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## Gifts From Your Donor's Other Wallet – A Primer on Gifts of Non-Cash Assets

**Date:** October 26, 2023

**Time:** 1:00 – 2:00 Eastern

**Presenters:** Kara Morin

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PG Calc

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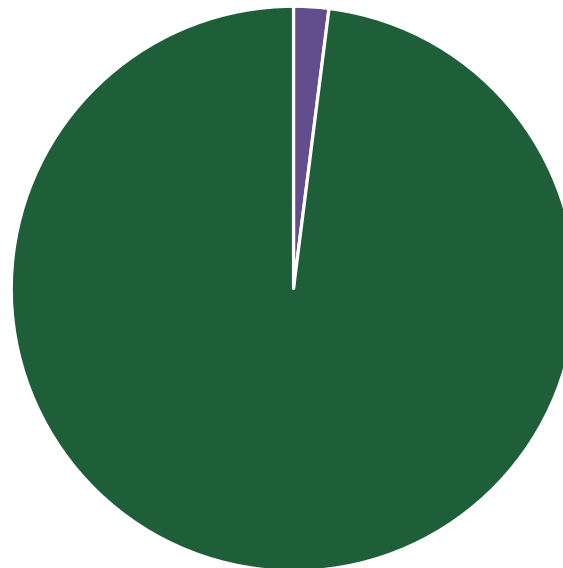
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# Agenda

- Where Your Donor's Wealth Lies
- The Process of Discovery
- The Cost of Non-Cash Fundraising
- The Importance of Gift Policy
- Asset Overview: From the Complicated to the Complex
- Q&A

# Where Your Donor's Wealth Lies

\*Cash as Percentage of Assets

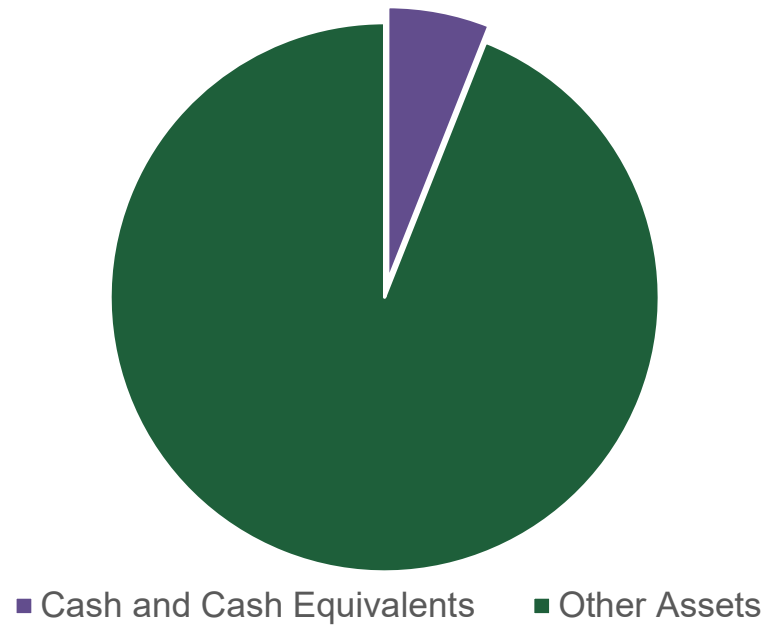


■ Cash ■ Other Assets

\* <https://www.census.gov/data/tables/2019/demo/wealth/wealth-asset-ownership.html>

# Where Your Donor's Wealth Lies

\*Cash and Cash Equivalents as Percentage of Assets



\* <https://www.census.gov/data/tables/2019/demo/wealth/wealth-asset-ownership.html>



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## Wealth is Actually Held in....

- Stocks and Mutual Funds
- Equity in Business
- Equity in Home
- Equity in Motor Vehicles
- Rental Property/Other Real Estate Equity
- Retirement Accounts
- Educational Savings Plans (i.e., 529s)
- Annuities and Trusts
- Life Insurance
- Other



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## What's an "Other"?

- Art
- Collectibles (stamps, coins, etc.)
- Crypto-assets (currency, NFTs)
- Copyrights
- Royalties (intellectual property)



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## Discovery and Non-Cash Assets

- Evaluate each gift on a case-by-case basis
- What is the asset – review documents, review physical asset
- Can the asset be transferred to and held by the Charity
- Estimated value now and in the future
- Tax considerations for the Donor and Charity
- Protect the Charity from having to pay out-of-pocket expenses
- Estimated time before liquidation
- Does use of funds at the Charity align with timeframe for liquidation

# Spending Money to Raise Money

Pursuing Wealth Means Spending Money on **Either**:

▪ **In-House Staffing to Conduct Discovery, Close and Steward the Gift**

- Investment specialist/Asset specialist
- Legal Counsel
- Realtor/Broker
- Appraiser
- Crypto-wallet
- Ongoing Stewardship Responsibilities — Tax and Financial Reporting
- Liquidation

or

▪ **Vendor Partnerships**

- DAFs
- Fee based vendors





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## Gift Policy is Your Friend!

- What types of assets do you accept?
- What assets are accepted directly (Charity is in chain of title)?
- What gifts are accepted through another entity (Charity is not in chain of title)?
- Outright only? Planned Gifts, too?
- If a CRT, is the donor first trustee?

## Publicly Traded -- Marketable Securities

- Can be liquidated to cash quickly (Donor's need to understand liquidation policy)
- Bought and sold on a public exchange
- Issues with "Thinly-traded" securities

## Publicly Traded -- Restricted Securities

- Subject to transfer restrictions
- Charity steps into the shoes of the Donor for purposes of the restriction

## 401(k)/403(b)/IRAs

- Easy testamentary gifts
- 401(k)s and 403(b)s can be converted to Traditional IRAs

## Traditional IRAs

- 401(k)s and 403(b)s can be converted to Traditional IRAs
- Outright QCDs
- QCD CGAs

## General Types of Real Estate

- Residential
- Commercial
- Raw Land

## Issues to Consider

- Marketability
- Environmental risk
- Chain of title issues
- Appraisal requirements/Donor's charitable deduction
- Carrying costs
- Planned giving structures (Flip CRUT, CGAs and Retained Life Estates)

## Life Insurance

- Charity becomes owner of the policy
- Fully paid up? Or premiums due?
  - GP question: who pays premiums?
- Deduction based on appraised value
- Charity can liquidate for cash
- If loan against policy, IRS will treat as a bargain sale

## Commercial Annuities

- No 1035 exchange
- Treated as a cash in even if ownership transferred to charity



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## Private Stock

- Owned by limited number of people: family, investors, employees
- Company approves purchase and sale of shares
- Possible ways to cash:
  - Sell shares to other shareholders
  - Sell shares back to company
  - Initial Public Offering (IPO)
  - Merger or Acquisition

# Private Investment Funds

- **Basic Definition:** Commingled investment vehicles for institutional investors and sophisticated, high net worth individuals
- **Investment objectives:** Defined by a range of factors including sector, asset class, geography and time to market

Fund Type	Private Equity	Hedge
Investments	Portfolio Companies	Broad range of sophisticated securities, and derivatives, utilizes leverage to enhance returns
Liquidity/Monetization	Periodic Distributions of income, gain and return of capital by the fund and at fund termination. PE funds have a limited life (10 to 15 years)	Investor must redeem units/interest in hedge fund to realize value. Hedge funds typically are “evergreen”



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## Art

- Keeping or Selling?
- Appraisals



- Cryptocurrency vs NFTs
- Gift of Property – Appraisal requirements and Donor’s charitable deduction
- Wallet — Third party or charity-owned
- Know Your Donor diligence and Coin provenance
- Gift policy issues – Liquidation timeline and expectations
- Reporting – Form 8282 and Form 990
- Align gift proceeds with Charity’s expectations



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## When to Walk Away — Return to Discovery

- Is the gift “too good to be true?”
- Is the donor willing to provide a “back stop” if gift loses value
- Will donor make an up front additional outright gift to assist with carrying costs, etc.



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## Questions?



Click the Q&A icon at the bottom of your screen.



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## Still Have a Question?

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