

PG Calc YOUR PARTNER IN PLANNED GIVING SUCCESS



Checklists to Help Make the Gift Happen

Date: April 28, 2022
Time: 1:00 – 2:30 Eastern
Presenter: Craig Wruck
 Senior Advisor, PG Calc

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

- Why bother with checklists at all
- The complex versus the merely complicated
- Investing now in a valuable tool for use later
- Elements of a good checklist
- A checklist for checklists
- Checklist examples
- Questions & answers

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PG Calc YOUR PARTNER IN PLANNED GIVING SUCCESS **A checklist wins the war**



1930s – US Army Air-corps Command envisions a high altitude, long range, high-capacity bomber

- Competitors Douglas, Martin, and Boeing submit designs, build prototypes
- Boeing Aircraft privately funds development of its prototype, Model 299
- The Boeing design promises better range, speed, and payload than any of the competitors by far
- However, it is the only design to employ four engines and has very complex flight controls
- Concerns are raised that Model 299 will be too complicated for pilots to fly
- USAAC stages a fly-off competition

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A checklist wins the war

28 July 1935 – demonstration flight

- Model 299 takes off for the demonstration flight piloted by Boeing's chief test pilot
- After climbing to 300 feet, the aircraft stalls and crashes, killing the pilot
- Boeing is disqualified from the competition, contemplates bankruptcy
- Investigators determine pilot error, not a mechanical failure is the cause of the crash
- The pilot failed to disengage a lever used to lock wing flaps in place when the aircraft is parked




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A checklist wins the war



The B-17 "Flying Fortress"

- With no mechanical changes, Boeing resubmits the design, which becomes the B-17
- More than 12,700 produced during WWII
- Though many were lost in combat, none were lost due to mechanical failure
- Pilot training was not changed, it was determined that no additional skills were required
- A pre-flight checklist was introduced, including a step to unlock the wing flaps

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Checklists: Why bother?

- Checklist supporters:
 - "Be Prepared" is more than just the Boy Scout's motto, it's just plain common sense
 - Checklists show you are serious and thoughtful, competent too
 - Checklist detractors are cast as unprepared, unqualified, perhaps reckless, or maybe even a danger to the established order
- Checklist detractors:
 - Checklists are an unwarranted and unjustified restraint on creativity
 - They imply questions about one's knowledge and expertise
 - Checklist supporters lack confidence, worry too much about stuff that is unlikely to ever happen, and have no sense of humor

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Checklists: Why bother?

- Checklists are a common tool in all manner of complex endeavors
 - Increase likelihood of success by limiting chance of a missed step
 - Especially a step that is so routine as to be boring
- Checklists are most useful when tasks can be broken down into discrete steps that need to be carried out by different individuals
- Additional advantages for planned giving officers
 - Liberation from mundane and transactional work involved in closing the gift frees time for the important work of tending to donor relationships
 - Ensures the transaction is smooth and friction free – or at least appears so to your donor

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Complex versus complicated

- **Simple** problems – baking a cake from a mix
- **Complicated** problems – sending an astronaut to the moon
 - A series of tasks, many of them simple, which must be completed in a coordinated way, often by multiple teams, in order to succeed
 - The process, though complicated, can be successfully completed again even though the individual circumstances are different
- **Complex** problems – raising a child
 - Each child is unique (each and every day!)
 - What worked once (even yesterday!) might not ever work again

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Complex versus complicated

Planned gifts involve two phases, one complex and another complicated

- **Complex** work – cultivating, soliciting, and negotiating the gift
 - Each gift is unique, what worked last time might not work this time
 - Experience with previous gifts is valuable, but not sufficient
- **Complicated** work – processing, recording, and administering the gift
 - Though no two gifts are alike, good procedures and processes help avoid errors
 - Multiple teams are involved and must work in coordination
 - Unanticipated difficulties are frequent

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A valuable tool for gift planning

- Gains confidence and builds trust for your donor and among your colleagues in the organization
- Provides a friction free experience
- Avoids unnecessary trips to the gift acceptance committee
- Reduces the chances of errors, especially stupid ones
- Enhances the status and professionalism of the gift planning office
- Liberates the gift planner to pursue more lucrative (and fun!) endeavors

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An investment now

- Similar to emergency preparedness
 - Planning is essential (especially when lives are at stake!)
 - Limits and choices must be made ("You can't be too prepared.")
- Developing checklists in advance avoids
 - Haphazard or ad hoc solutions
 - Contentious debates under extreme time pressure
- Provides opportunities to consider – and potentially disregard – hypothetical circumstances
- The internal process of developing a checklist is an opportunity, perhaps as valuable as the checklist itself

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What a checklist *will not* accomplish

- A good checklist is not
 - A to-do list
 - An algorithm, equation, or recipe
 - A process or procedure
 - A teaching or training tool (though it may include elements of each of these)
- Guard against the tendency to make the checklist all-inclusive
 - Focus on essential tasks or groups of tasks
 - Provide guidance for exceptions
- A complex checklist can be dangerous if it becomes unwieldy

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"The engine is on fire!"

PRODEX Flight Manual	EMERGENCY PROCEDURES FUEL AND LANDING Engine fire or obvious engine damage	2-855-45 PAGE 112 Page 1
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FAULT - ENGINE FIRE

FAULT light on.
Aural warning sounds.

NOTE
The following procedure must be applied, whether or not the FAULT light is on.

PHASE 1

- Power lever of engine concerned. Cut-off
- FUEL SHUT OFF switch of engine concerned. Activated
- As required. Before 200 RPM
- Fire extinguisher DISCH. Position 1
- If fire warning persists. Fire extinguisher DISCH. Position 2

PHASE 2

- FAULT light. On then off
- Engine shutdown. See 3-10p 10-9
- If engine 2 shutdown. End
- SI-87Y FLWRP. As required
- Land as soon as possible.

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Steps to develop a checklist

- Develop consensus about the purpose and objectives for the checklist
 - Why do you need a checklist?
 - Do the tasks involve multiple actors?
 - Who are the stakeholders and who needs to approve the checklist?
- Each item on the checklist should meet at least two threshold criteria
 - Is this a critical step involving multiple parties that may be in danger of being missed? ("Complete Form 8283" versus "mail the completed Form 8283")
 - Is this item actionable with a response required? ("Done" or "Not Applicable" are fine responses, skipping an item because it seems irrelevant is not)
- Good checklists have check boxes (Duh! That's why it's called a "checklist")

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Three phases

- Development
 - Determine who is directly involved, who has final approval
 - Define scope, identify issues to be addressed and those that will not
 - Develop conceptual outline for the checklist
- Drafting
 - Best assigned to a sole author who seeks input from other stakeholders
 - Reviews, ideally including those without expertise and unfamiliar with the content, to ensure the checklist makes sense
- Validation
 - One or more formal tests of the checklist to ensure it achieves the objectives, ideally involving simulated situations
 - Provide an ongoing process to monitor and ensure checklist remains useful

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Gift of S-corp stock

4. How much UBIT will the charity have to pay while it holds the stock? Examine the Schedule K-1 that the donor received from the S-corporation.
 5. What are the projected cash and property distributions to the charity? See Line 20 of Schedule K-1.
 - Cash distribution?
 - Expected income?
 - Dividend to pay UBIT?
 - Any extra for charitable purposes?
 6. Distributions taxable or tax free?
 7. Timing of distributions to meet quarterly UBIT payments when due?
8. Property distributions?
 9. A distribution of appreciated property could trigger tax. Are any such distributions planned in the near future?
 - Will the charity have to file Form 990-T return (required if gross UBIT is over \$1,000)?
 - Will the charity have to make quarterly UBIT estimated tax payments (required if tax due for any year over \$500)?

F. Administrative Requirements if Gift is Accepted

1. Charity must sign donor's Form 990 (qualified appraisal) to acknowledge receipt of gift of stock.
 - The donor should know that unlike gifts of other kinds of stock, the tax deduction for donated S-corporation stock is often less than the appraised value.
2. Charity should send donor a "contemporaneous written acknowledgment" that contains the language necessary for the donor to claim a charitable income tax deduction.

G. Sale of Stock

1. Obtain evidence of the sale of the stock for its fair value (e.g., a recent appraisal).
2. Send Form 990 to the IRS and the donor if property is sold within three years.
3. Charity must pay UBIT on the gain from the sale of S-corporation stock.

"S-Corporation Advanced," by Christopher Hoy, in Charitable Gifts of Non-cash Assets, Bryan Chantz, 2011

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The SEP Field

"A SEP is something we can't see, or don't see, or our brain doesn't let us see, because we think that it's somebody else's problem. The brain just edits it out, it's like a blind spot. The SEP Field relies on our predisposition not to see anything we don't want to, weren't expecting, or can't explain."

from *Life, the Universe and Everything*, Douglas Adams


Warning: The SEP Field cannot be manually shut down. Prolonged exposure often results in severe headaches, although the victim is likely to dismiss these as somebody else's problem.

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The SEP Field



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Still Have a Question?

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