



FAST TRACK YOUR  
UNDERSTANDING OF GIFT  
Planning: The Basics

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## Why is Planned Giving Important?

There are four primary reasons:

- Giving Patterns
- Demographics
- Donor Lifecycles
- The Economy

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## Why is Planned Giving Important?

### Giving patterns

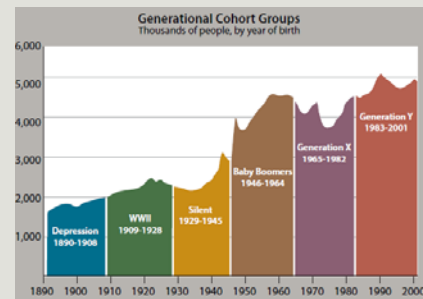
- Most contributions come from individuals.
- When bequests and individual gifts are combined, the percentage is 79%



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## Why is planned giving important? demographics



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## Why is Planned Giving Important? The economy

With the economy's rise and fall, many organizations find their annual and special funds failing too.

- Planned gift programs have provided many nonprofits with the extra funding that has made the difference in retaining staff and continuing programs.

## ESSENTIALS of planned giving

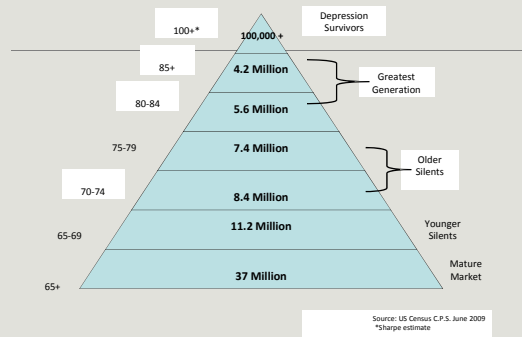
- Why are demographics so important?
- Importance of donor lifecycles
- How to identify a planned gift prospect
- Popular planned gifts
- Which planned gift is the right one?



## Why are DEMOGRAPHICS important?



## 65+ Generations at a Glance



## A Quick Look at the Donor Lifecycles

### Early years:

- Modest gifts.
- Usually by check.
- Are used for the annual fund.
- 70% are made impulsively.
- Building careers and families.



## A Quick Look at the Donor Lifecycles

### The middle years:

- One time big gift?
- Usually in the context of a capital campaign.
- Made from assets as well as cash.



## The Middle Years

Declines in assets are forcing Boomers to face a new reality

- Planning to work longer (some up to age 70)

More than three out of four Americans 55 or older have saved less than \$250,000

- 28% have saved less than \$10,000!

## A Quick Look at the Donor Lifecycles

### The later years:

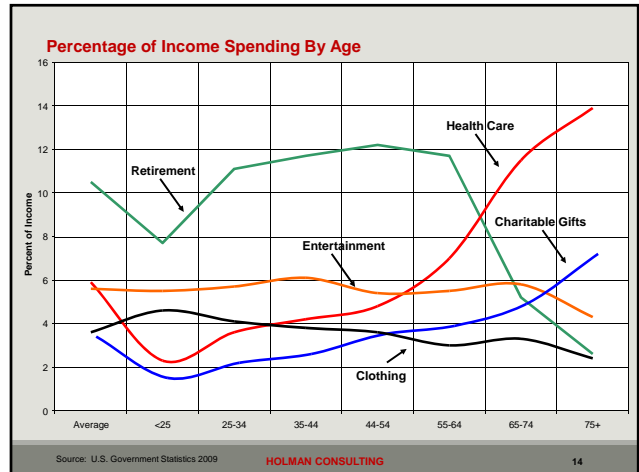
- Planned gift playground.
- These gifts come primarily from assets.
- The *ultimate* gift.



## The Later Years

### Signs of later year givers:

- Regular giving begins to wane.
- Disposable income decreases.
- Feelings of impoverishment.
- Special gifts less likely.
- Charitable intent is high.
- But may be using their own endowment.
- May defer gift of a lifetime.



## Where do planned gifts come from?



- Planned gifts are made from assets, not cash.
- Planned gifts offer donors the opportunity to make the largest gift they can form the donative intent to make.

## The other important lifecycle

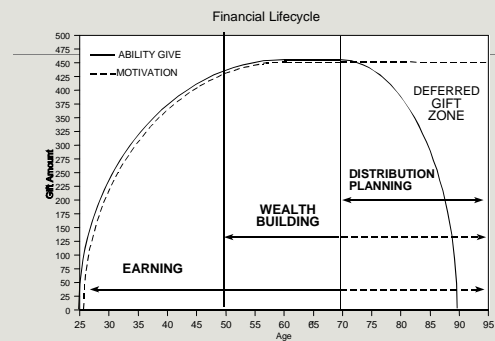


Chart courtesy of The Sharpe Group

## Who are Planned Gift Prospects?

According to the National Committee on Planned Giving 2000 *Survey of Donors Study* traditionally:

- More than half of all bequest donors to charity are women.
- Planned gift donors give frequently to an organization over a long period of time.
- They are over 60.



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## The Economic Power of Women



Nearly half of the top wealth-holders in the U.S. are women, including more than three-million women with annual incomes greater than \$550,000.

Source: "Fem-anthropology: Women's Philanthropic Giving Patterns and Objectives", *Advancing Philanthropy*, March-April 2010; *Chronicle of Philanthropy* "Fundraising and the Female Donor", September 2013

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## The Economic Power of Women



- Women own **43%** of stock portfolios with values over \$500,000
- Women own **45%** of investments in other markets
- Women own a majority of all stocks traded on the NY Stock Exchange

Source: Jewish Federations of North America, *National Women's Philanthropy: Philanthropic Profile*, July 2011

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## The Economic Power of Women

- Women will inherit **70%** of the intergenerational wealth in the next 50 years.
- Many women will inherit twice – from their parents and then from their husbands.



Source: "Fem-anthropology: Women's Philanthropic Giving Patterns and Objectives", *Advancing Philanthropy*, March-April 2010; *Chronicle of Philanthropy* "Fundraising and the Female Donor", September 2013

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## What is the most popular planned gift?

### Life Income Gifts

- Charitable Remainder Trusts
- Charitable Lead Trusts
- Charitable Gift Annuities

### Bequests

Life Insurance

Retirement Plans



## What is the Best Planned Gift?

### Depends upon the donor.

- Which gift is simplest and easiest to understand.
- Which gift meets their needs:
  - To take care of an aging relative;
  - To retirement plan.
  - To make a sizable pledge, but to insure their children receive money at a later stage in life.
  - To keep their money until they really don't need it anymore.

## What is the most popular planned gift?

Donors choose bequests 80% to 90% of the time as their preferred planned gift.

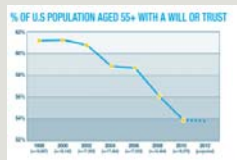
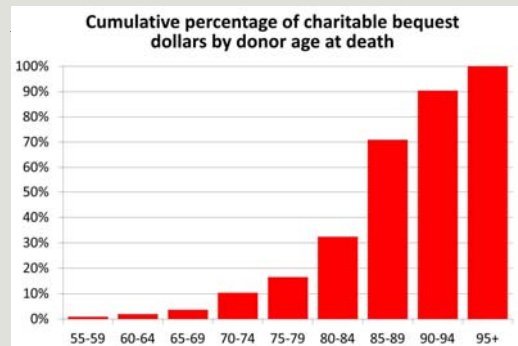


Chart Source: MarketSmart

The life income gift, charitable gift annuity is the second most popular planned gift.

## Bequests

Charts and research from Russell James, JD, PhD report "American Charitable Bequest Demographics 1992-2012"



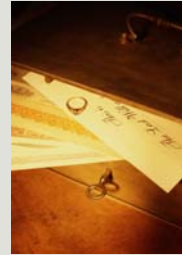
## Case Study: Can't Part with Money



Donor, aged 60, isn't sure about his professional future or the stock market, has aging parents, has been divorced twice (and is supporting wife #1), and has one grandchild.

**Solution:** *Bequest*

## Bequests



- Easiest planned gift.
- Simple to arrange.
- How will bequests come to your organization?
- Outright or contingent.
- Specific amount.
- Percentage/fractional share.
- Residue.

## Case Study: Aging Parent

**Donor:** Aged 55

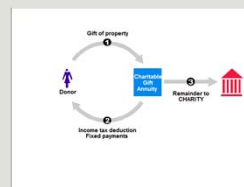
**Family:** 85-year old mother

**Scenario:** Donor is giving mother \$2,000 per month to help with living expenses. Donor's assets are invested to return 4.6% in after-tax dollars. Donor needs to invest slightly more than \$520,000 to yield \$2,000 a month after tax.

**Solution:** *Charitable Gift Annuity*



## Charitable Gift Annuity



### How it works

- 1 You transfer cash, securities, or other property to CHARITY.
- 2 You receive an income tax deduction and may save capital gains tax.
- 3 CHARITY pays a fixed amount each year to you or to anyone you name for life. Typically, a portion of these payments is tax-free.
- 4 When the gift annuity ends, its remaining principal passes to CHARITY.

- A simple contract between charity and donor
- Fixed payments, usually quarterly.
- Two annuitants only.
- Payments can be deferred.

## CGA Outcome

Based on the donor's mother's age of 85, the CGA would return 8.3% of the amount transferred: \$300,000 would yield the \$2,000 per month the donor gives the mother.

### Benefits to the donor:

- Donor uses 58% the capital previously required.
- All of the organization's assets stand behind the payments to the donor's mother.
- Donor receives tax deduction of \$168,438 for the gift. The deduction is spread out over time, depending upon adjusted gross income
- The organization receives close to \$150,000 at the end of the donor's mother's life.

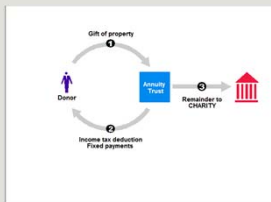
## Case Study: Retirement Planning

- Donor is 55 and has a net worth of \$10 million, much of which is in the form of a closely held business.
- He wants to retire at 65, sell the business for a significant sum and begin taking large disbursements from his retirement plans.
- He also stands to inherit a substantial sum from his 87-year old mother.
- He has been asked for a \$1-million gift to the hospital. He doesn't think he can make the gift because of his children's educational expenses, weddings and other financial commitments.



**Solution:** Charitable Remainder Annuity Trust

## Charitable Remainder Trust



### How it works

- 1 You transfer cash, securities, or other property to a trust.
- 2 You receive an income tax deduction and pay no capital gains tax on transfer to trust. During its term, the trust pays a fixed amount each year to you or to anyone you name.
- 3 When the trust ends, its remaining principal passes to CHARITY.

PG Calc Chart

## CRAT Outcome

- Donor owns \$2M worth of stock that pays no dividends. His cost basis is \$400k. If he sold he would owe approximately \$240k in capital gains tax.
- Donor gives your organization the stock for a CRAT paying him 10%/year (\$200k) for 10 years.
- Charitable income tax deduction of \$322,860.
- If the trust earns a net return of 7%/year, at the termination of the CRAT, your organization would receive about \$1.7 million.
- The cash flow from the trust can be used to pay for his expenses and other financial commitments.

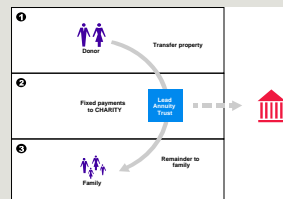
## Case Study: Sizable Pledge/Money for Kids

- Couple, both 70, and have a two grandchildren, aged 15 and 16.
- Their children are successful, so aren't worried about bequests to them.
- Want to provide their grandchildren with sizable inheritances, but want to be sure they are old enough to handle the money.
- They support your organization and want to make a sizable pledge in 2019.



**Solution:** Charitable Lead Trust

## Charitable Lead Trust



Non-grantor trust

- Money eventually goes to children or grandchildren
- Donor realizes gift or estate tax deduction

### How it Works

- 1 You transfer cash, securities, or other property to a trust. You receive a gift tax deduction.
- 2 During its term, the trust pays a fixed amount each year to CHARITY.
- 3 When the trust ends, its remaining principal passes to your family or other heirs you name. Trust growth passes to them free of gift or estate tax.

## CLT Outcome

- Couple sells stocks worth \$500K to fund the CLT.
- Fixed payout is 5% over 15 years.
- Grandchildren will receive what's left at age 30 and 31.
- However, they must report at \$500K gift to their grandchildren at the time the trust is established.
- Charitable tax deduction is about \$285K, with the gift portion to the children of \$95K, well under the \$2 million gift tax exemption.
- The grandchildren will receive about \$810K because the trust grows over time.
- Up to \$375,000 would be distributed to your organization over the 15 years.

## Planned Gift Marketing

- **Getting the right message to the right person at the right time.**
- **Keys to success:**
  - Segment your list
  - Use testimonial letters, ads and articles
  - Add a line to your reply cards
  - Add to your website and refresh often
  - Hold gift planning seminars
  - Establish a recognition society

## Marketing Using a Donor-Focused Approach

- Important to let supporters know that your agencies have a planned giving program.
  - Donors often include several charities in their wills.
  - Important to get your hat in the ring.
- Important to discover expectancies.
  - Recognize and secure the relationship.
  - May be prospects for other gifts.

## Marketing Using a Donor-Focused Approach

- Build around a systematic, patient approach
- Identify and educate your prospects
  - Who are best prospects?



## Marketing Using a Donor-Focused Approach



## Marketing Using a Donor-Focused Approach

**F**requent  
**L**ong time  
**A**ge  
**G**ender

Remember, the most important prospects are those who have the highest affinity for your agency.

- Consistent donors
- Engaged board members
- Those closest to your agency

## A Word about Your Boards



- Not all board members will give
- **Your agency needs to be in the their top three philanthropic priorities**
- Focus on the oldest board members and the oldest emeriti board members

## Marketing Using a Donor-Focused Approach

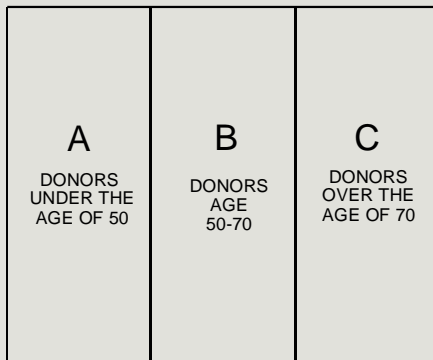
### Prioritize list

- Women
- Widows/widowers
- Repetitive donors of any amount
- Donors over 65



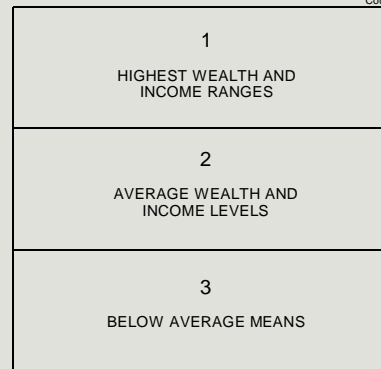
## SEGMENTATION BY AGE

Courtesy The Sharpe Group



## SEGMENTATION BY WEALTH

Courtesy: The Sharpe Group



	YOUNGER	MIDDLE-AGED	OLDER
WEALTHY	A1	B1	C1
MODERATE MEANS	A2	B2	C2
LIMITED MEANS	A3	B3	C3

Courtesy: The Sharpe Group HOLMAN CONSULTING 45

	YOUNGER	MIDDLE-AGED	OLDER	LONGEVITY OF GIVING	MOTIVATION FOR GIFTS	GENDER & MARITAL STATUS
WEALTHY	A1	B1	C1			
MODERATE MEANS	A2	B2	C2			
LIMITED MEANS	A3	B3	C3			

Courtesy: The Sharpe Group HOLMAN CONSULTING 46

### AGE-BASED GIFT PLANS

	-50 YOUNGER	50-70 MIDDLE-AGED	70+ OLDER
WEALTHY	A1	B1	C1 Bequests Charitable Trusts for Life Life Estate Gifts Gift Annuities Retirement Plans & Insurance
MODERATE MEANS	A2	B2 Charitable Trusts for Life Pooled Income Funds	C2 Bequests Charitable Trusts for Life Pooled Income Funds Gift Annuities Retirement Plans & Insurance
LIMITED MEANS	A3	B3	C3 Bequests Gift Annuities Retirement Plans & Insurance

Courtesy: The Sharpe Group HOLMAN CONSULTING 47

### WEALTH-BASED GIFT PLANS

	-50 YOUNGER	50-70 MIDDLE-AGED	70+ OLDER
WEALTHY	A1 Gifts of Cash Gifts of Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others	B1 Gifts of Cash Gifts of Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others	C1 Gifts of Cash Gifts of Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others Life Income Gifts for Donor
MODERATE MEANS	A2 Deferred Gift Annuity	B2 Gifts of Cash Gifts of Appreciated Property Term of Years Trusts Deferred Gift Annuity	C2 Gifts of Cash Gifts of Appreciated Property Term of Years Trusts Life Income Gifts for Donor
LIMITED MEANS	A3 Gifts of Cash	B3 Gifts of Cash	C3 Gifts of Cash

Courtesy: The Sharpe Group HOLMAN CONSULTING 48

Courtesy: The Sharpe Group

	-50 YOUNGER	50-70 MIDDLE-AGED	70+ OLDER
WEALTHY	A1 Gifts of Cash Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others Deferred Gift Annuity	B1 Gifts of Cash Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others Deferred Gift Annuity	C1 Gifts of Cash & Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others Charitable Trusts for Life Bequests Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary
MODERATE MEANS	A2 Gifts of Cash	B2 Gifts of Cash Appreciated Property Charitable Trusts for Life Pooled Income Funds Deferred Gift Annuity	C2 Gifts of Cash & Property Bequests Charitable Trusts for Life Term of Years Trusts Pooled Income Funds Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary
LIMITED MEANS	A3 Gifts of Cash	B3 Gifts of Cash	C3 Gifts of Cash Bequests Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary

AGE AND WEALTH-BASED MATRIX

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## Marketing Using a Donor-Focused Approach

- Articles and Ads
  - In-house publications
  - Web site
  - Testimonials
  - Lots of pictures
- Surveys



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## Marketing Using a Donor-Focused Approach

### Direct Mail

- Still the most effective way to reach planned gift prospects.
  - Remember this generation's preferred method of communication: letters
- When to mail?
  - As often as your budget will allow.

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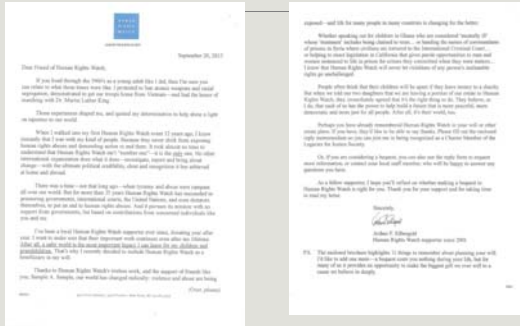
## Marketing Using a Donor-Focused Approach

### What to say?

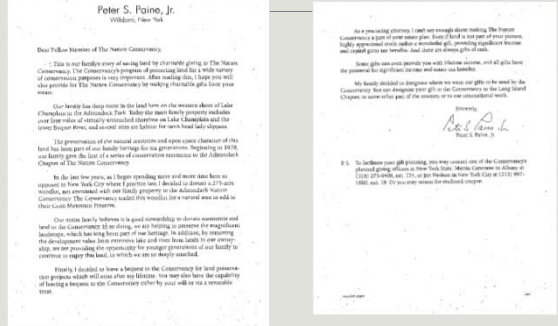
- Use testimonials.
- Should be a "soft-sell"
- Don't mix messages – concentrate on planned gifts only.
- Can be longer than one page.
- Use big type (at least 14 pt.)

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# Testimonial letters



# Testimonial Letters



# Reply Cards

- Tailor to meet your needs.
- Use it to discover expectancies.
  - Always include check-off box that says "I have remembered your agency's name in my estate plans."



# Responding to Donors

- Three ways:
- Simple follow up by mail.
  - Selective telephone & personal contact.
  - Intensive follow-up.



