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Bequests – Stewardship and Administration



Date: March 28, 2013
 Time: 1:00 – 2:30 Eastern Time
 Presenter: Alison O'Carroll
 Senior Consultant
 PG Calc




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Introduction

Why be concerned about stewardship, administration, and measurement?

We already have the gift...right?

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Introduction

- I. Bequest Fundamentals
- II. Stewardship
- III. Administration
- IV. Measurement

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I. Fundamentals: Ways to Distribute Assets Upon Death

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    graph TD
      A[Without a Will (Intestate)] --> B[Probate]
      C[Will (Testate)] --> B
      D[Beneficiary Designation] --> E[Beneficiaries]
      F[Living Trust] --> G[Beneficiaries]
      H[Title (JTWRROS)] --> I[Surviving Owner(s)]
      B --> J[Heirs/beneficiaries]
      D -.-> B
      D -.-> E
      style D stroke-dasharray: 5 5
  
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“Non-Probate” Doesn’t Mean “Non-Taxable”

TAXABLE ESTATE

Probate Estate

- Prop. owned in your name only
- Prop. owned as tenant in common
- Payments owed to your estate because of your death
- Proceeds payable to your estate, from life insurance policies and retirement plans

Non-Probate Estate

- Real estate and bank accounts held in joint tenancy
- Bank or brokerage accounts “pay/transfer on death”
- Life insurance proceeds/retirement benefits payable to named beneficiaries
- Property held in trust
- Property given to charity in exchange for a life income arrangement


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I. Fundamentals: Types of Bequests

- **Pecuniary:** “I give the sum of \$X”
- **Specific:** “I give 100 shares of XYZ Corp. stock”
- **Residual:** “I give [all or ___ percent] of the residue of my estate”
- **Contingent:** “If my spouse does not survive me, I give...”


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II. Stewardship – Benefits

- Right thing to do
- Keep bequest in place
- Increase bequest amount
- Result in additional planned gifts
- Accelerate bequest
- Additional, possibly larger outright gifts

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Stewardship

Stewardship begins the moment your **non-profit** is informed of the bequest gift – be prepared

- What happens before the good news gets to you?
- How does it get to you?
- Respond in a timely manner

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Stewardship: Donor Acknowledgment

Upon Notification of Gift Intention

- Within 24 hours: contact donor
- Within 2-4 days: send LS welcome letter with Gift Notification Form ([Appendix A](#))
- Within 1 week: data entry
- Within 2 weeks: thank you call or letter from President/CEO or Board member

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Stewardship: What Next?

Deepen relationship through ongoing contact:

- Cards
- Phone calls
- Personal visits
- *Insider's Report* / quarterly letter (Appendix D)
- Interview for donor story, testimonial, quote
- Meetings with others in the organization
- Legacy society activities

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Stewardship: Consider a Legacy Society

- Formalizes stewardship
- Donors feel part of a special community
- Provides an avenue for donor recognition
- Marketing benefits



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Legacy Society: Are You Ready?



- Resources to commit?
- Known PG donors?
- Prospects for reasonable growth?

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Legacy Society – Key Aspects

1. Membership Standards
2. Membership Benefits
3. Donor Recognition
4. [Annual] Event



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1. Legacy Society: Membership Criteria

Be Inclusive



- Contingent Bequest Donors
- Go easy on required documentation


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2. Legacy Society: Membership Benefits

- When deciding upon benefits to offer, keep in mind
 - they serve multiple purposes
 - quality not quantity is important
 - be consistent
- Offer 1+ “standard” benefits (Appendix B)
- Add 1-2 “unique” benefits (Appendix C)


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4. Legacy Society: [Annual] Event

- Focus is on quality
- Choose the size that fits you best
 - Coffee and pastries with the President
 - Tour of your facility
 - Reception with Board members
 - Luncheon
 - Afternoon tea
 - Dinner

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Legacy Society [Annual] Event

- Primary goal: thank donors and help them to feel part of a special group
- Secondary goals: educate about organization's work, create a greater level of involvement
- Do NOT solicit or introduce new gift ideas
- DO invite prospects, professional advisors, estate executors, family members

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Annual Event –The Pride Foundation

Grant making (incl. scholarships) organization

- Held at a private home, evening
- Wine and heavy hors d'oeuvres
- Evaluate 3 grant applications
- Choose one through collaborative process
- Great follow-up: thank you letter from recipient



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Stewardship: Other Activities

- Some of the best stewardship and recognition activities are regular, ongoing personal contacts

The Challenge: Have at least one substantive contact with each bequest donor each year

- Interview for donor story
- Invite to other activities/events at the non-profit (distinguish)



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Stewardship: How to Accomplish?

- Determine what you can do, given resources
- Start small and build
- Use volunteers
- Integrate into existing efforts at non-profit

Have a plan

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Stewardship: Puget Sound Blood Center

The Situation

- Some planned giving activity in the past
- Heritage Society – 30 members
- Very little activity/contact for years
- One fundraiser, doing PG part time

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Stewardship: Puget Sound Blood Center

The Action

- Personal contact via e-mail, phone, visits
- HS certificate developed
- “Partners in Life” quarterly events around the sound
 - One-page HS newsletter
 - Brief explanation of the HS
 - HS member shared story
 - Asked to consider such a gift

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PSBC: Heritage Society Newsletter



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PSBC: Heritage Society Member Certificate

Vision for the Future

Heritage Society Member


George Jetson

The Board of Trustees and staff of Puget Sound Blood Center thank you for your foresight and commitment to our mission – *saving lives, through research, innovation, education and excellence in blood, medical and laboratory services, in partnership with our community.*

Thank you for remembering the Blood Center through your planned giving.

<p>Steve Schuler, Chair Board of Trustees</p> <p>Michael C. Larson Director of Development</p>	<p>Bruce P. Jefferson, MD, FACP, FRCP, Editor President and CEO</p> <p>Susan Galloway, MD Planned Giving Officer</p>
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Stewardship: Puget Sound Blood Center

The Response

- After a "Partners in Life" event, family contacted PGO. Let her know PSBC was in their will, now increasing gift from 5% to 25%, and additional gifts are being discussed
- HS member that had *never* been visited. PGO reached via e-mail, eventually visited (HS member certificate). Donor attended "Partners in Life" event, later met Director. Specific bequest left in will and another (residual) gift added
- Uncovered great donor story to inspire others


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III. Estate Administration - Overview

Bequest administration is the process of reviewing documents, providing needed information, monitoring progress, and stewardship.


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III. Estate Administration - Overview

Benefits to Effective Administration

- **Ensure receipt of maximum gift in a timely way**
- Encourage others to make their own bequest gift
- Build stronger relationships with advisor community
- Closer relationship with other non-profits




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III. Estate Administration - Mechanics

- Will – probate, personal representative (PR)/ executor/administrator, probate assets, public record and process
- Living Trust – trustee, non-probate assets, no formal court supervision, no public record
- Beneficiary Designation – non-probate assets, death certificate, plan administrator or company

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III. Estate Administration - Mechanics

To do estate administration well, need:

- Basic understanding of the process
- Robust “tickler” system
- Good hard files and electronic records

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III. Estate Administration – Documents and Timing

Timing - reasonable expectations

- Non-taxable estate: 9-12 months
- Subject to estate tax: 16-18 months
- Factors affecting timing
 - Scattered assets, heirs
 - Assets difficult to value, sell
 - Hard to sell assets
 - Creditor issues, family disputes

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III. Estate Administration - Documents

Documents

- Notice of Appointment / Letters of Administration / Letters Testamentary
 - Starts the process
 - 30-40 days after decedent's death to file the will
 - Often includes copy of will
- Inventory and Appraisal / Valuation
 - 30 days from PR's appointment
 - Residual beneficiary – generally entitled to receive


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III. Estate Administration - Documents

- Petition for Discharge and Final Accounting
 - Closes the estate
 - 12 months from date PR appointed
 - Objections filed within 30 days
 - PR distribute promptly after that
- Notice to Creditors
 - Individual notice when known – 30 days to respond
 - General publication when not – 3-4 months to file
 - No distributions until after time elapsed


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III. Estate Administration – Internal Admin

- Have one point person
- Initial response - be prepared
 - Template letter to attorney
 - Letter to PR
 - Letter to family / friends
- Practice good stewardship
 - Additional thank you letters, interim and final
 - Stewardship report a year later
 - Invitation to legacy society event
 - Invite PR to your non-profit

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III. Estate Administration – Internal Admin

Don't Forget! Have a reminder (“tickler”) system

- Squeaky wheel gets the grease
- Specific bequest:
 - Review: 5-6 months
 - Second review, if needed: 4-6 months (so, 9-12 month mark)
- Residual bequest:
 - Review: 5-6 months for inventory copy
 - Review: 5-7 months after (10-13 month mark)
 - If federal tax return due: final review at 18 month mark
 - Contact in between


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III. Estate Administration – Internal Admin

- Disclaimer date: 9 months
- Policy considerations
 - Who is authorized to sign?
 - Aggressive vs. understanding
 - Process for questions
 - When to engage legal counsel?

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III. Estate Administration – Internal Admin

- Files and checklists
 - Open new file for each gift
 - Estate Gift Information Sheet (Appendix G)
 - Checklists: opening and closing an estate (Appendix G)
 - Keep everything!
 - Hard file vs. electronic

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Estate Profile
Richard Starkey (Deceased) and spouse Barbara Starkey (Deceased)
 Charly Auburn Historical Society (AUBURN)

Donor : Mr. Richard Starkey (DOB 07/07/1940, DOD 10/01/2012) Spouse: Mrs. Barbara Starkey (DOB 04/29/1942, DOD 10/01/2012)
 100 Mulholland Drive 100 Mulholland Drive
 Los Angeles, CA 90022 Los Angeles, CA 90022

Phone: 919-773-1288 Phone: 919-773-1288
 SS Num: 748-30-5643 SS Num: 664-47-7336

Legacy Society Memberships: The Auburn Legacy Society.

There is 1 bequest gift with a total estimated distribution of \$250,000.00

Gift Key 3 - Bequest Status: Partial Distribution

Gift Date	07/09/2009	Gift Amount	\$250,000.00	Account 1
Transfer Type	Item Design	Gift Probability %	100%	Account 2
Restriction Type	Pecuniary	Amount Times %	(\$250,000.00)	Account 3
Percentage of Estate	0%	Notification Date	10/15/2012	Account 4
Bequest Asset	Retirement Asset	Confidence Level	Very Likely	Account 5
Asset Description	2 separate retirement accounts			Anonymous: No
Date of Notice of Estate Filing	10/25/2012	Bequest Known in Advance	No	
Estimated Close Date	12/31/2012	Bequest Rejected	No	
Account Closed Date				

Gift Name : Starkey Bequest - to benefit Historical Preservation

Distribution Date	Amount	Description
10/29/2012	\$148,000.00	Account ending in 4567
Total Distributions:	\$148,000.00	

Purpose: Preservation of historical buildings and furniture

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Estate Profile (continued)

Contacts

Contact Date	Contact Description
10/31/2012	Received partial distribution. Expecting final distribution before end of year.
10/30/2012	Bequest Status changed from In Process to Partial Distribution For Gift Key 3
10/30/2012	Sent letter "Attorney Confirmation" to Beverly Sternberg
10/30/2012	Bequest Status changed from Notification to In Process For Gift Key 3
10/17/2012	Bequest Status changed from Intention to Notification For Gift Key 3
06/14/2012	Saw Barbara and Richard at Spring fundraiser.


Estate Advisors

(EXECUTOR -Executor)	Ms. Beverly Sternberg Sternberg, Sternberg and Dodds 2452 Michigan Avenue Suite 4500 Chicago, IL 60613	Phone: 657-869-3900 Fax: Email: Sternberg@SSD.com
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Bequest Summary by Transfer Type


Gift Date	Gift Key	Asset Type	Account #1	Bequest Status	Notification Date	Gift Amount	Probability %	Asst * Probability
Auburn Society (ASB)								
Transfer Type: Beneficiary Designation								
12/12/12	19	Retirement Asset	Job	Notification	12/19/2012	\$7,500.00	100.00	7,500.00
		Associations	Name	SS Number	O.C.B.	Status	O.C.D.	Person %
Donor	David Hughes	111-44-5555	7/12/1941	Current				24
						Number of Bequest Gifts:	1	
						Total Gift Amount:	\$7,500.00	
						Total Asst * Probability:	\$7,500.00	
Transfer Type: Will								
5/29/99	2	Specific		Intention		\$10,000.00	100.00	10,000.00
		Associations	Name	SS Number	O.C.B.	Status	O.C.D.	Person %
Donor	Joseph Vard	123-23-4345		Current	10/10/1929			5
						Number of Bequest Gifts:	1	
						Total Gift Amount:	\$10,000.00	
						Total Asst * Probability:	\$10,000.00	
Transfer Type: Beneficiary Designation								
6/25/2002	18	Cash		Notification	6/12/2002	\$78,000.00	100.00	78,000.00
		Associations	Name	SS Number	O.C.B.	Status	O.C.D.	Person %
Donor	Hurt Stevens	530-99-8977	4/23/1924	Current				23
						Number of Bequest Gifts:	1	
						Total Gift Amount:	\$78,000.00	
						Total Asst * Probability:	\$78,000.00	
5/4/2009	6	Tangible Property		Intention		\$30,000.00	71.00	21,300.00
		Associations	Name	SS Number	O.C.B.	Status	O.C.D.	Person %
Donor	Thomson Edison	738-93-7573	8/18/1930	Current				10
						Number of Bequest Gifts:	1	
						Total Gift Amount:	\$30,000.00	
						Total Asst * Probability:	\$21,300.00	
8/9/2009	8	Cash		Intention	8/9/2012	\$10,000.00	50.00	5,000.00
		Associations	Name	SS Number	O.C.B.	Status	O.C.D.	Person %
Donor	Elizabeth Palermore	484-84-8484	4/19/1924	Current				13
						Number of Bequest Gifts:	1	
						Total Gift Amount:	\$10,000.00	
						Total Asst * Probability:	\$5,000.00	
4/25/2011	10	Cash		Intention		\$50,000.00	100.00	50,000.00
		Associations	Name	SS Number	O.C.B.	Status	O.C.D.	Person %
Donor	Elizabeth Palermore	484-84-8484	4/19/1924	Current				13
Donor	Andrea Palermore	608-99-3445	10/11/1943	Current				22
						Number of Bequest Gifts:	2	
						Total Gift Amount:	\$100,000.00	
						Total Asst * Probability:	\$77,300.00	
						Number of Bequest Gifts:	8	
						Total Gift Amount:	\$285,500.00	
						Total Asst * Probability:	\$273,000.00	
Auburn Society (ASB)								
						Number of Bequest Gifts:	5	
						Total Gift Amount:	\$278,000.00	
						Total Asst * Probability:	\$265,500.00	
Auburn Society (ASB)								
						Number of Bequest Gifts:	8	
						Total Gift Amount:	\$285,500.00	
						Total Asst * Probability:	\$273,000.00	
12/30/2012	Bequest Summary by Transfer Type							
1								

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III. Estate Administration – Considerations

- Level of diligence required - depends on type of gift
- Residual Gift – antennae should be up!
 - How estate taxes are paid
 - Fees – a veritable hornet's nest
 - Uncommunicative PR
 - Estate attorney also serving as PR
 - Non-cash assets

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III. Estate Administration – Considerations

- Restricted Gifts – *cy pres* doctrine
- Review documents carefully and in timely manner
- Don't sign anything without understanding it, seeing underlying documents

YOU CAN DO IT

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IV. Measurement - Overview

Think about measurement around four areas

- Bequest program growing?
- Profile of a bequest prospect
- Case for support
- Forecasting

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IV. Measurement - Growth

- # of realized bequests
- \$ amount of realized bequests
- Average bequest amount
- Median bequest amount
- Type of bequest

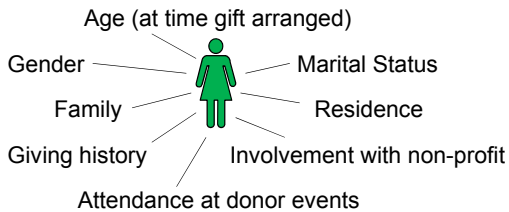
Program Overview and Statistics


Gift Types BEQ	
Number of Gifts by Transfer Type:	
(All Transfer Types)	
Transfer By Will	15
Transfer By PCT	3
Transfer By Ben Desig	2
Number of Gifts by Bequest Status:	
(All Bequest Statuses)	
Beq Status Blank	1
Beq Status Intention	4
Beq Status Notification	0
Beq Status In Process	2
Beq Status In Probate	1
Beq Status In Litigation	1
Beq Status Partial Distribution	2
Beq Status Full Distribution	5
Total Gift Amount for Gifts without Distributions:	
(All Gifts without Distributions)	
Beq Status Blank	\$1,885,000.00
Beq Status Intention	\$1.00
Beq Status Notification	\$460,000.00
Beq Status In Process	\$0.00
Beq Status In Probate	\$250,000.00
Beq Status In Litigation	\$750,000.00
Beq Status Full Distribution	\$325,000.00
Total Gift Amount * Probability % for Gifts Without Distributions:	
(All Gifts without Distributions)	
Beq Status Blank	\$1,154,750.25
Beq Status Intention	\$0.00
Beq Status Notification	\$133,000.25
Beq Status In Process	\$0.00
Beq Status In Probate	\$25,000.00
Beq Status In Litigation	\$467,500.00
Beq Status Full Distribution	\$308,750.00



IV. Measurement - Profile

Who are your most likely bequest prospects?



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IV. Measurement – Build Support

Compare size of bequest to donor's lifetime giving

Total Estate Value	Annual Giving Multiple
< \$100,000	0.15
\$100,000 – < \$500,000	1.89
\$500,000 – < \$1,000,000	3.73
\$1,000,000 – < \$5,000,000	8.12
\$5,000,000+	11.65
TOTAL	5.07

Research by Russell N. James, III, J.D., Ph.D., CFP, Director of Graduate Studies in Charitable Planning at Texas Tech University


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IV. Measurement – Build Support

- Compare size of bequest to donor's **average** annual gift
- Impact of bequest stewardship
 - Size of annual gift before and after notification
 - Additional planned gifts after notification
 - Increase in size of planned gifts after notification
 - Average size of bequest gift for those known vs. unknown

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IV. Measurement – Forecasting

The Question: What is coming and when?

- Amount expected by year
 - Estates in progress
 - Bequest expectancies
- Slice and dice
 - Present value
 - Mortality assumptions
 - Probability of receipt

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Summary


Key Word: **STEWARDSHIP**

- Stewardship of the donor while living
- Stewardship of the donor after passing
- Stewardship of your bequest program


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Questions and Answers



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Still Have a Question?

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