

PG Calc YOUR PARTNER IN PLANNED GIVING SUCCESS



Inspiring Major Gifts of Assets: The Science and the Sentences

Date: October 24
 Time: 1:00 – 2:00 Eastern
 Presenter: Professor Russell James
 Texas Tech University

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Texas Tech University

How to have wealth conversations that inspire major gifts of assets

The science and the sentences

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ETPs
Cash
Gold
Commodities
Mutual Funds
Stocks
Unit Trusts
Private Equity

The Secret to Fundraising Math
Gifts of Wealth Not Disposable Income

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The secret
Major gifts are gifts of wealth,
not disposable income



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Wealth is not income

- Wealth doesn't come from a paycheck
- Wealth comes from owning assets that go up in value

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Wealth is appreciated assets

Buy assets with inheritance, borrowings, or savings from income

1. Pick the right assets (risk)
2. Use personal effort to increase asset value (work)



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Gates, Buffet, and your neighbor

Wealth comes from owning assets that go up in value

- Pick the right assets (risk)
- Use personal effort to increase asset value (work)



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Guess the answer!

According to Census data, what percentage of financial assets (not real estate) are held in cash, checking accounts, money market accounts and similar accounts?

- A) 3%
- B) 10%
- C) 15%
- D) 25%
- E) 33%



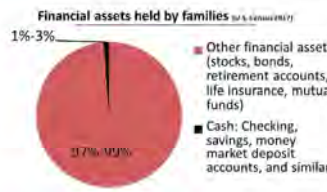
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Wealth is a different money category

Financial assets held by families (not including real estate)



- Other financial assets (stocks, bonds, retirement accounts, life insurance, mutual funds)
- Cash: Checking, savings, money market deposit accounts, and similar

- The story of wealth is the story of appreciated assets
- Less than 3% of household wealth is held in cash or checking accounts

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Gift size is relative to the money category

- Asking for cash is asking from the small bucket
- Asking for appreciated assets is asking from the big bucket
- Large gifts are made possible by large reference points


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Money categories change behavior

Shoppers entering Broadway Market in Cambridge, MA



Randomly assigned

What's in your wallet/purse? Cash? Credit cards? ...

Do you own stocks? Bonds? Certificates of deposit?...

Spent **36% more**

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Money categories change current donations

- A small ask from a small category works
- A big ask from a small category does not work
- A big ask from a big category works




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Gift description changes money reference points

- A monthly pledge where gift amounts were described as \$__ a day or \$__ a year
- With daily amount, people compared the gift with "routinely encountered, petty-cash types of expenditures"
- With the annual amount, people compared with "infrequently encountered, major expenditures"



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Big gifts need big reference points

Using \$1/\$4/\$7 a day vs. \$350/\$1,400/\$2,500 a year

- For the smallest ask, the daily amount worked better
- But for anything over \$1,000, the result reversed
- The "pennies a day" story worked, but only for pennies




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A small reference point makes future gifts small


- People had a gift made on their behalf either as a single lump sum or broken into small daily amounts
- Later, people with prior gifting broken into small amounts gave a third less



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Reframing the reference point

- People with prior gifts on their behalf broken into small amounts then gave a third less
- Why? The reference point felt smaller
- Solution: Showing the total of prior gifts before making the ask increased donations almost 50%

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Another experiment: Same result

- When their prior gifts were described in total terms, people gave more
- If described in monthly terms, they gave less



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Prior giving story connects to future giving

- Describing past giving as several small gifts is one story
- Describing it as a single large total is a different story
- Changing the story changes the reference point and the behavior

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Best performing headline
 [6 mailings, 50,000 people]

"CAMPAIGN DONOR FOR ___ YEARS
 Your most generous gift was \$___. Thank you."

Emphasizes

- Largest gift
- Long relationship



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Which gift is more valuable?

A \$10,000 check vs.
 \$10,000 of stock shares

One gift is more hassle for the nonprofit, but it costs the donor less (avoiding capital gains taxes)



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A money category answer

A \$10,000 check vs.
 \$10,000 of stock shares

If gifting comes from the tiny category, future gifting stays tiny

- A checking account is where disposable income lives
- Appreciated assets is where wealth lives




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"Mental accounting"

- In math, a dollar is a dollar
- In story, people put labels on money and then treat the dollars differently based on those labels
- When a new category of money becomes donation relevant, giving increases



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Making the category donation-relevant

After a first gift of furniture or clothes [or stock], the category becomes donation relevant

Whenever redecorating or moving [or an asset sale], is contemplated, charity comes to mind



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Why cash is not king in fundraising

Data on the power of asset gifts from 1 million nonprofit tax returns



Real world: Money categories and fundraising success

Over a million nonprofit tax returns showed the answer: Raising money from noncash assets predicts current and future fundraising success

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Comparison example

- Suppose similar charities raising the same total contributions. One had raised gifts only from cash. The other had raised gifts from both cash and stocks.
- Five years later, on average, contributions will have grown twice as fast at the second organization.
- If they continued to raise gifts of stocks or of "cash only" this difference increases even more.

5-year average growth in total fundraising		
NONPROFITS receiving ONLY CASH	NONPROFITS receiving ANY NONCASH	NONPROFITS receiving SECURITIES NONCASH
11% GROWTH	50% GROWTH	66% GROWTH

2X
Minimum

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How to start

- Listen: An upcoming sale, retirement, inheritance are all times for charitable planning.
- Be a resource: I help our donors give smarter. How? Share a story.
- Share stories: Donor stories can include stocks, bonds, real estate, or businesses.

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Mindset matters

- Gifts from disposable income stay small.
- Once a donor begins to think of donations as something that comes from wealth, things change!


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Do wealthier donors tend to make a larger share of their total charitable gifts as estate gifts (rather than lifetime gifts)?

- A. They give less in this way
- B. It's about the same for both
- C. They give about 2X as much this way
- D. They give about 10X as much this way
- E. They give about 50X as much this way.



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Legacy gifts can be transformational for the organization

- Estate gifts from the wealthy can be enormous



Wealth (Estate Size)	Multiple
Under \$2MM	2X
\$2-\$50MM	~20X
\$5-\$10MM	~25X
\$10-\$50MM	~30X
\$50-\$100MM	~50X
\$100MM+	100X

James, R. N. III. (2020). American charitable bequest transfers across the centuries: Empirical findings and implications for policy and practice. *Estates, Planning and Community Activity*. *Estates Journal*, 12, 146-195, 271.

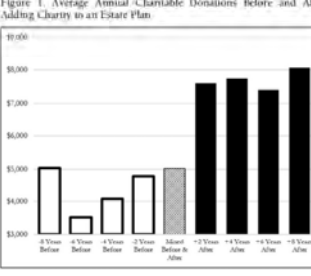
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Legacy gifts can be transformational for the donor

- Current giving increases dramatically after adding charity to an estate plan
- Annual donations are consistently about 75% higher



Year	Donation Amount
1 Year Before	~\$5,000
2 Year Before	~\$3,000
3 Year Before	~\$4,000
4 Year Before	~\$5,000
5 Year Before	~\$5,000
1 Year After	~\$8,000
2 Year After	~\$8,000
3 Year After	~\$7,500
4 Year After	~\$8,500

James, R. N. III. (2020). The emerging potential of longitudinal empirical research in estate planning: Examples from charitable bequests. *UC Davis Law Review*, 54, 2397-2432 at p. 2422.

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Socratic Fundraising Setting

Is This the Land of Wealth Sharing?

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“Advance the donor’s hero story”

- That’s the right story
- But for major gifts, we also need the right setting

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Major gift setting: Is this the land of wealth sharing?

- In story, setting matters. It creates expectations. It defines appropriate behaviors.
- Are we in a fantasy realm? Then we’re open to fantasy events. Are we in the Old West? Then we expect Old West things.



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Major gift setting: Is this the land of wealth sharing?

In fundraising, setting matters

- Typical gifts are gifts of disposable income
- Major gifts are gifts of wealth



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Establish the setting

Getting donors to talk about their wealth - their business or investments

- Can encourage generosity
- Can reveal capacity (assets)
- Can reveal plans to buy or sell, acquire, or retire, which create opportunities for creative solutions



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The fundraiser archetype

In the universal hero story, a guiding sage helps the hero

The guiding sage:

- Gives advice, planning, and guidance
- Introduces the hero to friends and allies
- Provides a magical instrument or weapon



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The fundraiser archetype in the donor's hero story



The effective fundraiser can be the guiding sage for the donor's hero story


- Gives advice, planning, and guidance
- Introduces the hero to friends and allies (technical experts, past donors)
- Provides a magical instrument or weapon (gift instruments and agreements)

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The fundraiser archetype



- Socratic inquiry reveals what fits each hero's specific journey
- For major gifts, the guiding-sage fundraiser should ask about assets

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But it's uncomfortable!



These conversations require talking about wealth

Think of the goal as social, not financial

- It's what the other person cares about
- Building and managing wealth is a big part of their lives

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Introducing the ally

"I can't tell you the ins and outs of a CRUT, but I would be happy to introduce you to someone who can. I've been told that this instrument offers ways to maximize your giving, minimize income taxes, and provide a degree of flexibility in your financial situation. Is this something you'd be interested in?"


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Introducing the ally

"You mentioned that you are going to pass the business to your kids. Did you know there are some ways you can do that that will actually save you money on the transaction by being charitable? On my next visit, I'll bring our specialist in that area so we can talk about it in more detail."



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The power of delay

The right destination is to get the next meeting.

Creating this time delay:


- Keeps the initial conversation social - separating it from a financial ask
- Gives time to build creative options
- Makes those options feel more valuable
- Gives the donor time to think, moving the donor's mindset into the land of wealth sharing



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An epic scene requires some build up
The guiding sage delivers the perfect weapon
to help the hero complete the journey

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The partial reveal

- Expertise can help: It increases ability to spot issues
- But it can hurt if you instantly give the whole answer: Delay is valuable
- A "partial reveal" creates interest and attraction without giving away the whole story




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Having the right destination changes things

It gives time to consult experts and build solutions




"I want to talk with some of my technical folks first. That way you'll get all the best options. But I know there are some attractive possibilities here."

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Failing forward



- You think you see an opportunity, but later find there isn't a solution
- If you get the next meeting, you can still present other powerful options
- Even if the donor says "No," you've still shared useful options, providing value to the donor as a guiding sage

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Setting is a place AND a time

Setting is a place – the land of wealth sharing
 Setting is also a time – it may not be today

- An investment or business is about to be sold
- At the end of life
- A new project at the charity arises

Asking about gifts of assets lays the groundwork for future events



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Socratic Fundraising Wealth Scripts



Questions That Lead to Gifts of Assets

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Let's talk about wealth

1. It creates a setting of wealth sharing
2. It uncovers capacity for a major gift
3. It reveals opportunities for creative solutions
4. It leads to the next meeting that shares these creative options

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Opportunities for creative solutions

A donor

- Is planning to sell an appreciated asset [Charitable planning avoids capital gains taxes]
- Is not planning to sell appreciated stocks ["charitable swap"]
- Is getting ready to retire [CRT/CGA]
- Is taking retirement account distributions [QCD]

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Opportunities for creative solutions

A donor

- Has a big income spike [DAF, RLE, CGA, grantor CLT]
- Can't use tax deductions [QCD, Appreciated assets, CLT]
- Has kids who don't want to take over the farm or a vacation home [RLE]
- Has estate tax issues [CLT]
- Has wealth tied up in illiquid assets [flip-CRUT, NIMCRUT]

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Let's talk about wealth

1. It creates a setting of wealth sharing
2. It reveals capacity for a major gift
3. It shows situations that connect with solutions
4. **It leads to the next meeting that shares these creative options**

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Talking about sensitive topics: Strategies from research

1. Start social then follow up (says, "I'm interested in your story")
2. Make questions part of another task (says, "I can help" or "I need your help")

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Start social then follow up

- Social, emotional language encourages sharing
- Social phrasing elicits more information
- "People are more forthcoming when you ask questions in a casual way, rather than in a buttoned-up, official tone"

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Start social then follow up

"How's business?"
"How's the market been treating you?"

- The magic comes from the follow-up questions
- These show shared interests and reveal opportunities to provide advice



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Tell me a story: Past, present, and future



Assets have stories

- Past: Origins of the asset
- Present: What's happening now
- Future: Future plans for the asset

Uncovering this story → Charitable planning opportunities

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Questions can lead the donor through their asset story

Past

- "What's the story of your business? How did you get started?"

Present

- "What are you proudest of?"
- "What are you most excited about at the current time?"



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Future sale or transfer

- "What are your future plans for your business?"
- "What will that mean to you?"

"Have you thought about using the sale or transition of your business as an opportunity to achieve some of your charitable goals in addition to financial goals?"

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Future estate transfer?

- "Will your heirs continue running the business?"
- "I know there are some smart ways to avoid taxes for people like you who want to include a gift to charity in their plans. Have you ever considered that?"




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Other assets?




- "Are you a collector (art, stamps, coins, etc.)?" "What is the story? How did you get started?"
- "Do you invest in Real Estate?" "How did you get started?"
- "Where do you vacation?" "Do you own a home there?"
- "How has the market been treating you?" "What is your investment philosophy?" "What's the best investment you ever made? Tell me that story."

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Past to present to CHARITABLE future

“Have you considered making gifts with assets instead of cash?”

“Most donors giving at your level use appreciated assets instead of cash because they get a double tax benefit. Have you ever considered giving in that way?”

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“How?” questions

“Why?” questions uncover connections to the donor’s people, values, and history

“How?” questions uncover wealth:

- “You’ve done so much for [charity]. What allows you to be so generous?”
- “How were you able to make this wonderful gift?”



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From “How?” to wealth conversations


1. What makes it possible for you to make this generous cash gift?
2. Have you ever given something other than cash to a charitable organization?
3. Are you planning to sell something this year that is worth more than you paid for it?



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Reverse questions

A statement triggers a question:
 "I help donors give smarter."
 → "How do you do that?"
 "I help people give weird assets to [charity]."
 → "What's the weirdest asset someone has given?"

This gives permission to share a story

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Their question gives you permission to share a story

Your story

- Your advice helps someone like the donor
- They give an asset instead of cash

Ends with a question

- "Have you ever made any unusual investments?"
- "Have you ever been hit with capital gains taxes?"



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Follow-up questions

"Have you ever made any unusual investments?"

- Yes? Ask about it. "Has it gone up in value?"
- No? Ask about it. "So, do you like stocks or bonds or something else?"



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Follow-up questions

"Have you ever been hit with capital gains taxes?"

- Yes? Ask about it. "That must mean you were good at investing! Tell me what happened!"
- No? Ask about it. "That's smart. It's good to avoid those as long as you can. Do you think it might be a problem in the future?"



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They can also signal that they don't own any appreciated assets

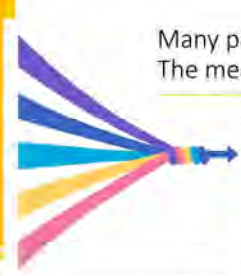
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Many paths, one destination: The meeting to share options

"This reminds me of another donor's situation. I remember he used some creative planning that [avoided taxes/created income/provided for family] and made a big impact at the charity. Would you mind if I talk to some of our experts and put together a few ideas for you to look at?"



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Make questions part of another task

- As an estate planning attorney, I could ask blunt questions about wealth
- Why? Because we were there to get a job done



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Make questions part of another task: Experiments

A: "Have you done this behavior?"
 B: "If you have EVER done this behavior, how unethical do you think it was?" (1-5) and "If you have NEVER done this behavior, how unethical do you think it was?" (6-7)
 With B, 2X more likely to admit

- Making a false insurance claim
- Cheating on a tax return
- Lying about income



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Fundraising tasks

Barrier → Task:
 "What's holding you back from reaching your charitable goals?"


Task agreement:
 "What if it was possible for you to make a gift and still accomplish your financial goals? Would you mind if I shared some of those options with you?"



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Fundraising task agreement


- "You mentioned that you are going to be [passing the business on to your kids/selling your practice.] Would you be interested in charitable options that may save you money on your transaction?"
- "You have been so generous to this cause in the past. Would you be interested in learning how to give more at a lower cost by using the best assets for the gift?"

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After agreeing to a task, questions can be blunt




How do you give?
Through a company?
A private foundation?
Do you normally give appreciated assets?
How is your business structured? Is it difficult to get profits out due to tax concerns? Do you have any life insurance policies you no longer need?

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Use a gift menu in conversation

- "I help donors like you to give smarter. Usually this involves gifts of stocks, real estate, businesses, life insurance, or retirement accounts. The tax benefits can be much larger."
- "What's your favorite form of giving?"
- "Have you ever considered other types of gifts like [menu]?"
- "What options would you be interested in knowing more about?"

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Use a menu in a survey, response card, or website

Check/click to receive info

- How to save taxes with gifts of stocks or bonds
- Top tax tips for gifts of real estate
- Tax smart giving from a retirement account
- Giving smarter with closely held businesses
- How to avoid estate taxes with charitable planning




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Asking opinions

- 1. Task justification**
"We've noticed that other charities receive more of their gifts from stocks and real estate. We're trying to figure out why."
- 2. Request permission**
"Do you mind if I ask a few questions about your thoughts on this?"
- 3. Ask for opinions**



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Asking opinions

1. Task justification
2. Request permission
- 3. Ask for opinions**
"What's the likelihood you would ever consider making:
A gift of stocks or bonds?
A gift of real estate?
A gift in a will?
A gift of cryptocurrency, artwork, or oil rights?"

"What have you heard about the extra tax benefits from donating assets instead of cash? or leaving estate gifts from an IRA or 401K?"



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Change the setting AFTER the gift decision

- "I had a donor on the phone. He said, 'I'm going to send you a check for \$2,000.' I said 'Jim, is there any chance that you have stock that is worth \$2,000?' He said, 'Yes, absolutely. But I don't want to sell that stock.' I said, 'Take the cash. Go buy that exact same stock. Then send us the old shares worth \$2,000. Now you have stepped up basis. That highly appreciated stock now starts at zero for capital gains tax purposes. And you get a charitable deduction as well.' He asked, 'I can do that?' I said, 'Yeah.'"
- The next day we received a stock gift... of \$10,000 from the donor."



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Change the setting AFTER the estate gift decision

"If you plan to leave something to charity in your estate plan, could I share with you a way to make sure the best assets are used for the gift to minimize the loss in taxes?"




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Change the setting AFTER the pledge decision

"I can't thank you enough for this tremendous commitment to our charity. When I come back to finalize the details of how you want to allocate the gift, I'll bring a colleague who specializes in putting together gifts to maximize the tax benefits for you."




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Knowing v. doing


- The idea makes sense
- The execution can be daunting
- "You intervene in the process and actually stop and say, 'No I don't want your cash.' I know that's scary folks. I get it. But this is what you need to do.... What this really means is being the donor's helper in this conversation."



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A different role

- You reject the cash – to help the donor
- You take on more administrative hassle – to help the donor
- You provide guidance, wisdom, and counsel as the donor's guiding sage

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Professor Russell James
Texas Tech University


How to have wealth conversations that inspire major gifts of assets

The science and the sentences

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Click the Q&A icon at the bottom of your screen.

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Contact: Prof. Russell James
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