REAL WORLD LESSONS FROM REAL WORLD PLANNED GIFTS

PG CALC WEBINAR

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I. Introduction

Gift planners can learn a lot from the experiences of other gift planners. Over the years, PG Calc's consultants have seen planned gifts that range from routine to the complex to the inane. This webinar will feature a series of case studies based on actual planned gift scenarios PG Calc consultants have confronted. Some cases will sensitize you to warning signs that a donor wants to make a deal, not a gift. Others will cover achievement of donor objectives with creative gift plans that don't fit the typical patterns. And some of the cases will review gifts that seemed impossible or ridiculous to accomplish but happened anyway. Lastly, we will cover gifts that looked attractive at first, but that the would-be recipients found good reason to walk away.

II. When is a Gift, Not a Gift? When No One Can Understand it.

An extremely high net worth prospect requested a meeting with the VP for Development at an academic medical center. The prospect requested the meeting and intentionally declined to work with development staff or an assistant VP. The prospect was a widower who claimed his wife "had always loved children" so he wanted to make a gift to benefit children. While the charity was an academic medical center and had a pediatric department, it was not a children's hospital. The prospect had made modest annual gifts that totaled less than $1,000. Prospect research confirmed the prospect's net worth was in excess of $100M.

The prospect proposed a gift of $30M to the hospital. In exchange, the hospital would pay him $2.1M per year for 20 years. That works out to a 7% annuity. Since a gift annuity may not be for a term of years, the structure was similar to a charitable remainder trust. Given the discount rate at the time, a charitable remainder annuity trust with these terms wouldn't pass the 10% deductibility test and neither would it pass the 5% probability test. A charitable remainder annuity trust was impossible on these terms. The plan didn't stop there. There were additional terms and conditions that were not only incomprehensible, but all seemed to favor the prospect.

The prospect retorted that this arrangement would generate a net gift to the hospital but was more in the nature of an investment. The prospect anticipated that the hospitals endowment returns year over year had generally exceeded the 7% payout (which was true). The prospect reasoned this was a good deal for him and the hospital.

There were several danger signals early on. The prospect acknowledged that he was "shopping the gift around" to other charities. In response to certain objections he admitted, "I was talking to the president of a small college and he said the same thing."

The Upshot

The hospital passed on the plan. The primary reason was that the hospital is not in the investment business. While the endowment holds millions of dollars, those investments are not speculative and subject to a prudent amount of risk. Shopping a gift around. Charities already passing on a gift. These are strong danger signals. If the gift can't be explained in plain English, there are likely to be terms that are unacceptable to charity.

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III. And they are off!!!

In the first week of January a small non-profit learned a trustee and her husband would like to create a retained life estate with a condominium in one of the Four Seasons Hotel complexes. The value of the condo was around $5M. The trustee had a history of generous giving and long-term engagement with the charity. The trustee owned five homes and one of those homes was already subject to a retained life estate with a different charity. There was only one stipulation that gave pause. The donors insisted that the gift be complete within 90 days.

Locating an Appraiser

The deduction for a retained life estate (RLE) would be a simple present value calculation but for one IRS requirement. Since the life tenant will occupy the property the residents are putting wear and tear on the property during the life tenancy. The deduction for the RLE must take depreciation (that's the wear and tear of living in the house) into account. Therein lies the problem. A residential real estate appraiser routinely provides the fair market value of a home. Adjustments to value to account for depreciation are the province of commercial real estate appraisers.

The donors met with a prospective appraiser experienced in these calculations. The trustee was incensed that the appraiser suggested a comparable sales approach to value the property. In the opinion of the trustee, there weren't any comparable properties in the city. She dismissed him out of hand. It was an awkward meeting.

We identified a commercial real estate appraiser employed by the most influential commercial real estate broker in the city. The documentation required four sets of attorneys. The donors engaged counsel, the charity engaged counsel both in its state of domicile and the state where the condo was located, and the condo owners engaged counsel.

A major sticking point was that the donors bought the property for $4M just months prior and immediately made $1.5M in improvements. When the appraisal came in at only $5M, the donors pushed back. Shouldn't the value be $5.5M? The appraiser was articulate and persuasive as to how he arrived at his valuation.

The Upshot

For several months there were late nights, lots of overnight packages, emails, phone calls, and diplomatic negotiations. The appraisal cost $6,000. Legal fees for the charity were in excess of $20,000. All of the paperwork was signed, and the deed recorded with three days left in the 90-day deadline. The life tenants continue to use the condo and are now in their late 80's. Ownership of the condo will pass to the charity on the death of the surviving life tenant. Given real estate prices, this will be the largest major or planned gift in the charity's history.

IV. Good Gift Annuities Gone Awry or Downright Bad

It's common for charity boards to be skeptical of the charitable gift annuity. Boards see payouts that exceed returns on conservative investments. A gift annuity to them looks like a net liability with an uncertain payoff. The development officer considers the gift annuity a relatively safe bet for the charity. Gift annuities are irrevocable, unlike bequests and beneficiary designations.

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Managed properly, a gift annuity program can be a lucrative source of planned gift revenue. There are risk control strategies that can keep a gift annuity program out of trouble. The most common problem is a lack of diversity in the ages, small and exceptionally large gifts, annuitants that may be too young, and believe it or not, too old. The gift annuity is a risk pool similar to commercial insurance. The more annuitants, the more the risk is spread around.

a. Case Studies

These two case studies are based on the actual experience of two different annuity pools for the fiscal year 2018-2019. The first annuity pool is at a major non-profit that attracts hundreds of millions in major gifts and tens of millions in planned gifts each year. This charity has 5 full-time planned giving professionals.

Next, we will examine a much smaller charity that hosts the second annuity pool. The charity has no staff dedicated to planned giving. Their major and annual gift programs raise several million dollars a year. Planned gift revenue is cyclical. The occasional exceptionally large estate gift keeps development staff paying attention to planned giving as time permits.

Pool One

This organization has 85 gift annuity donors and 165 gift annuity contracts. Why? Gift annuities just get better with age and annuitants commonly setup additional annuities as they get older. The original market value of the donated annuities was $18.3M and the current value of the annuity pool is $15.2M. Only three in-force contracts have paid out more than the original gift amount. Two were made just prior to the tech bust in the late 1990's and the other was made just prior to the Great Recession (2007 to 2009). As you'll see, timing matters. On its face, this looks like a healthy gift annuity program likely to generate positive revenue for the charity.

Let's dig a little deeper. Seven annuitants died in the 2018-2019 fiscal year. These seven annuitants held 12 gift annuity contracts. The original gift amount for these 12 gift annuities was $409,096.11 and the total residua at their death totaled $233,197.01 or a total of 57% of the original gifts, a little greater than the 50% residuum targeted by the American Council on Gift Annuities suggested maximum annuity rates the charity follows.

Donor Name	Year of Death	Original CGA	Residua	Original date of gift	Residua as a % of original gift
Donor 1	FY 18-19	$ 34,593.75	$ 4,152.88	1/6/1999	12.00%
Donor 2	FY 18-19	$ 50,000.00	$ -	12/12/2001	0.00%
Donor 3	FY 18-19	$ 102,313.98	$ 103,263.12	10/23/2002	100.93%
Donor 4	FY 18-19	$ 22,052.50	$ 11,830.44	12/28/2005	53.65%
Donor 1	FY 18-19	$ 29,527.88	$ -	5/1/2006	0.00%
Donor 5	FY 18-19	$ 15,000.00	$ -	1/2/2008	0.00%
Donor 6	FY 18-19	$ 10,608.00	$ 772.98	6/27/2008	7.29%
Donor 5	FY 18-19	$ 15,000.00	$ 15,110.80	2/17/2009	100.74%
Donor 5	FY 18-19	$ 10,000.00	$ 6,745.24	8/4/2009	67.45%
Donor 5	FY 18-19	$ 10,000.00	$ 6,140.57	1/27/2010	61.41%
Donor 7	FY 18-19	$ 100,000.00	$ 78,332.55	11/11/2011	78.33%
Donor 6	FY 18-19	$ 10,000.00	$ 6,848.43	12/18/2013	68.48%
		$409,096.11	**$233,197.01**		**57.00%**

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Timing Matters

The table above holds some important lessons for how gift annuities operate in the real world. First, as mentioned above, timing matters. Gifts made in the late 90's and early 2000's suffered significant initial losses because of the market contraction following the bust of the tech bubble. Gifts made on the eve of the Great Recession suffered similar dramatic early losses. A drop in the market value of a gift annuity increases the effective payout. If the early losses are significant enough, it can be difficult to make them up as the data above illustrates.

What's the story with Donor 3 above? The burst of the tech bubble and 9/11 bedeviled investment markets in the late 1990's and early 2000's. Donor 3 made her gift late in 2002. In 2003 the market had recovered from its downturn and the Dow gained 28.7%. The early bull market helped this gift weather the Great Recession and ride with the current market run up.

Contrast that result with gifts made since the Great Recession. The bull market that followed has been an unprecedented success. Gift annuity residua from gifts established post-recession have been respectable. A cornerstone of modern investment portfolio theory is that you can't time the market. Likewise, when the economy is bad, don't stop promoting gift annuities. The Great Recession didn't officially end until June 2009, but we only know that in hindsight. Look at the residua from the gift made in February 2009. The economy still looked grim in early 2009, but this annuity rode the recovery following the recession and ended in a positive residuum.

Age Matters

Charities commonly set age minimums on gift annuitants. What is the reason for refusing gifts from those deemed to be "too young"? The younger annuitant has a long-life expectancy. A 55-year-old woman has a 35.5-year life expectancy. If the 55-year-old does an annuity with an anticipated $10,000 residua, at a 2.2% discount rate, the present value of that gift is only $4,618. When you factor in the cost of administering this annuity for that long, the gift is probably not worth it.

At the other end of the spectrum, consider Donor 2 from the table above. She was 85 at the time of her gift in 2001 and entitled to a 10.4% annuity rate. Her life expectancy at that time was 9.3 years. She died in 2019 at the age of 102. The annuity rate was unsustainably high, the market tanked right after her gift and she lived twice as long as expected.
Consider the risk associated with the oldest donors. The ACGA rates for those over age 90 are far more conservative in 2019 than they were in 2001. Nonetheless, the single life rate for a 90+ year old donor is 9%. Consider the investment returns in your annuity reserves. A 9% annuity rate is going to erode the gift principal every year. If the donor outlives life expectancy, even by a small amount, the results from that annuity could be disappointing.

Pool Two

This charity has a more modest program with 22 contracts from only 10 donors. The original gift amounts totaled $701,683 and their market value at the end of FY 18-19 was $423,782 or 60% of the original gift. In 2019, one of the charity's annuitants died. Below is a breakdown of the outcome of her 11 gift annuity contracts.

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Donor Name	Year of Death	Original CGA	Residua	Original date of gift	Residua as a % of original gift
Donor 1	FY 18-19	$ 26,100.00	$ 2,610.14	6/19/1998	10.00%
Donor 1	FY 18-19	$ 28,423.50	$ -	1/19/1999	0.00%
Donor 1	FY 18-19	$ 30,225.82	$ -	1/5/2000	0.00%
Donor 1	FY 18-19	$ 15,000.00	$ -	2/2/2001	0.00%
Donor 1	FY 18-19	$ 15,286.50	$ -	9/12/2002	0.00%
Donor 1	FY 18-19	$ 20,059.96	$ -	12/13/2002	0.00%
Donor 1	FY 18-19	$ 10,000.00	$ -	2/3/2003	0.00%
Donor 1	FY 18-19	$ 10,268.00	$ -	12/12/2003	0.00%
Donor 1	FY 18-19	$ 10,103.00	$ -	12/13/2004	0.00%
Donor 1	FY 18-19	$ 20,000.00	$ 26,404.90	12/12/2008	132.02%
Donor 1	FY 18-19	$ 30,000.00	$ 25,554.53	9/4/2012	85.18%
	FY 18-19	**$215,466.78**	**$ 54,569.57**		**25.33%**

Risk Concentration

The good news is that at least the annuitant left a positive residuum of around $55,000. Unfortunately, the residuum only represented 25% of her total gifts in excess of $200,000. This annuitant represents a classic case of risk concentration. While the gifts are spread out over a 14-year span, there is only one annuitant. The concentration of risk is on the longevity, annuity payouts, and the timing of investment returns during the life of a single annuitant.

What could the charity have done? They couldn't turn the donor away. Her dedication and commitment to the charity's cause is obvious. Rather, the charity could have increased their marketing and fundraising efforts to attract more gift annuities.

Sadly, this is a common scenario. Often a charity offers gift annuities but lacks personnel dedicated to the marketing and administration of gift annuities. The pools are small, and the annuity pools languish. The concentration risk becomes more acute as a handful of the same donors continue to make additional annuities. A healthy gift annuity program is built on the addition of new annuities in good times and bad, in large amounts and small, and with a diversity of age distribution. The solution to an ailing gift annuity program is often to close more annuities.

b. When is a $1,000,000 gift not a $1,000,000 gift?

In the mid-2000's the board of a large regional hospital asked their foundation to increase the hospital's planned giving program. At that time, the hospital didn't have a gift annuity program. A trustee inquired about gift annuities and before long, the trustee offered to donate $1,000,000 for the foundation's first gift annuity.

The development director called PG Calc. The foundation didn't have calculation software, didn't have an asset manager, didn't have an administrator, was not aware of state regulation of annuities (it is a New York charity) and generally knew nothing about the implications of accepting the trustee's gift.

For reasons that are unclear, the trustees and the development office offered an annuity rate higher than the maximum rate suggested by the ACGA. They felt that since the annuity was funded with $1,000,000, the trustee and his wife should get a higher annuity rate.

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I advised the development director of multiple problems with this annuity. I pointed out that this is not a $1,000,000 gift. The contractual liability to pay the annuitants for life reduces the value of the gift to the hospital. The development director was incensed. She insisted that this was a $1,000,000 gift. She had seen the trustee's check, so she knew it was worth $1,000,000. I was losing ground.

I then advised her that there is a concentration risk with a high payment obligation riding on the lives of just two annuitants. She argued that her charity didn't need to raise any more annuities since it already had $1,000,000. Finally, even though I pointed out that annuities issued to New York residents were subject to regulation and issuing charities are required to register with the New York Department of Financial Services. the hospital's general counsel advised the development director that despite the fact that the hospital was located and incorporated in New York and the annuitants were New York residents, they were exempt from regulation.

The Upshot
I was pleased to discover that the New York Department of Financial Services web site lists a license granted to this charity to issue gift annuities in 2014. I have not asked, and don't know how this annuity ended up, or whether they heeded my advice.

V. Charitable Remainder Trust Follies

a. The Microsoft Charitable Remainder Unitrust

In the late 1990s, a retired physician at a world-renowned academic research hospital introduced himself to the hospital's development staff. Senior leadership considered the physician such a financial expert that he taught a series of financial literacy classes for the hospital's young physicians completing their residencies.

The physician was a big fan of charitable remainder unitrusts to reduce capital gain and generate income tax charitable deductions. He boasted that he had established and managed several CRTs and was quite pleased with the vehicle. He was particularly proud of the CRT funded exclusively with Microsoft stock. I asked him how he had reinvested the proceeds of the sale of Microsoft. He replied, "Have you seen how Microsoft has appreciated this decade? Why would I ever sell it?" Microsoft did not start paying a dividend until 2003 so I asked how he was meeting the annual payout requirement. He replied that he hadn't taken any income from the trust in the five years since he established the trust. Neither had he filed tax returns.

Failure to Make CRT Payments
A unitrust will be disqualified if it fails to make a payment on time after the close of the tax year for multiple reasons. The donor will be considered to have engaged in an act of self-dealing under IRC § 4941; the donor has received unrelated debt-financed income under IRC § 514; the trust has failed to function exclusively as a CRT required by IRC § 664; and the CRT will be considered to have received an additional contribution. Accordingly, the donor's income tax charitable deduction is disqualified, and capital gain and income realized (but apparently there was none in this case) is fully taxable to the donor.

Failure to File Trust Tax Return Form 5227
A trustee of a charitable remainder trust must file a Form 5227 with the IRS. Form 5227 reports the trust income, deductions, accumulations, and distributions for the year. The trustee must file the form

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on or before April 15 following the close of the trust's tax year. Failure to file Form 5227 will subject the trust to a filing penalty. The penalty is imposed on the trust is $20 for each day the failure continues with a maximum of $10,500 for any one return. However, if the trust has gross income greater than $266,500, the penalty is $105 for each day the failure continues with a maximum of $53,000 for any one return. A penalty tax is imposed on the trustee, as well as the trust, if the trustee knowingly fails to file the return.

The Upshot
I educated the physician on the rules regarding the payment of income from a CRT and the need to file trust tax returns. With the help of an institutional trustee, the donor corrected the previous administrative errors and the trust complied with applicable laws. I don't know if the trust was subject to penalties, interest, or if the donor filed amended tax returns. The CRT is a case study on why a professional advisor should assist in the creation and administration of CRTs and other charitable trusts.

b. Where Goest Thee Capital Gain?

In 2011, I assisted a charity to facilitate creation of a charitable remainder unitrust. Legal counsel and an accountant represented the donors and a reputable institutional trustee would administer the trust. The trustee and donor's counsel disagreed on some specific terms of the trust, but after reaching agreement the donors signed the CRUT agreement. Several million dollars in appreciated securities funded the CRUT.

The development officer conveyed questions to me about taxation of the CRUT payments prior to completion of the trust. I explained in an email that sale of appreciated securities outside of the CRUT would trigger immediate capital gain liability. I wrote if the appreciated securities funded "the CRT, [the donors] only report capital gain income to the extent they receive income." The capital gain is not due in the year of trust creation but rather the donors report capital gain income to the extent their CRUT payments are characterized as capital gain income. I went on to describe the 4-tier methodology that controls taxation of CRT payments.

In 2014, the donors decided to make an addition of appreciated securities to their CRUT. However, they had questions about the tax reporting of the income from their CRUT since its creation in 2011. The development officer asked me to meet with the donors. The donors were surprised that their K-1 characterized a significant portion of their income as capital gain. They were under the impression that funding a CRT with appreciated property was a mechanism to <u>completely</u> avoid capital gain.

The Upshot
Sadly, marketing materials and development staff often overstate the capital gain tax benefits of a CRT (whether a CRAT or a CRUT.) Neither type of CRT can erase the capital gain liability on the sale of donated appreciated property. Since the CRT is tax-exempt, the trust can sell appreciated assets without capital gain tax liability to the trust. Nonetheless, the capital gain doesn't disappear. Without delving into the tiered system of CRT taxation, understand that income from a CRT is taxed according to its tax character in the trust. Accountants refer to the taxation of CRT payments as on a Worst In, First Out (WIFO) basis. In general, income is distributed in the order of how highly it is taxed, with the income subject to the highest tax rate distributed first. Therefore, while the CRT itself avoids immediate taxation, CRT payments can be taxed as capital gain to the extent realized capital gain is distributed.

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The donors were tax and finance savvy. The world of charitable trusts was unfamiliar territory. Once they understood the taxation rules, they happily made the addition to their CRUT. I couldn't help thinking, why didn't they ask their accountant this question? What did their lawyers tell them about CRT taxation when they established the trust? It seemed odd that the charity's planned giving consultant had to answer their questions, but they walked away satisfied with the answers.

VI. Lessons Learned from Gift Annuity Audits

An audit of a gift annuity program yielded strengths, weaknesses, and areas for improvement. At the time of the audit, the client had approximately 900 gift annuity contracts in force.

Program Strengths

The audit noted that none of the gift annuities were subject to restriction as to their use upon the death of the surviving annuitant. This frees the charity to leave completed annuities in the reserve pool to strengthen other annuities. The charity has a high degree of flexibility to distribute residua for its tax-exempt purposes or retain the residua in the annuity pool when annuities are completely unrestricted. Gift annuity pools with restricted annuities must distribute their residua (if any) upon the death of the surviving annuitant.

The charity attracted a noteworthy number of annuities thanks in large measure to a significant investment in marketing annuities. The return on marketing dollars was impressive. Our audits consistently find that the greater the resources, both in marketing and in fundraiser attention dedicated to attracting new annuities, the larger the number of new annuities a charity can expect to complete.

Program Concerns

We were concerned that the charity was not in compliance with state gift annuity regulations in the states where it had failed to observe the laws governing issuance of gift annuities. It is beyond the scope of this paper, but state regulators uniformly agree that charities issuing annuities in regulated states must comply with their requirements regardless of the charity's state of domicile.

Another issue we noted is that the charity did not track market values on an annuity-by-annuity basis. The charity only measured profitability of the gift annuity program on a pool-wide basis. If the program took in more money in the form of realized residua from completed annuities than annuity payments made, they considered the program successful. Tracking the market value of individual annuities permits a more accurate picture of the profitability of a gift annuity program. Individually tracking CGA market values detects trends that make a program more or less profitable and identifies individual annuity contracts that may make sense to approach their donors about terminating early.

We were uneasy with the low gift minimum to establish annuities. Close to 20% of the contracts in force were funded with $1,000. As observed above, accounting for the time value of money and the cost to administer these small contracts reduce their net value to the charity to a marginal amount. Upon closer examination, the $1,000 contracts without any additional annuities represented only 3% of active contracts. The majority of annuitants that completed $1,000 contracts entered into additional contracts increasing the present value of these small dollar donors.

Despite the proliferation of small annuities, 50% of the contracts in force were funded with $10,000 or more, with a projected residuum of $2.6M. While the small dollar annuities are a general concern in this pool, these gifts represented an immaterial risk.

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The final, and perhaps most important finding of the audit was that the charity offered gift annuity rates higher than those recommended by the ACGA. The charity reasoned correctly that they could attract more annuities by offering higher rates. Uniform gift annuity rates level the playing field for philanthropic dollars. We projected an anticipated residuum over all contracts in force at only 16.8% of the original gift amounts. The computation of the ACGA suggested maximum rates assume a projected 50% residuum. Thus, higher annuity rates coupled with other factors suggest this program will fall far short of this target.

VII. A Successful Launch

There is a proliferation of charities in existence for more than 50 years that operate more or less successful annual fund and major gift fundraising. These development efforts are professional and well organized. A common theme among these charities is a proliferation of fundraising events in the form of galas, 5K and 10K races, golf outings, and auctions. Impressive amounts of gross revenue flow from these events. The net revenues are much more modest, however. Operations to undertake events account for as much as 50% of gross revenue and that doesn't account for the huge investment of staff time to put on events.

Planned giving is not a development focus. There are years when unexpected bequests account for a material amount (sometimes the majority!) of the year's fundraising totals. The trustees and senior leadership love these "surprises" but don't devote resources to focus on planned gift fundraising.

A new development director takes over the charity's development office. She has fundraising experience at larger, as well as similarly sized, organizations as the one she is joining. Experience tells her that a modest investment in planned giving can pay off in significant dollars.

Not being a planned giving expert, the development director engages PG Calc to help launch the charity's planned giving program. The first step is to set expectations. Without a dedicated planned giving professional, the program cannot sustain a program incorporating gift annuities, charitable trusts, and complex assets. The greatest planned giving returns are in wills, trusts, and beneficiary designations. That's where the program decides to devote its efforts.

PG Calc began the project by providing the infrastructure to support gift planning and launch the legacy society. At the outset of our engagement, the charity knew of only one estate commitment. Launching the legacy society included creating a suite of documents: an estate gift notification form, a legacy society welcome packet, an estate gift donor acquisition letter, and an outline of stewardship of legacy society members, and sample bequest language.

Modest staff training included planned giving talking points, terms with which staff should be familiar, how to identify those donors most likely to complete a planned gift, and how to raise the subject of an estate gift. PG Calc specified metrics to measure effectiveness of the planned giving program and incentives for MGOs and the annual fund to solicit planned gifts. Work on the project began in June of the year of engagement.

PG Calc created a 24-month strategic planned gift marketing plan. The plan included timing of messages, appropriate media and marketing channels, and types of giving methods. The final plan included suggested planned giving messaging coordinated with the charity's development

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communication plans, communication channels for planned giving marketing, planned gift marketing strategies, tactics, and a marketing calendar. The marketing plan included advice on segmentation and messaging opportunities for marketing communications and marketing performance metrics.

The Upshot

By October of the year of the engagement the charity had implemented systems for identifying and recording planned gift expectancies. Staff completed basic planned giving training. Planned gift marketing appeared in the charity's mailings and publications.

The development office sent an invitation to 300 of the most likely planned gift prospects to join the legacy society. By October there were 8 estate gifts that had either already been in place and not disclosed or were intentions to establish new planned gifts. There were five requests for more information on including the charity in the donor's estate plan. A donor notified the charity she had created an irrevocable CRT for the benefit of the charity. The CRT was previously unknown. Donors disclosed the amount of some expectancies and others did not. The welcome letter and personal follow up uncovered millions of dollars in estate gift expectancies.

Feedback was uniformly positive from the development committee of the board and senior leadership. The charity engaged PG Calc on a retainer basis to continue to grow its planned giving program.

VIII. Conclusion

It's hard to choose a single theme that sums up the cases presented. Charitable benefactors are the lifeblood of successful fundraising. Nonetheless, prospects and donors can present unique challenges. The wealthy often accumulate their wealth through deal making. Individuals are more comfortable with risk than charities with a duty to protect their assets. The "gift" may be hard to discern, involve techniques in the nature of investments, or carry unacceptable risks. The donor is not always right, but the donor should always be satisfied with their philanthropic experience.

We've seen that gift annuity programs can soften the risks with larger gift annuity pools. (Go big or go home.) The more annuities, the more the risk of timing, market returns, and longevity are spread around. Exceedingly small gift annuities are generally unprofitable. Charities need to assess the legal and reputational risk against the cost of state gift annuity compliance, make an informed business decision on gift annuity regulation, and consider the value of following the ACGA recommended annuity rates.

Charitable remainder trusts are not a do-it-yourself proposition. Charitable trusts require involvement of competent legal counsel and institutional trustees to achieve their objectives. Charitable trust marketing material and development staff must accurately represent the tax consequences of these gifts.

The larger a charity's investment in planned gift marketing and staff, the more revenue the charity can expect in planned gift revenue. Even a modest investment in planned giving can materially increase planned giving activity and revenue.

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