Planned Giving: Starting a Program on a Small Scale
AFP Permian Basin Chapter
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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

- Annual Gifts
- Major Gifts
- Planned Gifts
The Planned Giving Pyramid

- Annual Gifts
- Major Gifts
- Planned Gifts
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)
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*
- 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](http://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