



The Best and Most Ignored Source for New Planned Gifts

Date: February 25, 2016
Time: 1:00 – 2:30 Eastern Time
Presenter: Mike Valoris
Senior Consultant
PG Calc





Introduction

- The process of prospect identification is uncertain
- Identify those donors who want to do more
- Modest giving does not justify lack of engagement
- Don't ignore the source for your best planned giving prospects



Donors who give monthly

- Donors who give monthly are loyal
- Monthly giving is usually modest
- These are prime prospects for a bequest intention



Create a PG strategy for monthly donors





Donors with donor-advised funds

- DAF's are an excellent source for charitable giving
- In 2014, the average fund had \$296,700*
- Annual grants from DAF's are often modest



Create a MG-PG strategy for DAF donors

* National Philanthropic Trust, *2015 Annual Report*



Example

- Mr. & Mrs. Smith are loyal annual donors to their local hospital



- In 2012 they started making gifts from a DAF
- In 2015 a hospital board member visits
- They commit to \$25,000 from their DAF, maybe more



Donors who make IRA charitable rollovers

- IRA's are a source for charitable giving
- The IRA rollover is permanent!
- Donors forgo their required minimum distribution
- Consider outright gifts and/or a beneficiary designation



Engage IRA rollover donors for current and future giving



Example

- Sally, 74, made two IRA rollover gifts of \$5,000 each
- Pledges \$50,000 to a campaign over five years
- Uses her IRA to pay the pledge
- Names the charity as a beneficiary of her IRA





Donors with endowed funds

- An investment in your charity's mission
- Donors see the impact of their gift
- Estate commitments increase the impact



Cultivate endowed fund donors for bequest intentions

- Endowed fund donors and your legacy society



Legacy society members

- Estate commitments - opportunities and challenges
- Estate gifts usually exceed lifetime giving
- Getting information is key





Legacy society members - challenges

- We know little about our estate commitments
- Unrestricted vs. restricted
- Estate gifts and gift acceptance policies
- Estate gifts for long-gone programs





Legacy society members - opportunities

- Engage living donors about their estate commitments
- Salvage an estate commitment to meet priorities
- Negotiate a blended gift to maximize giving





Example

- Elizabeth put alma mater in her will for \$1M to endow a professorship
- Alma mater raises the funding to \$2.5M
- Changes her will to meet \$2.5M required funding
- Family is concerned the amount will increase further
- Funds a CRUT with \$2M with balance of \$2.5M from her estate



Legacy society - new members

- New legacy circle members – two approaches
- Information you would like to have
- Obtain the paragraph from the will or trust

The Best – And Most Ignored Source – For New Planned Gifts

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



Legacy society - current members

- Ways to learn more about estate commitments
- Try for a personal visit
- Be careful with phone calls
- Bequest surveys can be a useful tool



Legacy society - bequest survey

- Vet the mailing list carefully
- Send a cover letter, questionnaire, stamped reply envelope
- Increase the response rate
- Acknowledge responses





Legacy society - after the survey

- Review all surveys to identify gift issues
- Determine which legacy society members need visits
- Restructure estate gifts if needed



Donors with life insurance policies

- Gifts of life insurance – opportunities & challenges
- Term policies vs. permanent policies
- Donor designates a beneficiary or transfers ownership of the policy
- Have gift acceptance policies





Donors with life insurance policies

- Donors often stop making gifts for premium payments
- Obtaining an “in force illustration” from the insurance company
- Cashing in the policy for current use is an option



Review all policies and have a course of action



Example

- Dr. James, 66, made a gift of a life insurance policy to a research institution
- Death benefit was \$500,000; cash build-up was \$175,000
- Research institution wants to cash in the policy; Dr. James agrees
- Research institution has \$175,000 to fund a new initiative





Donors with family trusts

- Charities receive current gifts from trusts of deceased donors
- Establish a stewardship plan for family members



Identify and cultivate surviving family members



Example

- Anthony Johnson, deceased, established a testamentary CLT
- Ten charities get annual six figure distributions
- Charity #1 stewards the surviving Johnson family
- Charity #1 receives \$1M outright from the family
- Charity #2 has no contact with the family and receives no further gifts



Donors with life income gifts

- Explore gift opportunities with life income gift donors
- Repeat gifts are common with CGA donors
- Some donors will forgo the income from their gifts
- Life income gifts can be converted into current gifts





Repeat gift annuities

- Gift annuity donors frequently do repeat gift annuities
- They benefit from higher rates and increased income
- Sending personalized illustrations is effective marketing



Annually, send personalized illustrations to existing CGA donors



Example

- In 2012 Nancy, 75, funds a CGA for \$20,000 with appreciated securities
- In 2015, she receives an illustration for a new CGA for \$25,000
- She funds another CGA for \$20,000
- Gets a higher annuity rate and avoids stock market volatility



Redirecting payments

- Some beneficiaries do not need the income from their life income gifts
- Can redirect the payments to the charity
- Signs a revocable limited power of attorney
- Payments are gifts to charity; beneficiary reports payments as income





Gift of a life income interest

- A life income interest can be contributed to the charity
- Check the documents and state law
- Donor of the interest may get a charitable deduction



Review life income gift files where an assignment may be appropriate



Example

- In 2005, Robert & Martha Jones fund a 5% SCRUT with \$250,000 - remainder is for a scholarship at their alma mater
- In 2016, income interest is assigned to alma mater
- The interests “merge” and alma mater gets \$310,000, the trust FMV
- The Joneses get an additional tax deduction of \$126,325





Example

- In 2007, Dr. & Mrs. Harrington establish a CGA for \$200,000
- Charity is constructing a new building the Harringtons want to support
- The Harringtons assign their income interest to charity
- The charitable deduction calculation when terminating a CGA





Example

- Isabelle, 92, has made many gifts to a university pooled fund
- Wishes to terminate her income interest in the fund
- Assigns her units in the fund to the university
- The units are “severed,” university gets cash
- Isabelle gets an income tax deduction for PV of her income interest



Volunteers

- Volunteers are among the most engaged supporters of a charity
- Retirees, prime planned giving prospects, frequently volunteer



Form a recognition society;
assign a gift officer to volunteers



Donors who request PG information

- Donors who self-identify are prime planned giving prospects
- Code donor records in the database for those who self-identify
- Donors make planned gifts when they are ready
- Donors who self-identify should be added to gift officer portfolios





Example

- Martha periodically asked for CGA information from a favorite charity
- At age 80, Martha requests a visit from a gift officer
- Martha saved all planned giving newsletters for the last 10 years
- She makes a gift of \$250,000 for her first CGA



Conclusion

- Your best planned giving prospects are hiding in plain sight
- Identify donors who want to do more
- Modest annual giving should not deter you
- Engage with these donors
- Don't ignore them!





Questions and Answers





Still Have a Question?

Contact: Mike Valoris
Senior Consultant
PG Calc

E-mail: mvaloris@pgcalc.com