

PG Calc YOUR PARTNER IN PLANNED GIVING SUCCESS

Real World Lessons From Real World Planned Gifts



Date: December 19, 2019
 Time: 1:00 – 2:30 Eastern
 Presenter: Jeff Lydenberg
 Vice President

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Agenda

- Difficult gifts, difficult donors
- Good gift annuities gone...meh!
 - ✓ Two case studies
- Managing planned gift expectations
- Charitable remainder trust follies
 - ✓ Two case studies
- Lessons learned from gift annuity audits
- A planned gift success

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When Is A Gift, Not A Gift?

- "I've been shopping this gift around..."
- Dangling \$30M "gift"
- Incomprehensible terms and conditions
- In the nature of an investment
- Thanks, but no thanks.




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Reasonable Gift, Unreasonable Donors

- \$5M retained life estate on luxury condo
- Donor/Trustee committed to mission
- Experienced philanthropists
- Complex, but well worth the effort
- One problem, complete the gift in 90 days, or else!
 - ✓ Made it with just days to spare!



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Reasonable Gift, Unreasonable Donors

- Appraisers require specialized skills
- Objections, questions, changes, disagreements ensue
- Settled on appraiser, disagreement on appraisal
- Five (count 'em) sets of lawyers
- Charity expenses in excess of \$25,000 to close gift

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Good Gift Annuities Gone...Meh!

- Lessons learned from completed annuities
 1. Large planned giving program, actively marketing and fundraising for CGAs
 2. No dedicated planned giving fundraisers, intermittent marketing and fundraising for CGAs
- Review terminated annuities for FY 2018-2019
- Timing, annuitant longevity, and risk concentration


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Good Gift Annuities Gone...Meh!

- Concentration risk
- One annuitant represented 10% of pool
- Increased mortality risk to the pool
- Modest annual addition of new annuitants
- Increase diversity of the pool



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Setting Expectations Around Planned Gifts

- Charity's first CGA
 - ✓ \$1million
 - ✓ Higher than suggested ACGA rate
 - ✓ No permit from NY to issue annuities
- "This is a \$1 million gift! I saw the check!"
- Only gift is net of payments and returns after termination


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Microsoft Charitable Remainder Unitrust

- CRUT funded with Microsoft circa 1996
- Self-trusteed, after five years
 - ✓ Didn't sell and diversify
 - ✓ CRUT never made payments
 - ✓ Trustee never filed trust tax return (Form 5227)
- Institutional trustee and donor's attorneys called in to repair the damage



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Where Goest Thee Capital Gain?

- CRUT 2011 with +\$1million
- Donors represented by counsel and accountants
- CRUT addition in 2014
- Been wanting to ask, why are we reporting part of our payments as capital gain income?
- Use care in marketing and negotiating tax consequences

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Lessons Learned from Gift Annuity Audits

- Large non-profit, well funded planned giving marketing and planned giving staff
- Nearly 900 contracts in force
- No contracts for restricted purposes
- Robust marketing and fundraising efforts provides steady stream of new annuities year after year

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Lessons Learned from Gift Annuity Audits

- Not registered with any state where required
- 20% of contracts in force funded with \$1,000
- Offered CGA rates higher than ACGA recommended rates
- Projected residuum of pool only 16.8% of gift amount

We lose money on every sale, but make up for it in volume

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We Have Liftoff!

- Planned giving program launch with 100+ year old charity
- No "program" per se, but unexpected bequests often made their year!
- Built infrastructure, marketing plan, and legacy society
- One "welcome" letter increased known expectancies from one to eight plus five inquiries

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Conclusion

- Donors can be demanding (but keep them happy)
- Beware strangers bearing "gifts"
- Go big or go home with gift annuities
 - ✓ Continuous, compliant, concentration risk
- Leave charitable trusts to independent, expert advisors
- Modest investment and attention can yield big payoff

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Questions?



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Still Have a Question?

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