donors.
- Be aware of PG opportunities in each of your visits.

# What Do You Communicate

1. Talk about the things that interest them.
2. Communicate your mission and its service to the community.
3. Combine #s 1. and 2.
4. Discuss how they can help (not what you need).

# A Hypothetical Case

Planned Giving is an ongoing process, not a one visit thing.  
It begins with making an appointment.

## First Visit – “Thank You” & Information Gathering

Discover interests, family situation, connection to your charity, etc.

## Second Visit – Information Giving

What you are doing in areas of interest to prospect, what your plans are for the future.

## Third + Visits – Partnership Forming

Progress on plans, how they can help.

## Subsequent Visits – Stewardship

How your service is progressing and their planned gift has/will support it

Don't overlook this stewardship as supporting current giving.

# Some Closing Thoughts

1. Now is a good time to talk to donors about PG  
They are interested in how you are coping, but may not be in a position to make outright gifts.
2. This, too (the bad economy), shall pass.
3. It will happen again.  
Planned Giving could help you through the next time, but it will only support you then if you build your program now.

Whatever You Do..

Don't do

**NOTHING**