


**PG Calc** YOUR PARTNER IN PLANNED GIVING SUCCESS

### A Paradigm for Effective Bequest Fundraising



Date: January 30, 2020  
 Time: 1:00 – 2:30 Eastern  
 Presenter: Mike Valoris  
 Senior Consultant  
 PG Calc

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### Discussion Topics

- How many of your donors will do a bequest?
- Assessing your bequest program
- Fundamentals of bequests
- Identifying bequest donors – The Marketing Funnel
- Talking to donors about bequests – entering the conversation
- Legacy society and recognition
- Realized bequests – pitfalls during administration

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7

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### The Reality of Bequest Donors

- Very, very few donors will make a bequest to your organization
- Not even your most loyal and wealthy donors – they just won't do it!
- Two-fold challenge for a charity:
  - 1) Communicating awareness to the broader constituency
  - 2) Getting potential bequest donors to self-identify

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**Data Collection**

- Management likes statistics!
- Past performance can inform future activity
- Lag time between the commitment and realization can jeopardize PG budgets
- Create a pipeline for projected realization of bequests
- Database entry – the key to creating a pipeline



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**Data Collection**

- Projecting a pipeline of future bequest receipts
- 10-year history of bequest receipts
- Legacy society – stagnant or growing
- Average age for bequest commitment notification
- Average time between notification and realization
- Previous PG budgets vs. Current PG income
- Known vs. Unknown bequests

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**Fundamentals – Why Donors Like Bequests**

- Satisfaction of giving without parting with assets
- Revocable – funds are available if needed in retirement
- Can be easy to arrange (beneficiary designation)
- Flexible – contingent bequest
- Usually a more significant gift than current giving



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### The Role of the Gift Officer

- Gift officers do not need to be estate planning technicians
- A basic understanding of estate planning and taxation will instill confidence
- Donors should be advised to have competent estate planning counsel



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### Fundamentals - Types of Bequests

- Intestacy – die without a will – state law controls distribution
- Wills
  - ✓ Testate – die with a will; goes through probate
  - ✓ Will controls assets owned in the decedent’s name alone
  - ✓ Compare with joint-tenants w/right of survivorship
  - ✓ Compare with assets controlled by a beneficiary designation
  - ✓ Pour over will

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### Fundamentals - Types of Bequests

- Revocable Living Trusts
  - ✓ Created during lifetime
  - ✓ Only controls assets owned by the trust
  - ✓ At death, the trust agreement governs – avoids probate

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### Fundamentals – Beneficiary Designation

- Donors should review beneficiary designations
- Life insurance
- Donor advised fund
- Pay on Death (POD) Transfer on Death (TOD)
- Retirement accounts



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### Beneficiary Designations – Retirement Accounts

- Retirement accounts [IRA, SEP IRA, 401(k), 403(b)]
  - ✓ Income in Respect of a Decedent (IRD)
- Income to which decedent was entitled, but never received and was never taxed
- Inherited IRA – Deceased donor’s IRA can be rolled over to an “inherited IRA” – no tax due when rolling over
- Individual beneficiaries will owe income tax when distributions are received from retirement accounts
- Charities owe no taxes when they receive distributions from retirement accounts

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### SECURE Act and IRAs

- SECURE Act effective 1/1/2020
- Inherited IRAs can no longer be distributed over the life expectancy of the beneficiary – the “Stretch IRA” is now limited (some exceptions, such as surviving spouse)
- Beneficiaries must take their entire distribution within a 10-year period – a tax hit for beneficiaries
- Donors should review beneficiary designations and consult advisors

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### Example – IRD Asset Gift

- If a donor wants to leave \$25,000 to a favorite charity and \$25,000 to an individual, it's generally preferable to leave \$25,000 of retirement fund assets, such as an IRA, to the charity. Charity pays no taxes.
- Other assets, such as cash or securities outside of retirement accounts, should be left to the individual.
- The opposite approach would be fine for the charity, but not as good for the individual.

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### Identifying Bequest Prospects – The Marketing Funnel

- The Marketing Funnel – how it works
- Getting Suspects to “raise their hands”
- Stages of the Marketing Funnel
  - ✓ Suspects to Prospects – Awareness marketing
  - ✓ Suspects to Prospects – Internal identification
  - ✓ Prospects to Qualified Prospects
  - ✓ Qualified Prospects to closed commitments



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### The Marketing Funnel – Suspects to Prospects

- Awareness marketing – spreading the word
  - ✓ Organization website
  - ✓ Direct mail
  - ✓ Email
  - ✓ Social media
  - ✓ Print communications
  - ✓ Professional advisors



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### The Marketing Funnel – Suspects to Prospects

- Internal identification – potential internal Prospects
  - ✓ Long-time annual fund donors
  - ✓ Donors without children
  - ✓ Donors in a monthly giving program
  - ✓ Board and committee members
  - ✓ Volunteers
  - ✓ Retired staff



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21

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### The Marketing Funnel – Suspects to Prospects

- Internal identification – potential internal Prospects
  - ✓ Working with board members
  - ✓ Prospect research
  - ✓ The donor survey
  - ✓ Development staff “tipsters”



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### The Marketing Funnel – Prospects to Qualified Prospects

- Donors who “raised their hand”
- Qualification process – asking questions, listening
  - ✓ Why they give to your organization?
  - ✓ Specific programs that motivate them?
  - ✓ Which other orgs do they support?
  - ✓ Do they know all options for a bequest gift?
  - ✓ Possible family situations to address?
  - ✓ Do they have a financial advisor?



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### The Marketing Funnel – Asking Qualified Prospects

- Similarities to a major gift ask
  - ✓ Ask at the “right time”
  - ✓ Ask by the “right person”
  - ✓ Make a “compelling” ask
  - ✓ May require a formal proposal for a specific program
  - ✓ Perhaps a blended gift
  - ✓ Mission, Mission, Mission



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### Talking to Donors About Bequests

- Get the donor excited about philanthropic opportunities
- Gain their trust – often personal issues enter the conversation
- Get a sense of their personality – open or private?
- Get a sense of their personality – interested in technicalities or could care less?
- Don't cross the red line – you are not their financial advisor

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### Talking to Donors About Bequests

Entering the conversation:  
 “Many of our loyal supporters like you have chosen to make a gift from their estate to sustain the future work of our organization. Do I have your permission to ask if you have included ABC Charity for a gift from your estate, or is that something you would consider?”



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26

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**Talking to Donors About Bequests**

Furthering the conversation (donor has “raised their hand”):

“You have indicated an interest in including our organization for a gift from your estate. Thank you for considering such a gift. Gifts from estates will sustain our work into the future. How may I assist in your decision-making?”

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27

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**Talking to Donors About Bequests**

- When the donor says: “I’ve done this”
- Exploring their commitment

“Thank you for including ABC Charity in your estate plan. Gifts from estates are important to our future. Do I have your permission to ask you a few questions about your gift so we can be sure we use your gift as you wish?”

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28

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**Stewardship and Recognition**

- Why stewardship? 1) Maintain 2) Increase 3) Accelerate
- Enhance the relationship for this special group
- Often the donor’s largest single gift
- Set an example for others (testimonials)



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29



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## Stewardship and Recognition - The Legacy Society

- Eligibility – Revocable and Irrevocable commitments
- Endowed fund donors as members
- Documentation – pros and cons
- Publication of names – “opt-in” or “opt-out”
- Mementos
- Events



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30

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## The Legacy Society – Membership Form



**Legacy Society Member Survey**  
**MEMBERSHIP FORM**

The Charity celebrates the commitment of forward-thinking donors who have provided for the future of The Charity in the estate plans, wills, trusts, retirement plan and life insurance designations, life income gifts, or other planned gifts. With our gratitude, we welcome you into the Legacy Society.

**Name** \_\_\_\_\_  
**Address** \_\_\_\_\_  
**Phone number** \_\_\_\_\_ **Email** \_\_\_\_\_

**I/We wish to be referred to as** \_\_\_\_\_  
in any donor recognition materials. My date of birth is \_\_\_\_\_

**Include my spouse/partner** \_\_\_\_\_  
as a member. My spouse/partner's date of birth is \_\_\_\_\_

**I/We wish to remain anonymous and do not wish to be recognized publicly at this time.**

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31

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## The Legacy Society – Membership Form

**Optional information to help us plan for the future:**

*I/We are pleased to acknowledge that I/we have named The Charity as a beneficiary in my/our:*

Will/Living Trust                       Donor Advised Fund  
 Retirement Plan                       Charitable Remainder Trust  
 Life Insurance Policy                       Charitable Gift Annuity  
 Payable on Death Account                       Other (please specify) \_\_\_\_\_

**My/our gift is:**  
 Unrestricted  
 Designated specifically for \_\_\_\_\_  
 Not yet determined. Please contact me to discuss options.

**The Charity will receive this gift (check all that apply):**  
 Upon my death     Upon the death of my spouse/partner     Other \_\_\_\_\_

**The estimated value of my/our gift is:**  
\$ \_\_\_\_\_ as a stated amount in my estate plan.  
\_\_\_\_\_ % of my estate, currently valued at \$ \_\_\_\_\_ for The Charity.  
\_\_\_\_\_ % of my retirement plan/life insurance, currently valued at \$ \_\_\_\_\_ for The Charity.

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### The Problematic Bequest

- Restriction does not meet organization priorities
- Program no longer exists
- Gift amount does not meet policies for endowed fund
- Gift restriction does not meet current laws



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### Bequest Administration – Sources of Bequests

- Bequests from wills, trusts, life insurance, retirement accounts
- One size in administration does not fit all
- Bequests by will – probate process, documents public
- Revocable trust – no probate and documents not public
- Retirement accounts – Administrator overreach for staff information

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34

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### Bequest Administration – Tracking the Progress

- A tracking system is essential
- Excel can work for a few estates
- PG Calc's *Bequest Manager* is comprehensive
- Use a coding system to easily retrieve statistical information
- Use information for later data analysis



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### Bequest Administration – Documents for the File

- Copy of entire will or trust, mandatory if residuary bequest
- Paragraph in will or trust if pecuniary or specific bequest
- Inventory – 30-60 days, ordinarily after notice of estate
- Family Acknowledgment Form – supplied by the charity
- Appraisal for real estate if charity gets a portion of proceeds
- If residuary bequest – detailed accounting
- Receipt and Release

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### Bequest Administration - Restrictions

- Will or trust – are there restrictions
- Restrictions – can the charity honor the restriction
- Consult charity counsel and Personal Representative if issues
- Does state Attorney General need to be consulted?
- Judicial action may be required



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### Bequest Administration – Thorny Issues

- Look for the red flags
  - ✓ Uncommunicative attorney
  - ✓ Attorney refuses to provide documents
  - ✓ Invested assets – request liquidation, proceeds to Money Market Fund
  - ✓ Partnering with other charities if problems
  - ✓ Information stops coming from the attorney

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### Bequest Administration – Thorny Issues

- Charities asked to give up their interest
- Personal representative does not maximize value of assets
- Unreasonable fees for administration
- Be open to reasonable compromise



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### Conclusions

- Do data analytics on your bequest program
- The Marketing Funnel – ID your best prospects
- Market awareness of bequest gifts
- Focus staff time on Qualified Prospects
- Legacy Society – relationships and opportunities
- Bequest administration – be proactive

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### The Goal



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41

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Questions?



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42

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Still Have a Question?

Contact: Mike Valoris  
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Phone: 888-497-4970

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43

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