



# Making (and Remaking) the Case for Your Planned Giving Program



Date: December 18, 2014  
Time: 1:00 – 2:30 Eastern Time  
Presenter: Edie Matulka  
Senior Consultant  
PG Calc Incorporated



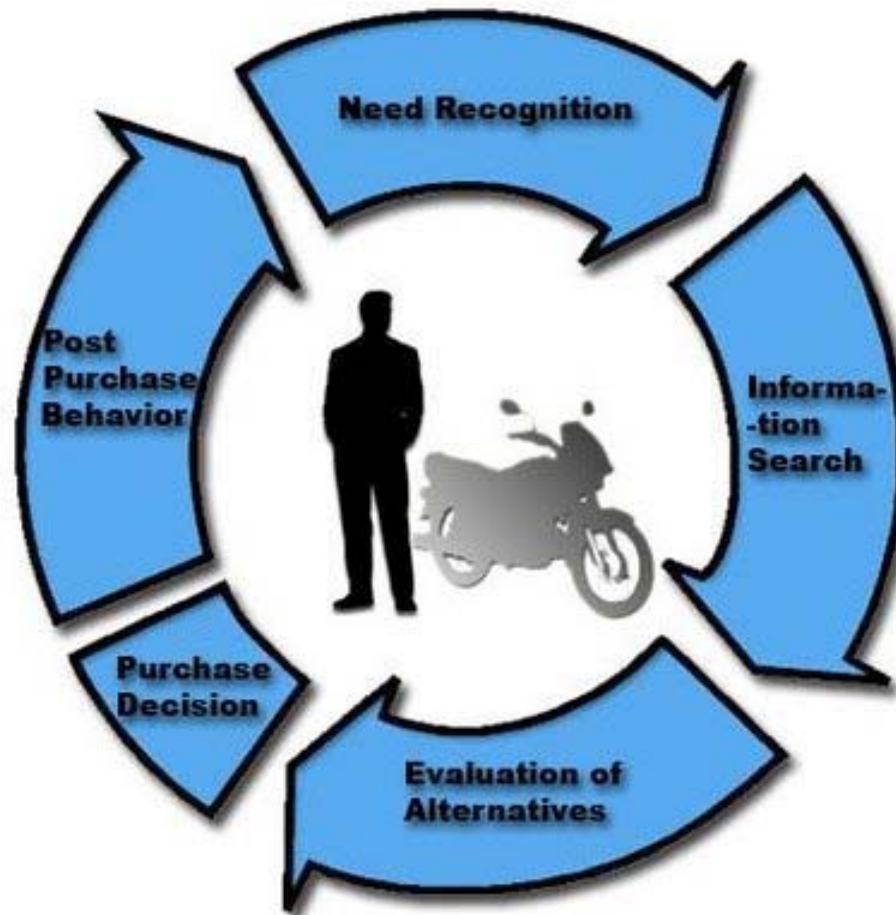


# Agenda

- “Cash is King”
- Differences in Perception
- Focus of the Case
- Broad Concerns
- Bequest and Gift Annuity Programs

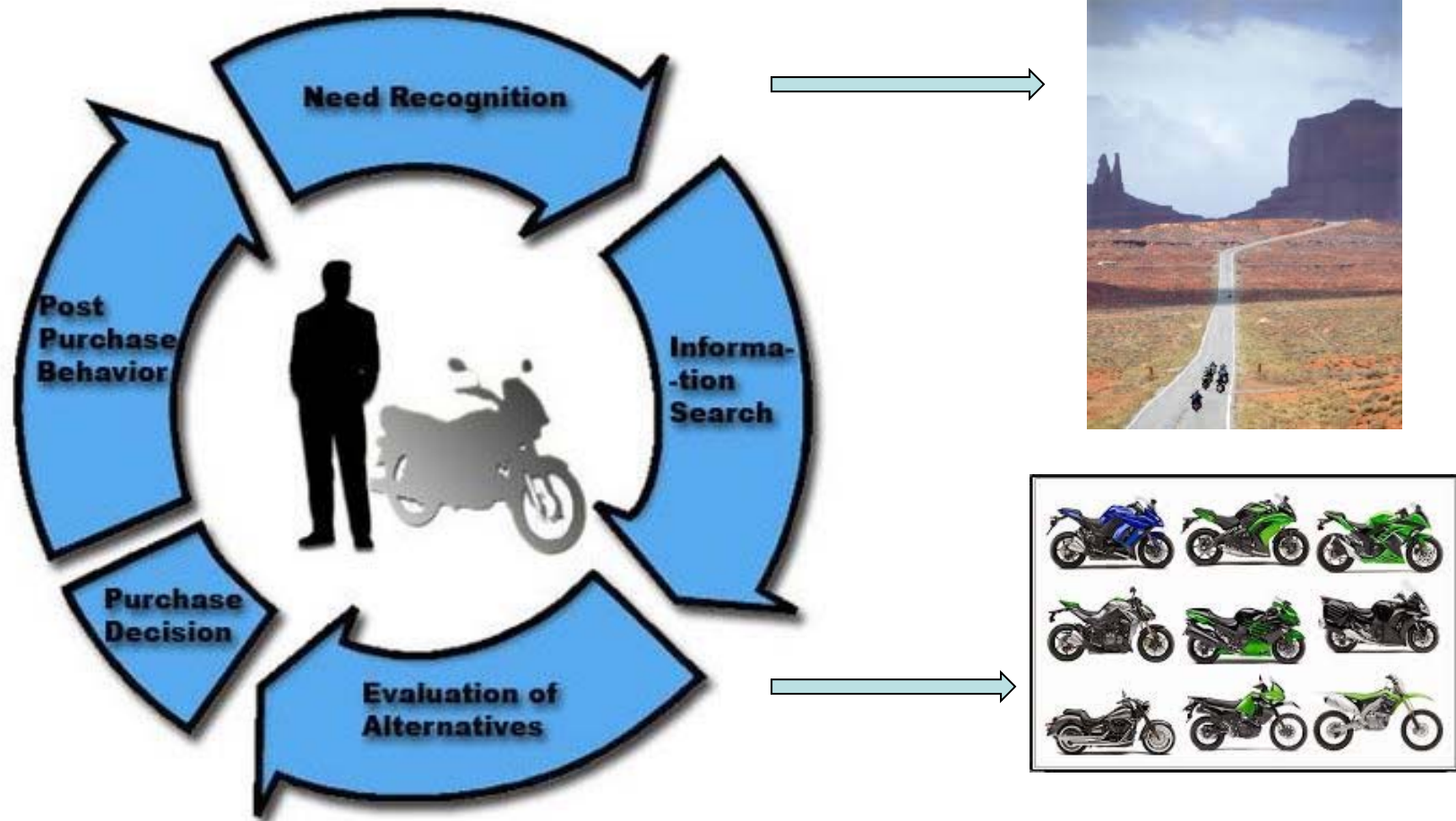


# Making the case is like . . . .



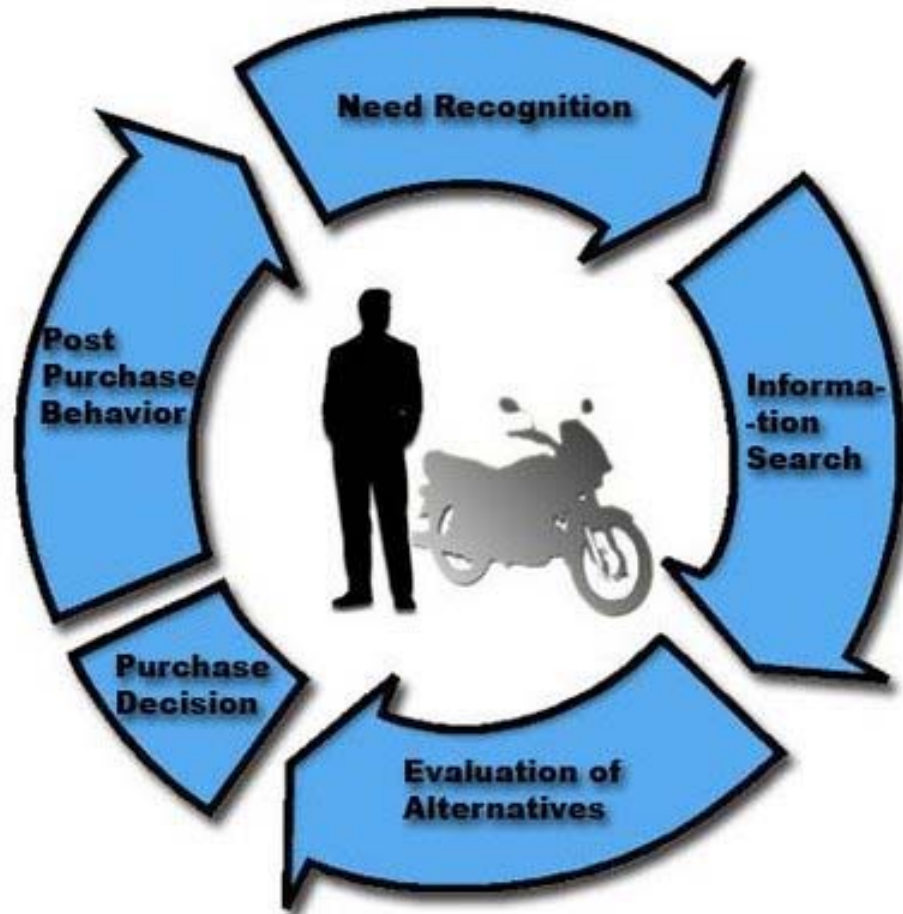


# Making the case is like . . . .





# Remaking the case is like . . . .





## “Cash is King”

Cash may be King, but planned gifts:

- ✓ Reach otherwise unreachable dollars
- ✓ Show awareness of donors' circumstances
- ✓ Take pressure off annual fundraising
- ✓ Are complementary, not competitive



## Differences in Perception

- Making - positive, proactive, due diligence
- Remaking - negative, reactive, punitive





## Making the Case - Continuum

- Natural progression for organization
- Board member or leadership
- Specific donor interest
- “Every other organization has a program”





## Remaking the Case - Continuum

- Disappointed or disenchanted
- Lack of commitment
- Distractions
- Inattention
- Re-invention/tweaking



## Focus of the Case – Organizational Structure

- Longevity
  - ✓ Past
  - ✓ Future
- Donor Perception
- Staff
  - ✓ Numbers
  - ✓ Expertise





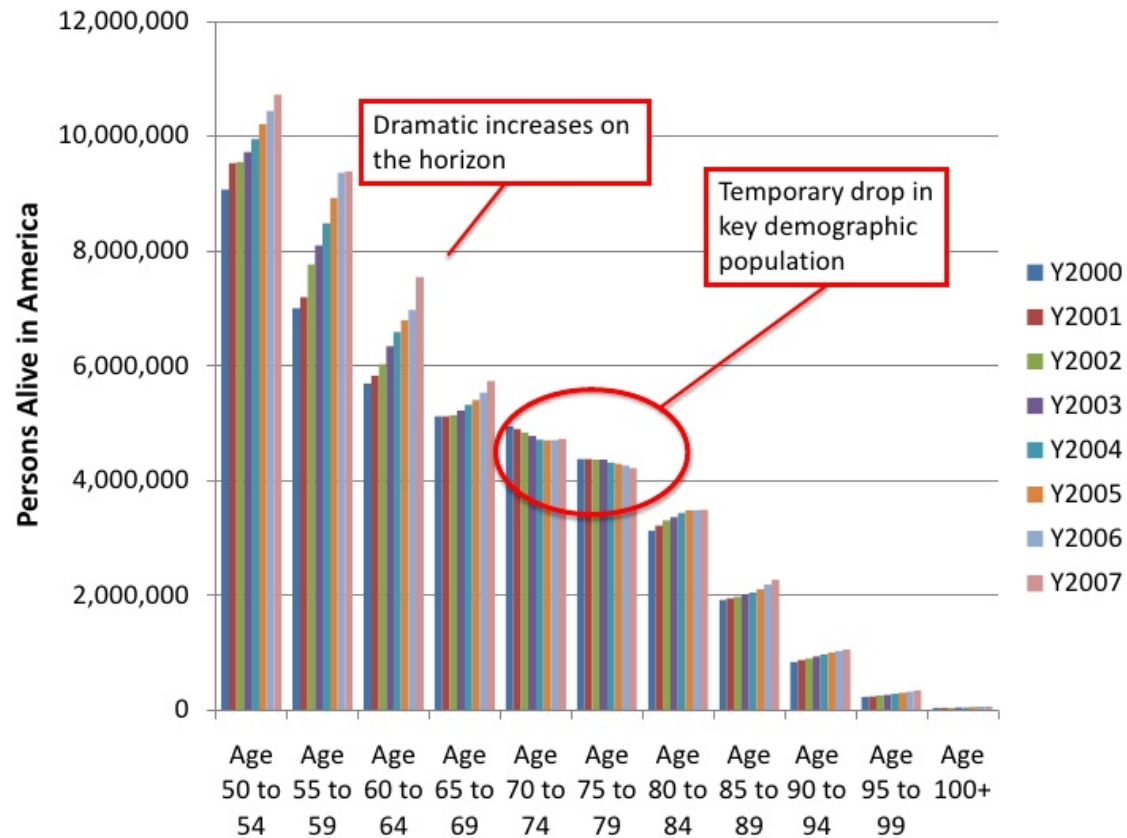
## Focus – Donor Base

### Demographics

- Internal
  - ✓ Age
  - ✓ Length, consistency of giving
- External



# Focus – External Demographics



From *Trending Forward: Emerging Demographics Driving Planned Giving*, Russell James and Jackie Franey;  
 Data Source: Publication NP-T3-B from the U.S. Census



## Focus – Metrics

- Realistic expectations
- Activity levels
- Productivity
- Context





## Focus – Metrics (Example)

### Visits for FY 15: Goal = 30, To Date = 20

- Lunch with Jackie. She and Wayne will make a gift before year end, but probably not at the same level as the DAF gift last year.
- Meeting with Otto to sign charitable gift annuity agreement.

### Events

- Major and Legacy donor lunch hosted by Beth and Jeff
- Professional education lunch seminar

### Marketing

- Continued follow up on print newsletter responses
- Creating content for website



## Focus – Metrics (Example)

### **Gift Administration**

- Followed up with Shapiro trustee and received trust document
- Still trying to get trust accounting for Goldstein estate so we can sign off on the gift

### **Stewardship/Cultivation.**

- Working with Kathy on letter and email to Legacy and Major donors about trade tickets
- Sent performance tickets to major and legacy donors. Thanks to Kathy for her help!



## Focus – Metrics (Example)

### Notifications/Gifts:

- Notified by her broker that Maria has made Charity a beneficiary on a Schwab account.
- Received distribution of \$14,746.61 from the Mason Trust.
- In response to the October print newsletter,
  - ✓ Thomas and Nanette notified Charity that it is in their estate plans. They have been donors since 1991 with a lifetime total of \$1,640.
  - ✓ Robert notified Charity that it is in his estate plans. He has been a donor off and on since 1998 with a lifetime total of \$1,191.
  - ✓ Annette, planned giving prospect, notified Charity that it is included in her estate. She has never made a gift to us.
- Charity notified by the estate of Kathleen that it is included in her will with a bequest of \$1000.00. She gave one gift of \$50 during her lifetime.
- Charity notified by the estate of Curtis that it is included in his will as a 10% beneficiary of the remainder of the estate. He was a member since 1994 with lifetime giving of \$780.





## Focus – Metrics (Example)

### **New notifications for FY15: Goal = 50, To Date = 31**

- Bequests: 23
- Beneficiary designations: 4
- CGAs: 3
- CRTs: 0
- CLTs: 1

### **Meetings/Significant Contacts for FY 15: Goal = 80, To Date: 37**



# Broad Concerns

“Planned Giving will cannibalize annual giving”

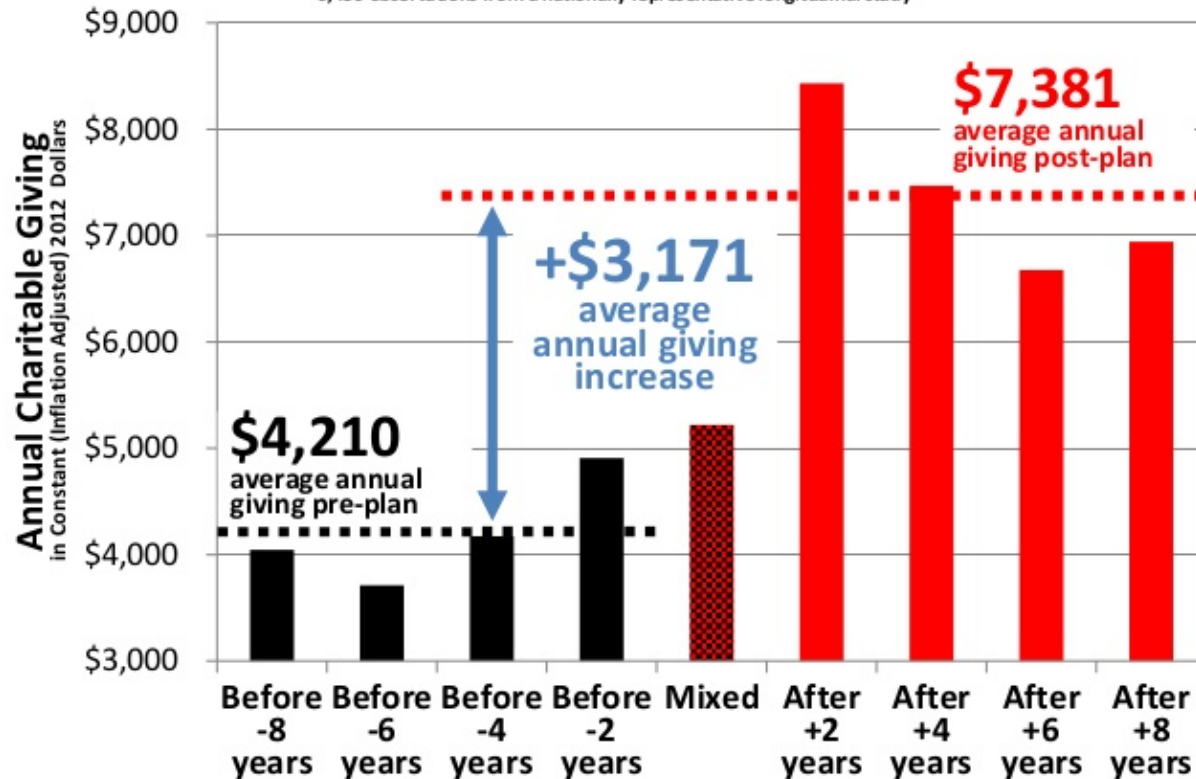




# Broad Concerns

## Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study





# Broad Concerns

“Planned giving is too expensive”





## Broad Concerns

- Why the presumption?
- Comparison (Association for Health Care Philanthropy):
  - ✓ Planned gifts \$0.05 (Dugdale article - \$0.11)
  - ✓ Annual gifts \$0.23
  - ✓ Major Gifts \$0.12
  - ✓ Special Events \$0.35

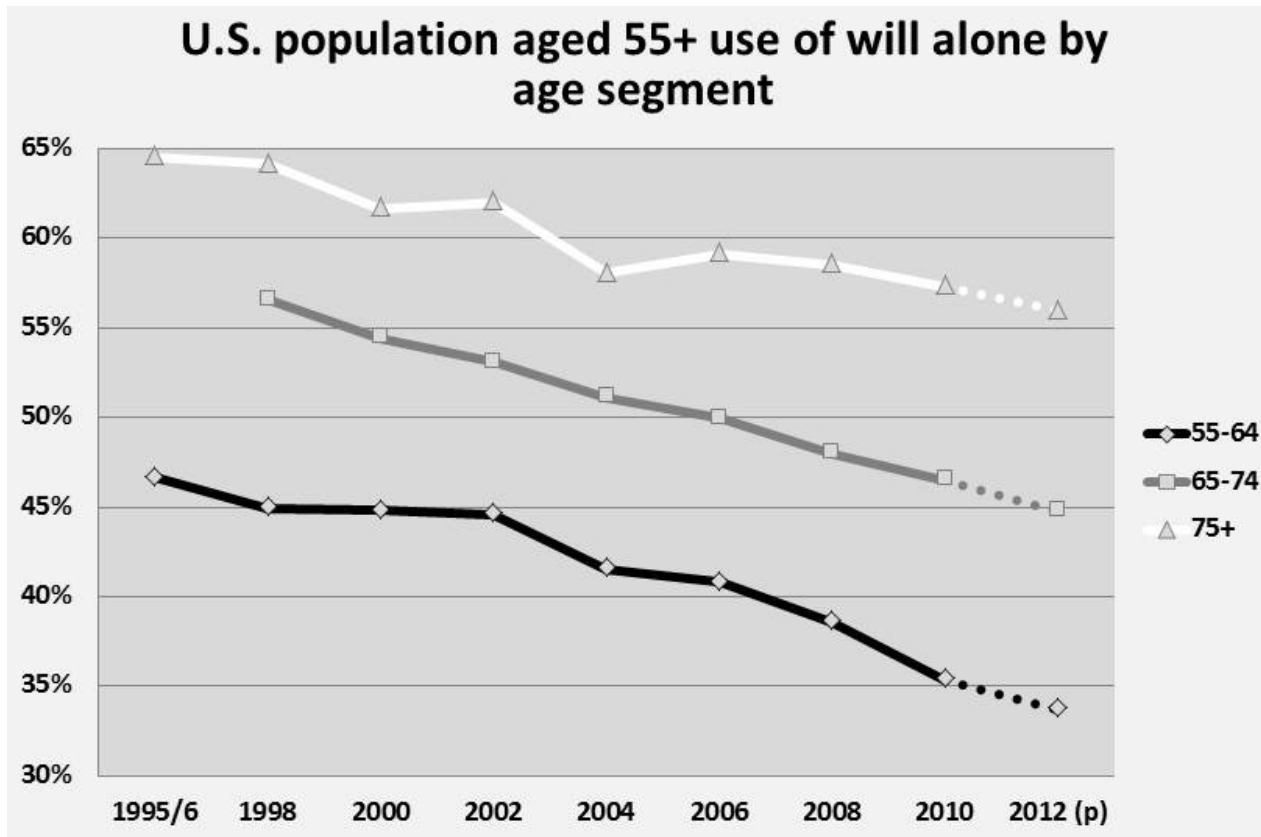


## Bequest Program – Making the Case

- Key component for any size organization (75 – 80 percent of planned gifts)
- Bequests
  - ✓ Provision in will or living trust
  - ✓ Beneficiary designation (e.g., IRA, life insurance, bank/brokerage accounts)



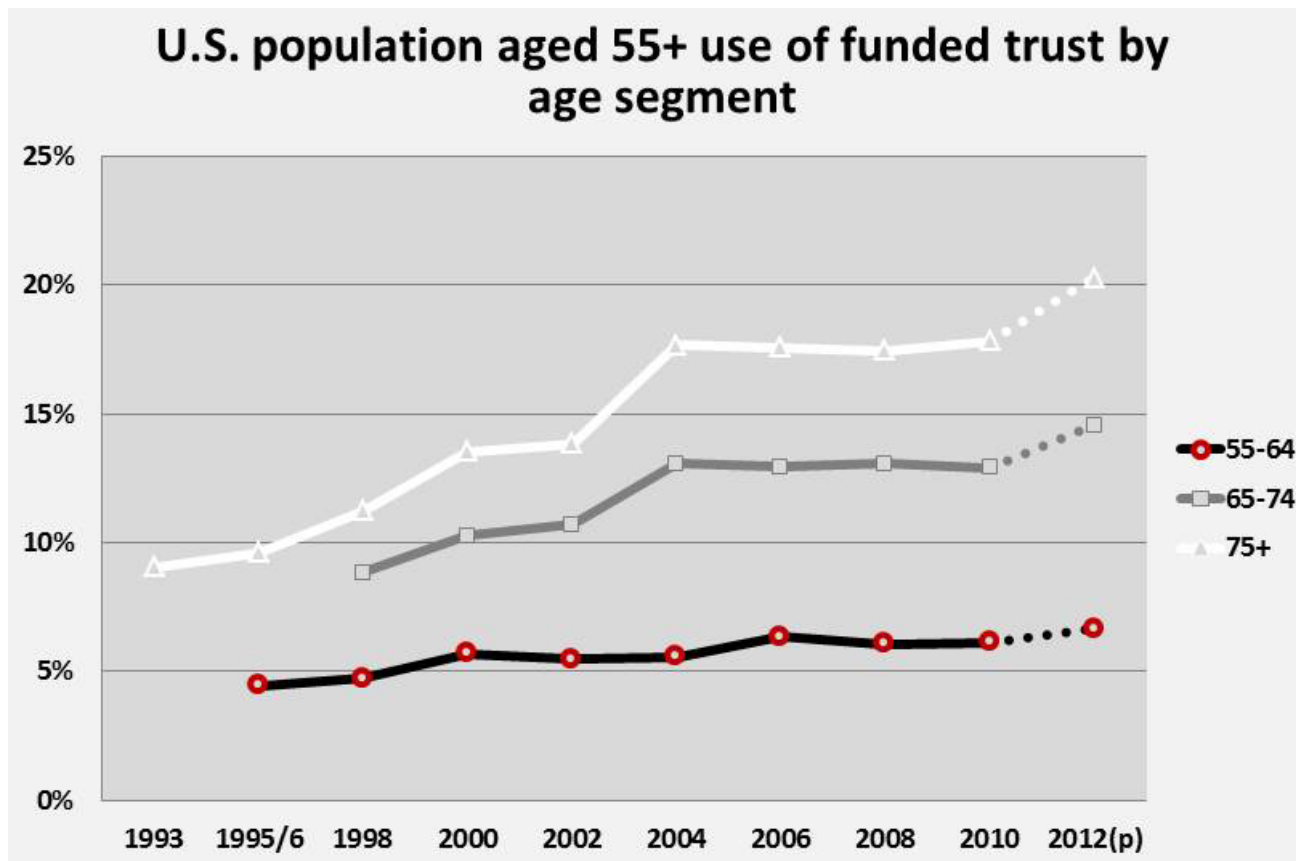
# Bequest Program



Source: Analysis of HRS data by Professor Russell James. *Trending Forward: Emerging Demographics Driving Planned Giving.*



# Bequest Program



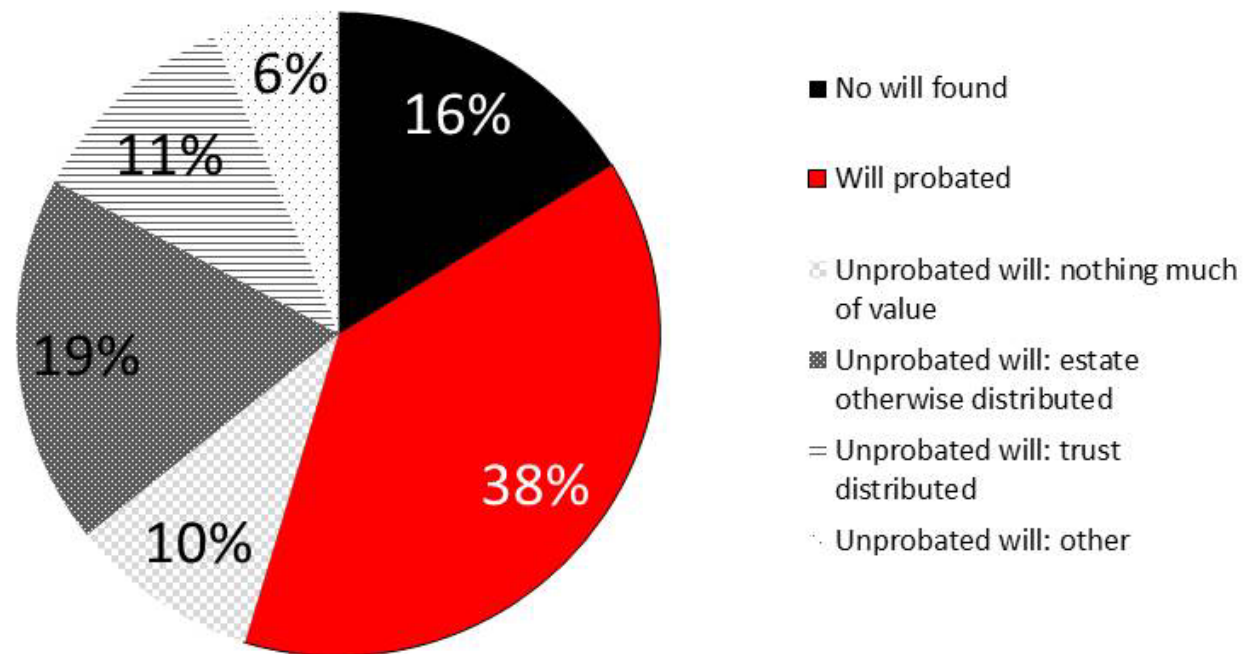
Source: Analysis of HRS data by Professor Russell James. *Trending Forward: Emerging Demographics Driving Planned Giving.*





# Bequest Program

**Distributed estates where decedent reported having a written and witnessed will (n=6,063)**

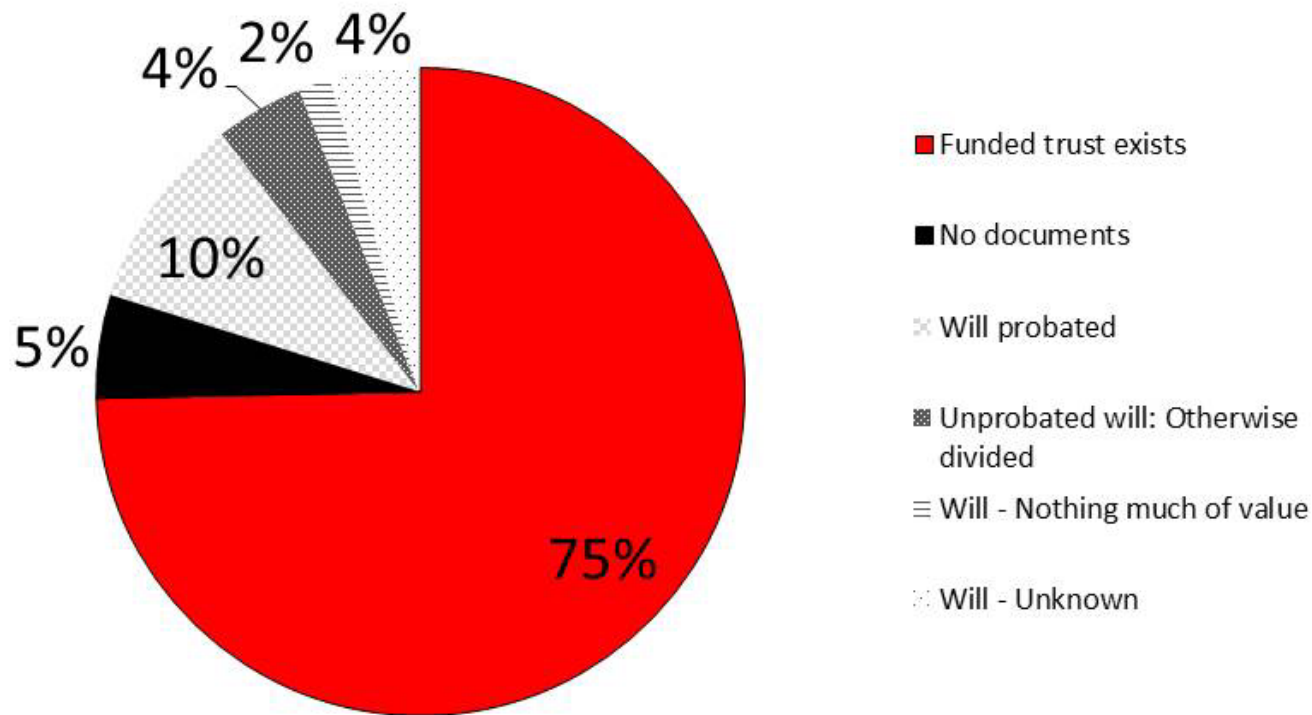


Source: Analysis of HRS data by Professor Russell James. *Trending Forward: Emerging Demographics Driving Planned Giving.*



# Bequest Program

Distributed estates where decedent reported having a funded trust (n=913)



Source: Analysis of HRS data by Professor Russell James. *Trending Forward: Emerging Demographics Driving Planned Giving.*



## Bequest Program – Remaking the Case

- Revisit organizational and donor base issues
- Reporting
  - ✓ Program growth (new intentions; realized – number and dollars; average/median amount)
  - ✓ Value added (compare bequest size to average annual gift and total lifetime giving; annual gifts pre- and post-bequest)
  - ✓ Benefit of stewardship (additional gifts; compare gift size between known and unknown bequests)



# Bequest Program – Reporting

## Visits for FY 15: Goal = 30, To Date = 20

- Lunch with Jackie. She and Wayne will make a gift before year end, but probably not at the same level as the DAF gift last year. (Stewardship, additional gift)
- Meeting with Otto to sign charitable gift annuity agreement.

## New notifications for FY15: Goal = 50, To Date = 31

- Bequests: 23 (Program growth, new intentions)
- Beneficiary designations: 4 (separately reporting designations)
- CGAs: 3
- CRTs: 0
- CLTs: 1



# Bequest Program - Reporting

## Notifications/Gifts:

- Notified by her broker that Maria has made Charity a beneficiary on a Schwab account.
- Received distribution of \$14,746.61 from the Mason Trust.
- In response to the October print newsletter,
  - ✓ Thomas and Nanette notified that Charity is in their estate plans. They have been donors since 1991 with a lifetime total of \$1,640. (value added-comparing giving)
  - ✓ Robert notified that Charity is in his estate plans. He has been a donor off and on since 1998 with a lifetime total of \$1,191. (value added)
  - ✓ Annette, planned giving prospect, notified that Charity is included in her estate. She has never made a gift to us. (value added)
- Notified by the estate of Kathleen that Charity is included in her will with a bequest of \$1000.00. She gave one gift of \$50 during her lifetime. (value added)
- Notified by the estate of Curtis that Charity is included in his will as a 10% beneficiary of the remainder of the estate. He was a member since 1994 with lifetime giving of \$780. (value added)

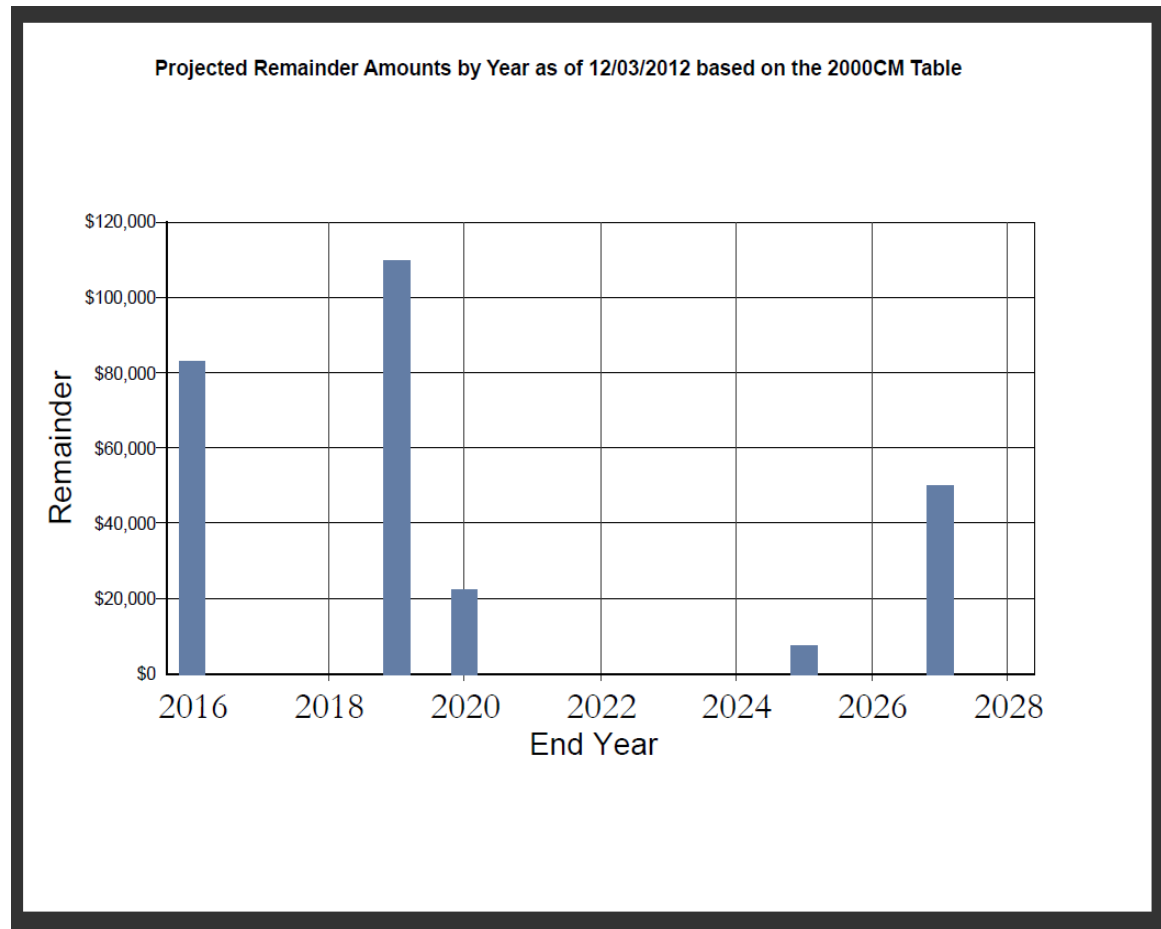


## Bequest Program – Reporting (cont.)

- Projected Future Cash Flow
  - ✓ Amount expected to be received per year
  - ✓ Amount expected on a present value basis
  - ✓ Different mortality assumptions
  - ✓ Probability of receipt percentage



# Bequest Program – Reporting (cash flow)



## Projected Remainder Amounts by Year as of 12/03/2012 based on the 2000CM Table

Year	Gift Type	Gift Key	Account #1	Tot Gift Amount	Market Value	Projected Value	PV @ 2%	PV @ 4%
<b>Auburn Society (AUB)</b>								
12/4/2016 - 12/3/2017								
	BEQ	8		\$10,000.00	N/A	\$5,000.00	\$4,573.72	\$4,191.02
	BEQ	17		\$1.00	N/A	\$0.00	\$0.00	\$0.00
	BEQ	18		\$78,000.00	N/A	\$78,000.00	\$71,349.98	\$65,379.95
			<i>BEQ Totals</i>	\$88,001.00	N/A	\$83,000.00	\$75,923.69	\$69,570.97
			<b>Totals</b>	\$88,001.00	N/A	\$83,000.00	\$75,923.69	\$69,570.97
12/4/2019 - 12/3/2020								
	BEQ	2		\$110,000.00	N/A	\$110,000.00	\$94,818.13	\$81,967.68
			<i>BEQ Totals</i>	\$110,000.00	N/A	\$110,000.00	\$94,818.13	\$81,967.68
			<b>Totals</b>	\$110,000.00	N/A	\$110,000.00	\$94,818.13	\$81,967.68
12/4/2020 - 12/3/2021								
	BEQ	6		\$30,000.00	N/A	\$22,500.00	\$19,014.33	\$16,121.27
			<i>BEQ Totals</i>	\$30,000.00	N/A	\$22,500.00	\$19,014.33	\$16,121.27
			<b>Totals</b>	\$30,000.00	N/A	\$22,500.00	\$19,014.33	\$16,121.27
12/4/2025 - 12/3/2026								
	BEQ	19	abc	\$7,500.00	N/A	\$7,500.00	\$5,740.62	\$4,416.84
			<i>BEQ Totals</i>	\$7,500.00	N/A	\$7,500.00	\$5,740.62	\$4,416.84
			<b>Totals</b>	\$7,500.00	N/A	\$7,500.00	\$5,740.62	\$4,416.84
12/4/2027 - 12/3/2028								
	BEQ	16		\$50,000.00	N/A	\$50,000.00	\$36,784.71	\$27,224.08
			<i>BEQ Totals</i>	\$50,000.00	N/A	\$50,000.00	\$36,784.71	\$27,224.08
			<b>Totals</b>	\$50,000.00	N/A	\$50,000.00	\$36,784.71	\$27,224.08
<b>Auburn Society (AUB)</b>					<b>Total Gift Amount:</b>	\$285,501.00		
					<b>Total Market Value:</b>	N/A		
					<b>Total Projected Value:</b>	\$273,000.00		
					<b>Total Present Value @ 2%</b>	\$232,281.49		
					<b>Total Present Value @ 4%</b>	\$199,300.83		
<b>Grand Total</b>					<b>Total Gift Amount:</b>	\$285,501.00		
					<b>Total Market Value:</b>	N/A		
					<b>Total Projected Value:</b>	\$273,000.00		
					<b>Total Present Value @ 2%</b>	\$232,281.49		
					<b>Total Present Value @ 4%</b>	\$199,300.83		





## Gift Annuity Program – Making the Case

- Organizational
  - ✓ Longevity (state requirements 3 – 20 years)
  - ✓ Financially sound (state requirements \$100,000 - \$2 million)
- Donor Base
  - ✓ Primary – 65+ (especially mid-70s and up)
  - ✓ Secondary – 50 to 65



# Gift Annuity Program

- Staff
  - ✓ Marketing and donor contact
  - ✓ Administrative tasks





# Gift Annuity Program

- Risk
  - ✓ General financial obligation
  - ✓ Reduction in principal
  - ✓ Policies





## Gift Annuity Program – Concern

- **Number/dollar value has dropped**
  - ✓ Identify contributing factors (reduction in proposals; change in staffing; reduced donor visits or marketing)
  - ✓ Compare current average gift amount to years past
  - ✓ Policy changes



## Gift Annuity Program – Concern

- **Too much work or too costly**
  - ✓ Typically arises with small programs
  - ✓ Efficiencies in time, reductions in costs
  - ✓ Commitment of organization
  - ✓ Donor base



## Gift Annuity Program – Concern

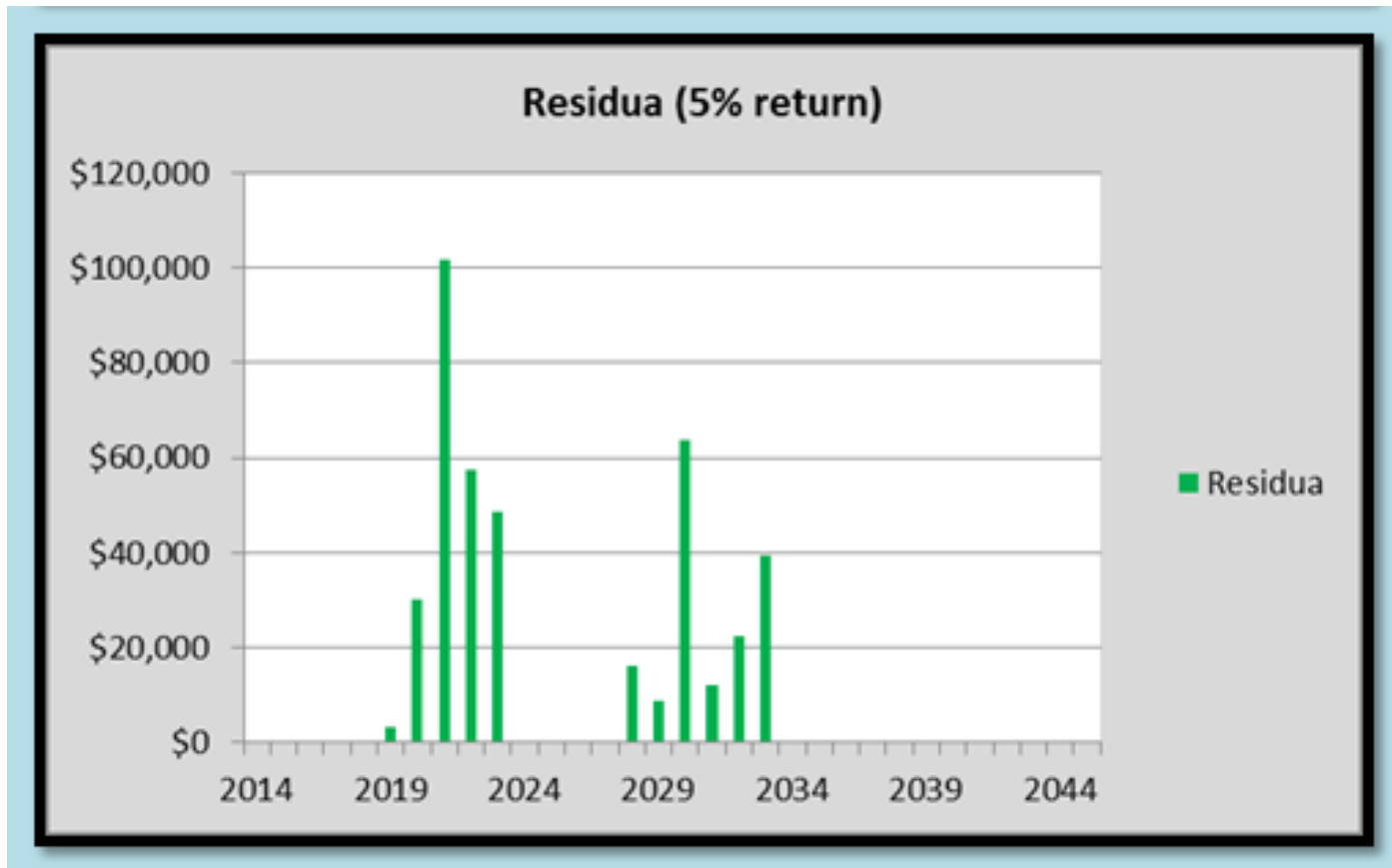
- **Disappointment in amount distributed**
  - ✓ Compare distributions from last few years (outliers)
  - ✓ Reset expectations
  - ✓ Project future distributions

## Projected Remainder Amounts as of 12/09/2014 based on the Ann 2000 Table

Gift Type	Gift Key	Gift/Int Date	First Pmt	Tot Gift/Int Amount	Market Value		Gift Exp	Yrs to Exhaust	End Year	Remainder
<b>Metro Hospital Foundation (METRO)</b>										
CGA	47	12/20/1999	12/31/1999	\$5,000.00	108,244.16		6.50	NA	2020	\$134,539.97
	<u>Name</u>		<u>Association</u>	<u>D.O.B.</u>	<u>Age at Gift</u>	<u>Age at Val</u>	<u>Gender</u>	<u>Status</u>	<u>Person Code 1</u>	
	Christian Feldstrom		Bene-A	06/28/1926	73	88	M	Current		
CGA	52	02/21/2002	03/31/2002	\$27,000.00	25,438.39		6.90	16.5	2020	\$18,192.23
	<u>Name</u>		<u>Association</u>	<u>D.O.B.</u>	<u>Age at Gift</u>	<u>Age at Val</u>	<u>Gender</u>	<u>Status</u>	<u>Person Code 1</u>	
	Marina Manatee		Donor/Bene-A	09/03/1926	75	88	F	Current		
CGA	76	12/30/2004	12/31/2013	\$50,000.00	340,875.95		6.50	NA	2020	\$402,033.43
	<u>Name</u>		<u>Association</u>	<u>D.O.B.</u>	<u>Age at Gift</u>	<u>Age at Val</u>	<u>Gender</u>	<u>Status</u>	<u>Person Code 1</u>	
	Christian Feldstrom		Bene-A	06/28/1926	79	88	M	Current		
CGA	4	04/30/1995	06/30/1995	\$25,000.00	200,648.37		9.50	NA	2023	\$267,683.55
	<u>Name</u>		<u>Association</u>	<u>D.O.B.</u>	<u>Age at Gift</u>	<u>Age at Val</u>	<u>Gender</u>	<u>Status</u>	<u>Person Code 1</u>	
	Cassandra C. Cheetah		Bene-A	04/06/1932	63	83	F	Current		
CGA	77	12/30/2006	12/31/2006	\$25,000.00	233,317.85		9.50	NA	2023	\$309,260.56
	<u>Name</u>		<u>Association</u>	<u>D.O.B.</u>	<u>Age at Gift</u>	<u>Age at Val</u>	<u>Gender</u>	<u>Status</u>	<u>Person Code 1</u>	
	Christine Flox		Bene-A	02/02/1932	75	83	F	Current		
<b>Metro Hospital Foundation (METRO)</b>							<b>Total Gift/Int Amount:</b>			\$132,000.00
							<b>Total Market Value:</b>			\$908,524.72
							<b>Total Remainder:</b>			\$1,131,709.74
<b>Grand Total</b>							<b>Total Gift/Int Amount:</b>			\$132,000.00
							<b>Total Market Value:</b>			908,524.72
							<b>Total Remainder:</b>			\$1,131,709.74



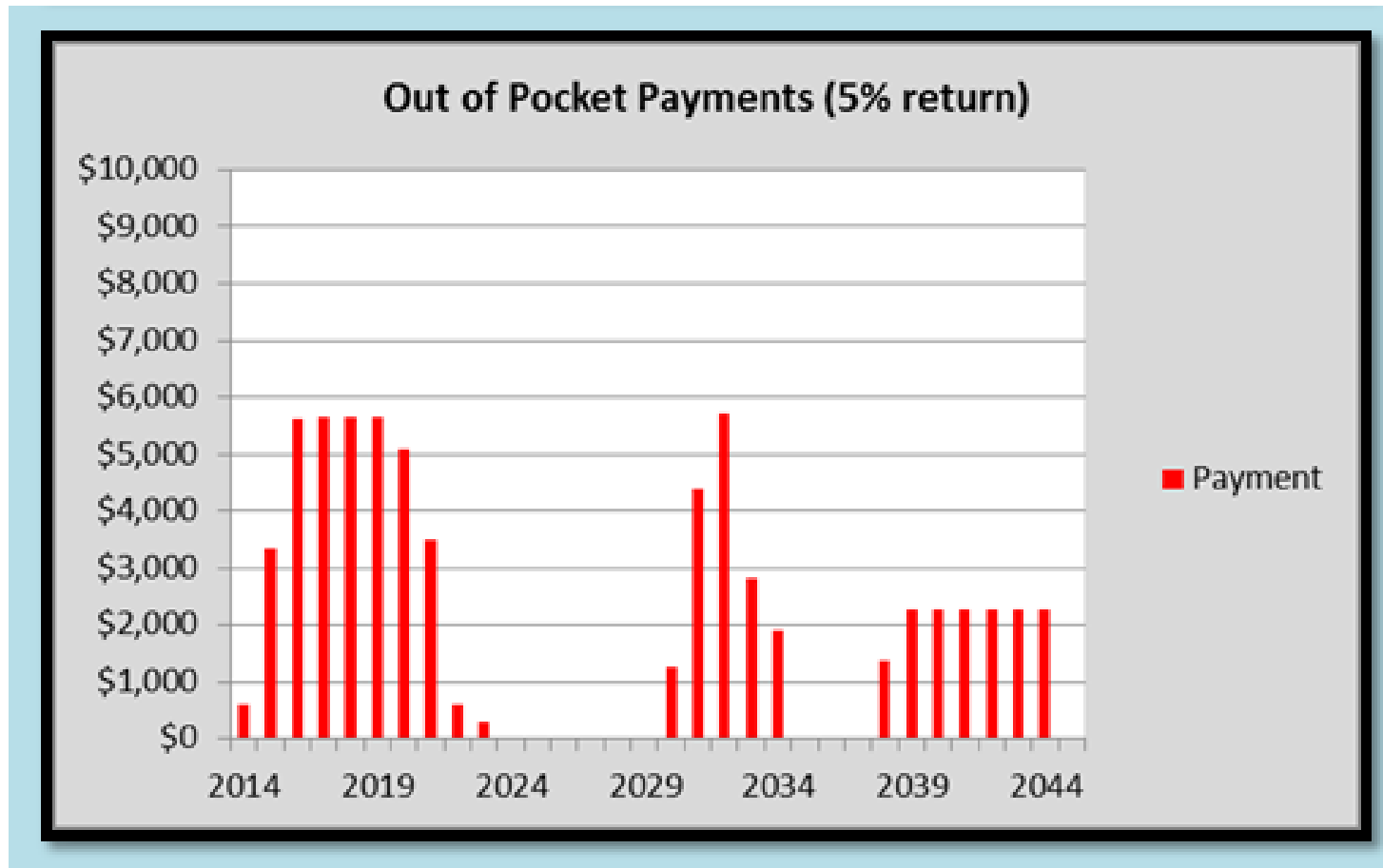
# Gift Annuity Program - Reports







# Gift Annuity Program - Reports





## Gift Annuity Program – Concern

- **Is the program profitable?**
  - ✓ Anecdotal
  - ✓ Investment returns
  - ✓ Contributions and distributions
  - ✓ Program evaluation (internal or external)





## Charitable Trusts and Complex Assets

- Policy decisions rather than making/remaking
- To trustee or not trustee
- Proactive or reactive in donor conversations
- Expansion or contraction based on experiences



## Conclusion

- Make decisions specific to your organization
- Set reasonable expectations
- Ongoing reporting
- Adjustments over time are necessary
- Opportunities to educate and assess



# Questions and Answers





## Still Have a Question?

**Contact:** Edie Matulka, Senior Consultant  
PG Calc

**E-mail:** [ematulka@pgcalc.com](mailto:ematulka@pgcalc.com)