THE BEST – AND MOST IGNORED SOURCE – FOR NEW PLANNED GIFTS

PG CALC WEBINAR

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INTRODUCTION

For a development program to maximize the philanthropic opportunities of donors, it is essential that the program identify those donors who have the capacity – and inclination – to make charitable gifts. All of our charities have these donors – donors who want to do more. The process to identify our best prospects often starts with research staff who, using on-line databases, examine the extensive information about assets, personal lives, and business transactions that are now public information. The process then moves to gift officers who add these prospects to their donor portfolios for qualification. This step involves getting the prospect to agree to a visit, traveling to the prospect's place of residence, often in another state, and determining the prospect's capacity and inclination for the prospect to do more for the charity. If the prospect appears willing to do more, then the gift officer must cultivate the prospect leading up to an ask, the outcome of which is uncertain. The entire process is time consuming, costly, inefficient – and, unfortunately, necessary.

Many of our charities' most philanthropic donors – those who want to do more – have self-identified in one way or another. Some of the time they have intentionally self-identified, such as a donor who has notified the gift planning office that the charity is in the donor's estate plan. However, in most cases it's more subtle; their ways of giving should alert the development staff that an opportunity exists for additional, and hopefully larger, gifts. In many cases these donors are giving annually at modest levels. These donors are potentially our best prospects, not necessarily by the amounts of their current giving, but by their inclination to want to do more. So why do so many charities ignore these donors and the opportunities they present for larger gifts?

You will read about ten groups who make excellent prospects for planned gifts. Many are already donors, but not all. There are opportunities and challenges with each group, which will be addressed. The actions that should be taken to maximize their potential giving will be specified. These groups are:

I. Donors who give through automatic monthly debiting
II. Donors who give using donor-advised funds
III. Donors who have made IRA charitable rollover gifts
IV. Donors with endowed funds
V. Donors who are members of the legacy society
VI. Donors with life insurance policies
VII. Donors who have family trusts
VIII. Donors with life income gifts
IX. Donors who request planned giving information
X. Volunteers

These are the donors frequently left out of gift officer portfolios. These are the donors who receive a letter annually thanking them for their commitment to the charity, but who never get a personal visit from development staff. These are the donors who, with some engagement from development staff, will do more.

I. DONORS WHO GIVE THROUGH AUTOMATIC MONTHLY DEBITING

Donors who make monthly gifts are among the most loyal and committed donors to a charity – and often the most neglected. Many charities have monthly giving programs where donors can either have their credit card charged or an amount automatically debited from a savings or checking account. Most often these monthly contributions are relatively small - $10, $20, $50. Any donor who makes a monthly gift to a charity is a better prospect than the donor who makes a one-time gift of a much larger amount. Do not be misled by the relatively small amount of the monthly contribution. It is these donors who are prime candidates for a bequest intention or a charitable gift annuity when they get to that stage of life. To merely thank these donors with routine stewardship is insufficient.

Action items
Pull a list from your database of all donors who participate in a monthly giving program. Depending on the number of donors in the program, consider establishing a giving society for these donors. Assign these donors to gift officer portfolios for a personal visit and cultivation. Establish a marketing plan for planned gifts for these donors.

II. DONORS WHO GIVE USING DONOR-ADVISED FUNDS

The opportunities for major gifts from donors who are currently suggesting annual gifts to your charity from donor-advised funds hold tremendous potential – and are largely ignored by many charities. Why? The annual gifts suggested from donor-advised funds are often relatively modest. Gift officers tend not to cultivate these donors for larger current gifts and/or grants for gifts from the fund upon termination, which effectively is an estate commitment. Donors have various reasons for establishing donor-advised funds, but it can be an indication that there was a financial event for the donor and a tax deduction was needed.

According to the 2015 Annual Report issued by the National Philanthropic Trust, in 2014 there were 238,293 donor-advised fund accounts with $70.7 billion in assets. The same report states that the average balance in a donor-advised fund in 2014 was $296,701. While some sponsoring charities permit the donor who establishes a donor-advised fund to name a successor who can continue to suggest grants from the fund after the establishing donor’s death, the more typical arrangement is for the establishing donor to suggest those charities that are to receive grants for remaining assets in the fund upon the death of the establishing donor, at which time the fund terminates.

Action Items

Identify all donors in your donor database who are making gifts from donor-advised funds. Review the giving history of these donors. When did the gifts from the donor-advised fund start? Has annual giving increased since the gifts started coming from a donor-advised fund? Are they members of your legacy society? These donors are top prospects and should be added to gift officer portfolios for further qualification and cultivation.

Example

Mr. & Mrs. Smith have been making annual gifts to their local hospital for 30 years. The gifts were relatively modest – usually about $125 year. In 2012, the annual gifts started to come from a donor-advised fund. The gifts coming from the donor-advised fund were a little larger - $250. Other than a periodic newsletter sent by the hospital, Mr. & Mrs. Smith had no personal contact from the development office. In 2015, a member of the board of the local hospital took the initiative of meeting with the Smiths. The board member learned that the Smiths established the donor-advised fund because they sold an asset that incurred substantial taxes and the donor-advised fund helped to reduce taxes. The board member also learned that several years ago Mr. Smith was treated at the hospital after suffering a heart attack. Mr. Smith appreciates the care he received. The discussion then moved to the new heart wing that the local hospital will be constructing next year. The board member asked the Smiths if they would consider a gift for the new wing, and further suggested that they consider their donor-advised fund as the source for the gift. After gift negotiations, the Smiths agreed to suggest an immediate gift of $25,000 from the donor-advised fund. They said they will consider suggesting an additional gift of $25,000 next year. The Smiths disclosed that they have not yet determined which charities they will suggest to receive the grants from the fund upon their passing, but will now put down the local hospital as one of the charities to be considered.

III. DONORS WHO HAVE MADE IRA CHARITABLE ROLLOVER GIFTS

Many charities have donors who have made gifts using the IRA charitable rollover. Some donors have used this method of giving more than once. More donors will follow. These donors are willing and have the financial capacity to make gifts to your charity using assets in their IRA. As the IRA charitable rollover also satisfies the required minimum distribution (RMD) for the account owner, the fact that a donor is foregoing the RMD indicates that the donor does not need the RMD income for living expenses.

Now that Congress has made the IRA charitable rollover permanent, donors 70 ½ or older with IRA accounts can use the assets in those accounts as part of their charitable gift planning. Financial advisors will be more likely to suggest this method of charitable giving to their clients, where appropriate. Many IRA accounts hold substantial assets. While IRA charitable rollover gifts cannot be used to fund life income gifts, the opportunity exists for outright major gifts and for the IRA to be a component of a blended gift. Legally binding pledges can be satisfied with IRA charitable rollover gifts. Also, might the donor designate a charity as the sole or partial beneficiary of the IRA account upon termination?

Action Items
Identify those donors in your donor database who have made gifts using the IRA charitable rollover, regardless of size. Which donors are members of the legacy society – and which are not? These donors should be added to gift officer portfolios for further qualification. These donors can do major outright gifts, and can also make a beneficiary designation for charity. There is good opportunity here for both current and future gifts.

Example
Sally, age 74 and a former trustee of a charity that supports environmental causes, has made two IRA charitable rollover gifts of $5,000 each. Prior to the IRA charitable rollover legislation, Sally's yearly gifts to this charity were $1,000. The charity is about to launch a campaign, the centerpiece of which is to raise awareness of climate change. Sally wants to participate. She pledges $50,000, to be paid over five years. It is her intent to use the IRA charitable rollover to satisfy all or part of her pledge, depending on her financial circumstances each year. Payment of the pledge from Sally's IRA will also satisfy her required minimum distribution, which Sally does not need for living expenses. Sally also names the charity as a remainder beneficiary for part of the IRA account and is welcomed into the charity's legacy society.

IV. DONORS WITH ENDOWED FUNDS

Donors who have established endowed funds with a charity have truly "invested" in the charity and its mission – in perpetuity. Depending on the minimum required to endow a fund, in many cases endowed fund donors are major gift donors. If properly stewarded, these donors get to see the impact of their philanthropy in a very direct way. If the donor has endowed a scholarship at a college or university, they may well receive a communication from a student who has benefitted from the scholarship informing the donor of the impact that scholarship has had on the student's educational experience and career pursuit. Annual donor-scholar functions are held at some higher education institutions for the donor to meet the student receiving the scholarship. If the endowed fund is at a health care institution, the donor might learn how the care provided to patients has been improved as a result of the financial support generated by the endowed fund or the medical research made possible by the donor's philanthropy, possibly even meeting the research team conducting the research. Stewardship of endowed fund donors is key to the opportunity for additional significant gifts.

Donors with endowed funds are prime candidates to add to their fund with an estate commitment. How many of your endowed fund donors have been asked for an estate commitment to add to their fund? It is these donors who should be asked to build on their investment in the charity, and who are likely to do so.

Points of Consideration
Some charities have added endowed fund donors to their legacy societies, even if no estate commitment has been made. The rationale is that just as donors who have made estate commitments are providing for the future of the charity, donors with endowed funds have done the same. This rationale has merit. However, the messaging can get somewhat complicated when certain members of the legacy society (i.e. endowed fund donors) have not made estate commitments. The opportunity for gift officers is to introduce the topic of estate giving with donors who have established endowed funds and to encourage these donors to add to their fund with an estate gift – and to express that the charity would love to welcome these donors into the charity's legacy society. Inviting donors with endowed funds to legacy society events may raise the awareness of estate giving to this group of donors.

Action item
Pull a list of all endowed fund donors from your database. How many of those living endowed fund donors are members of your legacy society? Any endowed fund donor who is not part of a gift officer's portfolio should be assigned. These donors, who hopefully are being stewarded, should be solicited for an estate commitment to add to their fund.

V. DONORS WHO ARE MEMBERS OF THE LEGACY SOCIETY

Estate commitments present the greatest opportunity for significant future gifts to charities – and the greatest challenges. Legacy society members are those donors who have communicated to the charity that they have provided for a gift to the charity in their estate plan. It might be a provision in a will or trust, a beneficiary designation in a retirement plan or life insurance policy, a grant recommendation from a terminating donor-advised fund, a "pay-on-death" (POD) designation with a bank account, or another form of estate gift to be received in the future. Most legacy societies also include donors who have made life income gifts, either within or outside of the charity. Too many charities know too little about their legacy society members and the provisions in their estate plans for the charity – and therein lies the challenge and opportunity.

Charities need to know more about the estate commitments of those members of the legacy society. Once notice of an estate is received from the executor or estate attorney, it is too late to change the terms of the gift. Information is the key. The more your charity can learn about the estate commitments of its donors, the better the chances of receiving estate gifts that coordinate with institutional priorities and policies.

Restricted Commitments
Often there are restrictions on gifts coming from estates. It is not unusual for the estate gift to either be for a program that is not an institutional priority, or worse for a program that no longer exists. Once the donor has passed away and the charity is notified about the estate gift, if the gift does not fit within institutional

priorities the decision must be made as to whether to disclaim (reject) the gift from the estate, or accept the gift and honor the donor's restriction. Depending on the amount of the gift, this can be a difficult decision. If the gift is accepted, the charity might have accepted a gift with limited value to the mission of the charity, or a gift that requires costly and burdensome administration thus minimizing the impact of the gift on those served by the charity.

Endowed Fund Commitments

If an estate gift is to endow a fund for a specific purpose, will the amount to be received meet the gift acceptance policies of the charity to endow a fund? While the charity could accept the gift even though below the required endowment minimum, the bigger question becomes will the spending amount generated by the endowed fund be sufficient to accomplish the purpose for which the fund is established? This is especially important if the fund is to endow a new program or initiative. Many institutions have accepted such gifts only to regret it later as the program to be supported by the endowed fund becomes increasingly difficult to administer due to insufficient endowment distributions generated by the fund.

While development staff should consult their legal counsel for how to negotiate gifts that will come from estates where the donor wishes to endow a fund for a specific amount, some charities have started to propose language that sets the amount of the gift as the amount required for such endowment as of the date of death of the donor. This becomes somewhat of a blank check for the donor's estate. Depending on the passage of time between when the donor has the will or trust drafted and the time of the donor's death, it is possible that the funding amount could be substantially more than the donor anticipated. For example, if at the time the donor had their will drafted the amount to endow a fund at the charity was $50,000, and at the time of the donor's death the endowment amount has increased to $100,000, then the estate will be obligated to make a gift of $100,000. This may be far more than the donor had anticipated or wanted to give. It may also create issues with family members. However, had the terms of the will specified $50,000, then the charity is faced with whether to accept the $50,000 gift to endow a named fund, or disclaim the gift. To some organizations the thought of disclaiming a $50,000 gift may seem unthinkable, but at times such decisions are necessary to avoid difficult administrative issues in the future due to insufficient funding.

Action Items

There are many ways for a charity to obtain information about its estate commitments. The Appendix to this paper details some of the ways charities obtain this information.

Example

Elizabeth is an alumna from a liberal arts college. Initially, Elizabeth informed a gift officer that she had put a provision in her will for $1 million to endow a full professorship. Years passed and the liberal arts college increased the amount to endow a full professorship from $1 million to $2.5 million. Fortunately, Elizabeth had sufficient assets to increase her estate commitment to meet the increased endowment minimum. Elizabeth's daughter was concerned that the endowment minimum might be raised even further before her mother's estate gift would be realized. After gift negotiations, a gift agreement was entered into between Elizabeth and her alma mater for $2.5 million to fund a full professorship, with the gift capped at that amount. In coordination with Elizabeth's financial advisor, a charitable remainder unitrust was established by Elizabeth and funded with $2.0 million. Elizabeth was the sole income beneficiary, and her alma mater was the sole and irrevocable charitable remainder beneficiary. To ensure that her alma mater would receive $2.5M, Elizabeth added a provision to her will for an unspecified amount that would make up the difference between the amount received by her alma mater upon termination of the CRUT, and $2.5 million. Upon Elizabeth's death, her alma mater ultimately received $2.5 million and the professorship was funded.

VI. DONORS WITH LIFE INSURANCE POLICIES

Gifts of life insurance policies to charity present opportunities, and also a fair share of pitfalls and challenges. Many well-intentioned donors who make gifts of life insurance policies do not understand how these policies work. In some cases, the charity will never realize any cash benefit from the policy.

Life insurance gifts happen in two ways. Either the donor retains ownership of the policy and names the charity as the beneficiary, or the donor transfers ownership of a policy to the charity in which the charity has been named as the beneficiary.

There are two main types of life insurance:

1) Term life insurance offers coverage that can be purchased for a specific time period. The premium can be inexpensive for the donor, depending on the donor's age and health. There is no cash build-up in a term life insurance policy. Once the premium is no longer paid, the coverage ends. Term life insurance is rarely a good gift for charity.

2) The other type of life insurance offers permanent coverage for a lifetime. There are various types of permanent life insurance, including whole life, universal life, and variable universal life. Permanent insurance policies have cash build-up, but the issue becomes if premiums cease to be paid will the cash build-up be sufficient to maintain the policy or will the policy be at risk of lapsing?

The gift acceptance policies at many charities require that for the charity to accept a gift of a life insurance policy the premiums must be paid up. However, there are charities that will accept a gift of a life insurance policy with premium payments still due. The expectation is that the donor will continue to make gifts to the charity to cover the cost of the future premium payments. However, as donors age and health care costs rise, it is somewhat common for donors to discontinue their gifts to the charity to cover the cost of the premium payment. The charity is then faced with a dilemma. Does the charity continue premium payments, or allow premiums to come from cash build-up in the policy? Might the policy lapse if the cash build-up is insufficient to fund the premiums for an extended period of time? Will policy benefits be diminished?

It is essential for the charity to have complete information about the financial aspects of the policy. An "in force illustration" can be obtained from the insurance company that will show the premium payments, expense to maintain the coverage, investment performance, and cash surrender value for the policy.

Herein lies the opportunity for a charity to restructure a life insurance policy into a current major gift. If the policy has cash value, and the institution owns the policy, cashing in the policy and using the cash value for an immediate institutional priority might make economic sense for the institution and the donor. The donor can see the immediate impact of their philanthropy to the institution. Perhaps the donor will consider adding to the gift from the insurance policy with an estate commitment. And perhaps an insurance policy that was headed for termination can be turned into a significant gift to fund a priority at the charity.

Action items
Review all life insurance policies owned by your charity. Obtain an in-force illustration for permanent life insurance policies – those with cash build-up. Are donors still making gifts to pay the premiums if the policy is not paid-up? Is it the intent of donors to continue those gifts? Does it make financial sense to terminate the policy and use the cash build-up for current need? Have a conversation with the donors.

Example
Several years ago, Dr. James, then age 66, made a gift of a life insurance policy he owned for many years to a medical research institution. The policy currently has a death benefit of $500,000 and cash value of $175,000. A gift officer met with Dr. James to inform him about a research program needing current funding. The research institution wishes to terminate the policy and use the cash value to fund the project and wanted to discuss this option with Dr. James. Dr. James is in agreement and the research program is now underway.

VII. DONORS WHO HAVE FAMILY TRUSTS

Many charities receive distributions from trusts, many of which are managed outside of the charity. These are welcome gifts because for the most part they do not require time or expense for the charity to administer. Some of these trusts came into existence at the death of a donor - i.e. a testamentary trust. The distributions may continue in perpetuity, depending on the terms of the trust and the management of trust assets.

Some of the donors who established charitable trusts have their names on buildings or programs at the charity. In many cases family members are aware of these trusts and have an affinity for the charities that receive gifts from a trust established by a parent, grandparent, or other relative. Relatives may still reside in the geographic area of charities benefitting from ongoing trust distributions (i.e. a local hospital). Yet, some charities fail to connect the dots between the trust donor and surviving family members. Opportunities are frequently missed by charities that do not at least attempt to establish contact and engage the relatives of donors who established such trusts. These relatives often have capacity to make additional gifts. Should the relatives wish to have contact with the charity, a plan for both stewardship and cultivation should be established.

Action items

Determine if your charity is receiving distributions from outside managed trusts. If you don't have a copy of the trust agreement, obtain it from the bank or trust company administering the trust. Research surviving family members. Add these family members to a gift officer's portfolio for a visit to determine if they wish to have ongoing contact with your charity. If appropriate, develop a stewardship plan. Might an opportunity exist for future additional gifts?

Example

Anthony Johnson, a wealthy entrepreneur, passes away. His will establishes a testamentary charitable lead trust. Ten charities are to receive substantial unrestricted annual gifts from the trust for 30 years. Charity #1 establishes a named family fund and puts a stewardship plan in place for Mildred Johnson, Anthony Johnson's widow, and the Johnson children. Charity #2, with a disorganized development department, accepts the trust distributions and sends form acknowledgements to the trustee with copies to Mildred Johnson. Several years later Charity #1 receives a $1 million outright gift from the Johnson family. Charity #2 receives no additional gifts.

VIII. DONORS WITH LIFE INCOME GIFTS

The opportunities that exist with donors who have life income gifts are extensive, and rarely explored. It is a belief in planned gift fundraising that the best chance to get a planned gift is from a donor who already has a planned gift. Donors who have a life income gift with a charity are among the most loyal and committed donors to the mission of the charity. Some of these donors want to do more and have the resources to do more, but they need to be shown how. In some cases it might be funding an additional gift annuity. In other cases, there are opportunities to convert a deferred gift to a current gift. In yet other situations it might mean that a donor forgoes the income from their life income gift for a period of time. While these opportunities might appeal to a limited number of life income gift donors, the possibility of bringing in additional resources from either new or existing life income gifts from the charity's most loyal donors should be proactively pursued.

A. Repeat charitable gift annuities

It is well known that donors who have charitable gift annuities will often do repeat annuities. Once donors start receiving payments on their first gift annuity and see how they can increase their income and support a favorite charity, many will consider funding new gift annuities. Donors typically get a higher annuity rate than their earlier gift annuities, depending on their age and the gift annuity rates in effect when the gifts are made. Donors of a certain age often find themselves with assets that aren't producing much income, at a time when they need the income. The opportunity to increase income, in many cases avoid up-front capital gains, and support a favorite charity motivates donors to do repeat gift annuities.

An effective way to cultivate existing gift annuity donors to consider another gift annuity is to send a personalized letter and illustration for a new CGA. The illustration will show a proposed gift amount, the current annuity rate for the donor's date of birth (which the charity has from previous gift annuities), the amount of the charitable deduction, and the taxation of the payments. Be careful that the amount you propose reflects the capacity of the donor. If a donor has previously made a $250,000 CGA, you should send an illustration that is more in line with their previous gift rather than your gift annuity minimum.

Action items

When preparing an annual marketing plan, include a mailing to existing gift annuity donors with a personalized illustration for another gift annuity. Consider PG Calc's *BatchCalcs* service to do this for all your donors without having to run the illustrations manually!

Example

In 2012, Nancy, then age 75, made a gift of $20,000 in appreciated securities to an animal welfare organization for a CGA. Nancy likes receiving the fixed quarterly payments and also knowing that she is helping abused animals with her gift. She receives an illustration from the charity for a new gift annuity for $25,000. Uncomfortable with stock market volatility, Nancy makes a gift of $20,000 of appreciated securities for another gift annuity.

B. Redirecting payments from a life income gifts

Some donors with life income gifts do not need the payments at the time they are receiving them. This situation might occur where payments have started on a deferred payment gift annuity that was established many years ago. When the payments begin, the donor, who in most cases is also the annuitant, is still working and would prefer not to receive the payments. The charity can have the annuitant sign a Limited Power of Attorney, revocable at any time, instructing that the payments be directed to the charity. The payments, instead of being sent to the annuitant, will be sent to the charity. In effect, nothing has changed with this gift annuity. The annuitant will receive a gift receipt from the charity each time an annuity payment is directed to the charity, and in January of each year the annuitant will receive the same 1099-R for the amount of the annuity payments as the annuitant normally would. The annuitant will claim the annuity payments as income on their tax return, and will take a corresponding income tax charitable deduction should they itemize their deductions. If at some future date the annuitant wishes to receive the payments, they can revoke the Limited Power of Attorney and the payments will then come directly to the annuitant.

C. Outright gift of all or part of a life income interest

There are gift opportunities with life income donors/beneficiaries who are willing and financially able to make a gift to the charity of all or a portion of their future income payments, be it a charitable gift annuity, a charitable remainder trust, or a pooled income fund. The income beneficiary assigns all or a portion of their life income interest to the charity. In the law this is called a "merger." The charity, now owning both the life income interest and the remainder interest, is free to use the funds associated with that interest. In many, but not all, cases the income beneficiary receives an income tax charitable deduction for the gift of their income interest.

Donors with life income gifts are likely unaware of these gift opportunities. These opportunities should be proposed in situations where it appears appropriate for the income beneficiary's financial situation, such as where the beneficiary has sufficient other resources to replace the terminated income interest. The beneficiary's professional advisors should be part of the discussion.

When income interests are being assigned, the documentation for the original gift should be reviewed to ensure that an assignment is possible. Also, for assignments of an interest in a charitable remainder trust, state laws governing the trust should be reviewed to ensure compliance and deductibility where appropriate.

Example #1

Contribution of an income interest in a CRUT

Over 10 years ago, Robert and Martha Jones contributed $250,000 to a straight charitable remainder unitrust with a 5% payout rate. Trust distributions were made at the end of each calendar quarter. The remainder interest in the unitrust was to be used to fund an endowed scholarship at their alma mater. Wanting to make a present gift to their alma mater's capital campaign, and deciding that they don't need the income from the CRUT for living expenses, the Jones's decided to assign their entire income interest to their alma mater, which they did on February 1, 2016. The value of the trust on that date was $310,000. The income and remainder interests in the trust merged in their alma mater, resulting in the termination of the trust and the endowed scholarship being established immediately. Robert and Martha, now 82 and 80 respectively, also received an income tax charitable deduction for the present value of their remaining income interest in the CRUT in the amount of $126,325.

Example #2
Contribution of an income interest in a charitable gift annuity
Dr. and Mrs. Harrington established a charitable gift annuity with a research institution in 2007 for $200,000. They do not need the annuity payments and wish to support a new building that is being constructed. By signing a simple assignment agreement, the payment obligation of the charity is terminated and the residuum of the gift can be withdrawn from the annuity reserve. The Harringtons will receive an income tax charitable deduction for any unreturned investment in the contract.

(Note: The Harringtons could have also assigned less than 100% of their income interest in the annuity, thereby enabling the charity to release a corresponding percentage of the annuity reserve associated with the Harrington's gift annuity.)

Example #3
Contribution of an income interest in a pooled fund
Isabelle had made many gifts to the university pooled fund, having spent her entire academic career at the university. Isabelle is now 92, financially secure, and the pooled fund distributions are minimal due to the low interest rate environment. Isabelle makes an outright gift to the university of her income interest in the pooled fund, enabling the university to sever the pooled fund units owned by Isabelle and use the cash value of those units for current needs. Isabelle receives an income tax charitable deduction for the present value of her income interest, which is calculated using the highest rate of return for the university pooled fund in the last three years. The administrator of your pooled fund will be able to provide you with this rate of return. Because interest, dividends, and other income producing investments are at historic lows, the rate of return used to calculate the value of the donor's income interest will be quite low. This low rate of return will minimize the donor's additional deduction upon surrendering their life interest in a pooled fund.

IX. DONORS WHO REQUEST PLANNED GIVING INFORMATION

Some donors self-identify as having an interest in making a planned gift. Donors request information via the charity website, email, and reply cards enclosed with planned giving mailings. Donors make planned gifts to suit their time frame, not the charity's. This is because of the financial and estate planning factors that often are part of a planned gift. It is important to maintain contact with these donors. While presumably the donors will receive the information they request, they should also be added to gift officer portfolios for a visit.

Action Items
Develop a coding system in your fundraising database for donors who have self-identified as having an interest in planned gifts. Codes that distinguish by type of planned gift (i.e. life income, bequest, or unspecified) will enable more targeted marketing.

Example
Martha was a loyal donor to her college, making modest gifts to the annual fund each year. She periodically would request information about charitable gift annuities. When Martha turned 80, she requested a visit from a gift officer. Martha had saved every planned giving newsletter for the last 10 years. She made a gift of $250,000 for a CGA.

X. VOLUNTEERS

Retirees are the prime demographic for planned gifts. Having retirees as volunteers is an opportunity for retirees to have a hands-on experience with the charity. The opportunity for the charity is to engage a favored demographic who might consider the charity for a planned gift – and particularly an estate commitment. Local institutions such as museums and hospitals actively welcome volunteers. See how one hospital website seeks volunteers.

> Do you enjoy helping others? Would you like to meet new friends? Do you have a few hours a week to spare? Join the growing family of volunteers at Bryn Mawr Hospital!
>
> Volunteering at Bryn Mawr is a positive experience shared by close to 600 men, women and teens from our local community. Our volunteers include students, parents, grandparents, working professionals and retirees from all walks of life.
>
> Volunteering is an extremely rewarding experience. Our volunteers are crucial in supporting Bryn Mawr Hospital's mission to uphold the standard of excellence in care, educational information, technology and community outreach.

> Through the generous gift of time, talents and personal interests, our volunteers supplement the work of staff members by offering many special services so important to patients, their families, and hospital staff.
>
> We strive to provide a "superior experience" to all we encounter.

Action Items
If your charity has a committed group of volunteers, form a recognition society for volunteers. A newsletter for volunteers should contain impact pieces showing how planned gifts have helped the charity to further its mission. If any of the volunteers have made a planned gift, testimonials are effective motivators for other members of the group. Assign a gift officer to the volunteer group should they have questions about ways to support the charity.

CONCLUSION

Our best planned giving prospects are often hiding in plain sight. Development staff should determine the donors who want to do more for the charity, and then engage those donors to explore additional gift opportunities. These donors may be giving at modest levels, which is why they receive little or no personal attention from development staff. However, it is these donors who are prime planned giving prospects. Ignore these donors at your own risk!

APPENDIX

OBTAINING INFORMATION ABOUT ESTATE COMMITMENTS

This Appendix discusses the information charities should attempt to obtain about estate commitments, and ways to obtain this information. For charities with large numbers of members in a legacy society, a bequest survey may be the most practical way to ask donors about their estate commitments. Each charity will need to determine which method best suits its culture and staffing.

There have been two schools of thought regarding how a charity should respond when notified by a donor about a new bequest intention. One school of thought is to only send a letter of gratitude to the donor (and perhaps a legacy society pin or other token memento) and to not ask anything further, especially in regard to the amount of the bequest. Those who subscribe to this approach think it would show poor taste to ask for information about the bequest gift, and especially the amount. That thinking is changing. The trend is moving in the direction of trying to learn more about estate commitments. Some of this change in thinking is being driven by many organizations now counting revocable estate commitments in their gift totals in the category of revocable gifts. Also, gift officers have an incentive to learn more about estate commitments because in some organizations gift officers can count revocable estate commitments toward their metrics.

For those charities willing to ask questions about an estate commitment, the charity should learn as much as possible, keeping in mind that donors have varying sensitivities for how much information they are willing to disclose about their estate plan. The majority of donors never notify a charity that it is in an estate plan. Those who do are in all likelihood more willing to share some information. What information should the charity request?

- Age of the donor
- Source of estate gift – i.e. will, living trust, beneficiary designation in a retirement plan or in a life insurance policy, upon termination of a donor-advised fund, charitable remainder trust administered outside of the charity, some other gift vehicle
- Is the estate commitment contingent upon the death of a surviving spouse or partner (if so, date of birth of the surviving spouse or partner)
- Specific or residuary bequest
- Amount of the gift or anticipated amount if residuary
- Restricted or unrestricted (if restricted, the exact wording)

If a donor is willing to send a copy of a paragraph from a will or trust, or provide account information for where the assets will come from, that is useful information. If the estate gift is restricted, it is extremely important to obtain a copy of the instrument that contains the restriction if the donor is willing to share it. Donors will frequently forget the exact wording for their gift, and just a few words can significantly affect the charity's use of the gift.

Personal contact is always the preferred means of communication with a donor whenever a gift matter is being discussed. The personal approach is even more important where a gift officer is attempting to learn more about an estate commitment. One approach to entering the topic is to thank the donor for including the charity in the donor's estate plan, and then to request permission to ask for details about the estate gift. If the gift officer explains to the donor that it is of the utmost importance to the charity to honor the donor's wishes, the donor hopefully will be more inclined to discuss what may be very personal for the donor. The next question should be is the gift restricted or unrestricted? If the gift is unrestricted, it avoids many of the issues that exist with restricted gifts. Still, the gift officer needs to obtain as much information as possible about the estate gift. Often, once donors start to provide details of a gift, they become inclined to discuss all of the details, including the amount.

Personal visits are not always possible with donors. This can be due to the limited number of gift officers, the large number of members in a legacy society (a good problem), and the geographical distribution of the donors. A phone call may be the next best means of communication to having a conversation with donors about estate commitments. A phone call is appropriate when the gift officer has previously had contact with the donor such that the donor will know who the gift officer is when the donor answers the phone. To have a staff member unknown to the donor call the donor to ask what is considered by most to be confidential information can become a donor-relations problem.

If your charity has a large number of members in its legacy society, the most efficient way to collect information is through mailing a bequest survey. A list of members in the legacy society should be reviewed first so that development staff can determine if some members should not be included in the survey. The mailing should contain a personalized cover letter explaining the reason for the survey, a questionnaire, and a reply envelope with a first class stamp. Confidentiality should be assured. Both the cover letter and the questionnaire should make it clear that by completing and returning the form the estate commitment does NOT become binding and that the donor can still use the assets intended for the gift should that become necessary. The letter should offer the opportunity for the donor to call a gift officer at the charity should there be questions or if the donor would prefer to have a conversation about the estate commitment.

As with any mailing that requests a response, getting an excellent response rate is an important factor. Steps can be taken to increase the response rate. Mailing a postcard a week before the bequest survey will alert donors that the questionnaire will arrive shortly. Email is a cost effective way to call attention to the mailing and to request that donors respond. Populating fields in the questionnaire with the donor's name and address may increase the response rate. The response rate is difficult to predict and different charities will experience different response rates. Remember to send out an acknowledgment to those donors who do respond.

If the charity has taken the time, effort, and expense to conduct a bequest survey by mail, it is important to see that the information is entered into the fundraising database. Depending upon the counting policies at the charity for revocable estate commitments, it may be appropriate to count some of these estate commitments in gift totals. The information provided should be reviewed by development staff to determine next steps.

Depending on the number of members in a charity's legacy society, it is essential that there be adequate staffing to ensure that the survey is conducted with total accuracy, to promptly address donor questions when received, and to send an acknowledgment when the questionnaire is returned by the donor. A phone call thanking donors who return the survey form is excellent stewardship, and an opportunity for a gift officer to make an introduction and to even discuss the estate commitment if necessary.

The responses to the bequest survey will provide information to determine next-steps with donors. The priority should be those donors who have disclosed that their estate commitment is either restricted or is to be used for a named endowed fund. It is also possible that some of the responses will show a gift that either is not a priority for the charity, or is for a program that no longer exists. The charity needs to be proactive with these donors. If not already assigned to a gift officer, these donors should be added to gift officer portfolios for visits. If a visit isn't possible, then a phone call to initiate a conversation about the estate commitment is the next best option. The discussions with each donor should explore the donor's passion for any current programs at the charity with the goal of finding an institutional priority that the estate commitment can be reworked to support.