


**PG Calc** YOUR INTERESTS BE PLANNED GIVING SUCCESS

## Myths and Realities of Bequest Fundraising



Date: December 15, 2021  
 Time: 1:00 – 2:30 Eastern  
 Presenter: Jeff Lydenberg  
 Vice President

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## Agenda

1. CGA donors are more likely to make a bequest
2. Most bequests are “over the transom”
3. Bequest expectancies are impossible to quantify
4. Donors already have an estate plan in place
5. Charity can’t influence estate administration
6. Without documentation, people may lie about bequest intentions
7. Professional advisers drive bequest giving
8. Adding a codicil to include charity is easy
9. Focus all bequest fundraising on the oldest donors

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## CGA/CRT Donors and Bequests

### Half Truths/Myth #1

- Irrevocable planned gift donors deeply engaged
- Fundraisers and administrators engage with annuities, trusts, etc.
  - ✓ Annuitants contract with charity, payments come from charity
  - ✓ CRTs exist to benefit the donor’s charities
- Lifetime payments keeps charity top of mind
- Lead trusts, retained life estates, pooled income funds
  - ✓ Bring the donor closer to the charity

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**CGA/CRT Donors and Bequests**

**Reality**

- Those with irrevocable planned gifts unlikely to also do a bequest or beneficiary designation
- A very small percentage will do a bequest and a life income/planned gift
- **NOTE:** Repeat giving in CGAs is remarkable!
- Focus bequest marketing and fundraising on those most likely to make such a gift

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**"Over the Transom" Bequest Giving**

**Half Truths/Myth #2**

- Most bequests are unknown prior to receipt
- Records may reflect little or no giving
- Relationship to the charity fuzzy or unknown
- No record of a bequest solicitation
- Some years bequest revenue is high, some not
- Can't influence the bequest pipeline

Year	% Change
2002	13.8%
2003	-13.9%
2004	49.6%
2005	12.3%
2006	0.0%
2007	12.3%
2008	17.8%
2009	-18.2%
2010	14.1%
2011	-12.8%
2012	12.9%

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10

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**"Over the Transom" Bequest Giving**

**Reality**

- No legacy gift is truly "over the transom"
- Sometime, someone did something
- The feedback loop is imperfect
- May have benefitted from mission
- May endorse your values

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11

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### "Over the Transom" Bequest Giving

- Variable bequest revenue is a feature, not a bug
- Continuously market and fundraise for bequests
- Some will be touched directly, others indirectly
- Will always only know about a minority in advance
- Increased marketing/fundraising
  - ✓ Increases pool of those aware of bequests
  - ✓ See myths #3 and #8

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### Bequest Expectancies? Ha! Impossible to Quantify

#### Myth #3

- Bequests are cyclical and random
- Trends impossible to track
- Past performance not predictive of future
- Unexpected large bequests can't be predicted
- Can't track multiple estate distributions across multiple years
- Extreme variability prevents analysis

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### Bequest Expectancies? Ha! Impossible to Quantify

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### Bequest Expectancies? Ha! Impossible to Quantify

- An average of bequests is unreliable
  - ✓ Highest temp on earth: 134 degrees
  - ✓ Lowest temp on earth: -128.6
  - ✓ The average is 2.7 degrees
  - ✓ Earth's daily temperature does not average 2.7 degrees
- Next year's bequest could be as little as zero
- At best, next year could be as little as our worst year

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### Bequest Expectancies? Ha! Impossible to Quantify

**Reality**

- Without large gifts, baseline revenue becomes clearer
- Variability attributable to very large gifts
- Every year, at least \$25M in bequests



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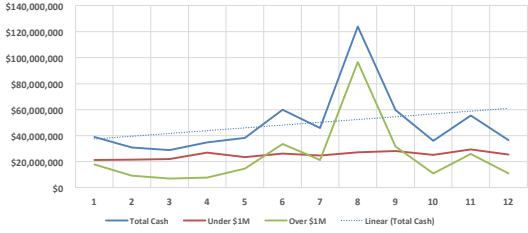
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### Bequest Expectancies? Ha! Impossible to Quantify

**Bequest Income**



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**Bequest Expectancies? Ha! Impossible to Quantify**

- Median total annual gifts in excess of \$1M is \$16M
- Half of +\$1M gifts total over \$16M, half under
- \$25M baseline plus \$16M median
  - ✓ Projected \$41M in year 12
  - ✓ In fact, total was \$31M (and \$42M the following year)
- Refine year 13 projection based on year 12 actual

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**Bequest Expectancies? Ha! Impossible to Quantify**

- Predictions possible even without long history
- 70% of expectancies unknown, 30% known
- 100 known expectancies
- 233 unknown expectancies
- Pipeline is 333 bequest expectancies
- For every 5 new legacy members, 12 unknown

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**Smart, Wealthy People Already Have Estate Plans**

**Myth #4**

- Despite challenges, all wealthy people have a will
- Estate planning process is detailed
  - ✓ Specific information about assets
  - ✓ Prior marriages, heirs with disabilities
- Estate planning is more than a will
  - ✓ Living trust
  - ✓ Durable power of attorney
  - ✓ Healthcare power of attorney
  - ✓ Guardianships

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**Smart, Wealthy People Already Have Estate Plans**

**Reality**

- Smart, wealthy people die without a will
  - ✓ Aretha Franklin
  - ✓ Billy Graham
  - ✓ Stephen Hawking
  - ✓ Prince
  - ✓ Sonny Bono
  - ✓ Margot Kidder
  - ✓ Howard Hughes
  - ✓ Abraham Lincoln



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21

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**Smart, Wealthy People Already Have Estate Plans**

- What happens if you die without a will?
  - ✓ Probate court divides property
  - ✓ Usually surviving spouse, children, parents, siblings, and extended family members
  - ✓ No possibility to name charitable beneficiary
- Continually market estate planning process
- Orderly disposition of affairs, don't leave a mess
- Property divided up according to your wishes

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**Estate Administration is a Black Box**

**Myth #5**

- Estate administration is too complex and time-consuming for charity
- Players, documents, and decisions bewildering
- May be a will, trust, or beneficiary designation
- Process is chaotic, anxiety inducing
- Charity can't influence the process



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**Estate Administration is a Black Box**

**Reality**

- **Specific Bequests**
  - ✓ A fixed dollar amount
- Provide exemption letter
- When can we expect distribution?
- Are estate assets sufficient after taxes and debts?
- Are assets illiquid?
- What is the distribution plan?

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**Estate Administration is a Black Box**

- **Residuary Bequest**
  - ✓ Percentage of what's left after debts, fees, taxes, and specific bequests
- Plan of distribution?
- Tax apportionment?
- Inventory and appraisal?
- Attorney and executor fees?
- Pay close attention to waivers and releases

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**Papers Please?**

**Half Truth/Myth #6**

- Establish criteria for legacy society admission
- Written notification of intention
- What is the gift vehicle?
- How much is the anticipated intention?
- Provide a copy of the operative estate planning documents
- At least provide excerpts of documents

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26

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**Papers Please?**

**Reality**

- What is the purpose of legacy notification?
  - ✓ Verify eligibility for membership?
  - ✓ Use in revenue projections?
  - ✓ Carry out donor's intentions?
- Concerns about false claims of intent?
- What if donor changes plans?
- What does charity do with intention form?
- You don't need donor's "papers?"

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**Professional Advisors Drive Bequest Giving**

**Half Truths/Myth #7**

- Without an estate plan, there is no gift to charity
- An estate plan requires an attorney, accountant, and/or financial planner
- Focus marketing and fundraising on advisors
- Advisors influence the bequest making decision
- Your charity should be top of mind with advisors



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**Professional Advisors *Don't* Drive Bequest Giving**

**Reality**

- Donors make gifts, not professional advisors
- Universally unethical for advisor to recommend charity
- Advisor orientation
  - ✓ Who are natural objects of one's bounty?
  - ✓ Closest living relatives
- Asking about charities uncommon
- Exception is community foundations

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### Professional Advisors *Don't* Drive Bequest Giving

- Donors learn about estate giving from charity

**Figure 20**  
First learned about legacy living

Source	Percentage of Respondents
From a nonprofit	~40%
Learning about financial planning	~25%
From a legal or financial advisor	~22%
From family or friends	~10%
From another source	~2%

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### It's Easy to Add Charity Using a Codicil

**Myth #9**

- To overcome inertia of adding charity to estate plan, suggest a codicil
- "You don't have to start from scratch..."
  - ✓ Just add a codicil to modify your existing will
- Codicil is a "simple legal document" without needing to write a new will
- Avoid the costly time-consuming process of a new will

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31

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### It's *Not* Easy to Add Charity Using a Codicil

**Reality**

- Codicils can clarify things already covered in the will
  - ✓ Named beneficiary changed legal name
- Codicil shouldn't conflict with will's existing terms
  - ✓ Such as adding a new beneficiary
- Codicil requires same formalities as a will
- At death, two documents are read together
- The process should be simple. It is not.

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32

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**It's Not Easy to Add Charity Using a Codicil**

- Codicil must dovetail perfectly with existing will
- Original will never mentions existence of codicil
- Can create confusion and conflicts with original
- May be multiple codicils to original
- Major changes should not be managed in a codicil
  - ✓ Marriage, divorce
  - ✓ Death
  - ✓ Adding a charity!

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**Bequest Fundraising is About the Oldest**

**Half Truths/Myth #9**

- The only will that counts, is the donor's last will
- The typical "matured" bequest donor is 87
- Donors remove and add charities many times
- Critical time to fundraise bequests is 5 to 7 years prior to death



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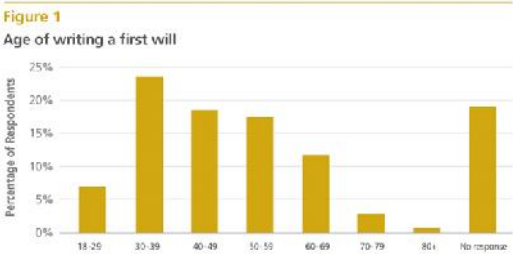
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**Bequest Fundraising is Not Just the Oldest**

- Will making starts early

**Figure 1**  
Age of writing a first will



Age Group	Percentage of Respondents
18-25	~7%
30-39	~23%
40-49	~18%
50-59	~17%
60-69	~12%
70-79	~3%
80+	~1%
No response	~19%

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**Bequest Fundraising is *Not Just* the Oldest**

- Donors change their plans, but charities are sticky

**Table 4**  
Charitable legacy giving as a factor of age

Changes in gift planning	Percentage
The number of gifts has not changed	50.4%
I have increased the number of gifts	44.2%
I have decreased the number of gifts	5.4%

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**Focus Bequest Fundraising on the Oldest**

**Reality**

- Will making occurs early in life
- Children drive these plans
- Charity is overwhelmingly included in early wills
- Donors frequently change their wills
- Careful stewardship increases likelihood of being in the last will
- Younger donors have a role in bequest fundraising

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37

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**Conclusion**

- Don't hesitate to challenge received wisdom
- Understand your own history and data
- Educate and encourage estate planning
- Actively manage estates in administration
- Focus on donors young and old
- Be realistic about the estate planning process

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Questions?



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Still Have a Question?

Contact: Jeff Lydenberg  
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Phone: 888-497-4970

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