

Give & Take

VOL. 29 NO. 7 • JULY 1997

NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Bequests by the Numbers

by Barlow T. Mann

IRS figures look promising for planned giving.

Several years ago, the National Committee on Planned Giving undertook a national survey that revealed, among other things, that only 5% of the population had included charitable provisions in their estate plans. Another survey by U.S. Trust Bank, on the other hand, indicated that approximately 50% of affluent Americans intended to include charitable entities in their estate plans.

While both of these surveys are interesting and contain useful information, it may also be beneficial to examine the actual habits of a portion of America's decedent population within a given time frame.

Fortunately, such information is available from the Internal Revenue Service. The most recent figures available are included in the winter 1996/97 Statistics of Income Bulletin. The report features an in-depth analysis of the estate tax returns of individuals who died with gross estates of \$600,000 or more in 1992.

In 1992, the most recent year for which a complete analysis is available, female decedents passed away at 80.2 years on average, while male decedents had lived to 74.6 years.

Stocks, real estate, bonds, and cash made up the lion's share of 1992 decedents' estates totaling almost 90% of the gross estates. Surprisingly, insurance only accounted for about 3.4% of these estates. This may be due to the tendency of older people to discontinue life

insurance that is no longer needed for protection in the event of early death.

Popular deductions

The marital deduction and charitable deduction were the two most popular estate tax deductions. For estates for which a federal estate tax return was filed in 1992, a charitable deduction was claimed in 10.7% of the estates which after deductions proved to be non-taxable, and 28.8% of the taxable estates, an average of nearly 19% of the federal estate tax returns overall. Gross contributions claimed on these estate tax returns exceeded \$8.4 billion. The IRS study reveals that charitable bequests in taxable estates had increased to 28.8% in 1992 from 22.5% in 1989.

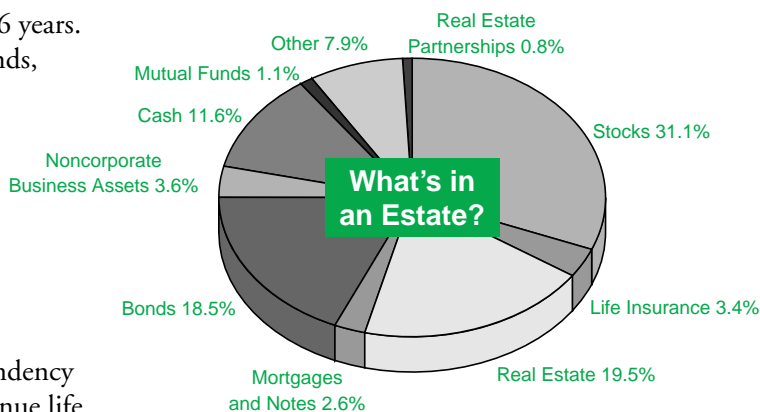
The study further indicated a significant shift from marital to charitable bequests. This may be due to a greater number of taxable estates that represent the assets of the second spouse to die, as well as the increasing number and variety of planned giving options available to meet multiple personal and philanthropic objectives.

Continued on page 4

Inside

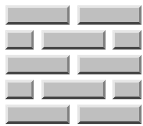
Charitable giving continues upward trend *Page 3*

Good things happen with communication and cooperation *Page 5*



In the News . . .

News and notes
of interest to
gift planners.



Give & Take

A client service publication published monthly since 1968 by Robert F. Sharpe and Company, 5050 Poplar Avenue, Suite 700, Memphis, TN 38157, (901) 680-5300. Fax (901) 761-4268. E-mail info@rfsco.com or through our web site at <http://www.rfsco.com>

The publisher of *Give & Take* is not engaged in rendering legal or tax advisory service. For advice and assistance in specific cases, the services of your own counsel should be obtained.

Articles in *Give & Take* may generally be reprinted for distribution to board members and staff of nonprofit institutions and other non-donor groups. Proper credit must be given. Call for details.

© 1997 Robert F. Sharpe and Co., Inc.

Editor:
Maxine A. Kilford

Editorial Assistant:
Helen Anne DiMeglio

Graphic Production:
Michael Verucchi

Farmer's produce stand yields amazingly rich harvest

For 50 years, Lester and Elanor Bartles, of Hunterdon County, New Jersey, sold homegrown fruits and vegetables from a picnic table in their front yard.

When Elanor died last year, six years after her husband, she left behind an estate valued at \$3.2 million. Six local charities and churches received \$1.8 million and the rest was left to stunned relatives and friends, who thought the couple was poor because they lived so simply.

The lawyer for the executor of the estate, Richard G. Jefferson, explained that while the couple did live frugally, they invested wisely. Lester began by purchasing penny stocks and followed advice from an investor's newsletter. As their wealth grew, the Bartles supported charities and even gave money to people in the community who needed it.

Besides six local organizations who will receive \$300,000 each, the Hunterdon County chapter of the American Cancer Society, and a volunteer fire company and rescue squad were also beneficiaries.

One of their neighbors, Violet Opsahl, recalls that though the Bartles were not college-educated, they were well-read and

able to converse about nearly any topic. She attributed their sparing lifestyle, in part, to being children of the Depression.

Source: *The Philadelphia Inquirer*
February 9, 1997

Active internet sites number over one million

Network Solutions, the official registry of Internet sites in the U.S., announced that it recently registered its one millionth active Internet site.

Source: *WWWdot*, Memphis, TN,
May 29, 1997

Strategies for passing wealth under attack by IRS

The Internal Revenue Service is cracking down on several popular methods for passing wealth from one generation to the next.


Family limited partnerships and making tax-free gifts to family trusts are among the techniques used by tax planners that the IRS is singling out. Though the IRS is aggressively attempting to set new precedents, they may not be entirely successful. However, the threat of closer scrutiny may slow taxpayers widespread use of such techniques.

As the amount of estates transferred is expected to total \$10 trillion by the year 2040, gift planners need to be increasingly aware of the position the IRS is taking on a variety of ways to reduce estate taxes.

Source: *The Wall Street Journal*
May 21, 1997

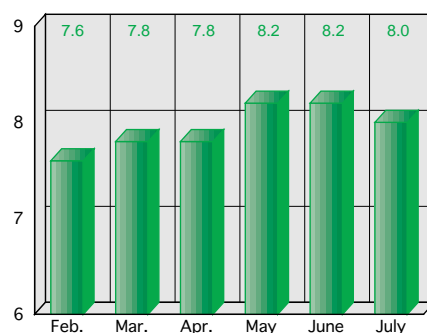
Assets in the market, not in the bank

The highest in three decades, the percentage of financial assets that American households have invested in stocks has reached 51%.

Bank deposits and bonds are losing money as the "equity cult" invests every other dollar in the stock market, according to Martin Barnes, managing editor of *The Bank Credit Analyst*. 

Source: *USA Today*
June 10, 1997

Discount Rates



The trend in adjusted federal midterm rates (AFMRs), which are used in calculating the benefits of split-interest gifts.


Surveys Report Good News for Charitable Giving

Three recently released reports provide evidence that charitable giving is alive and well in America based on 1996 giving figures.

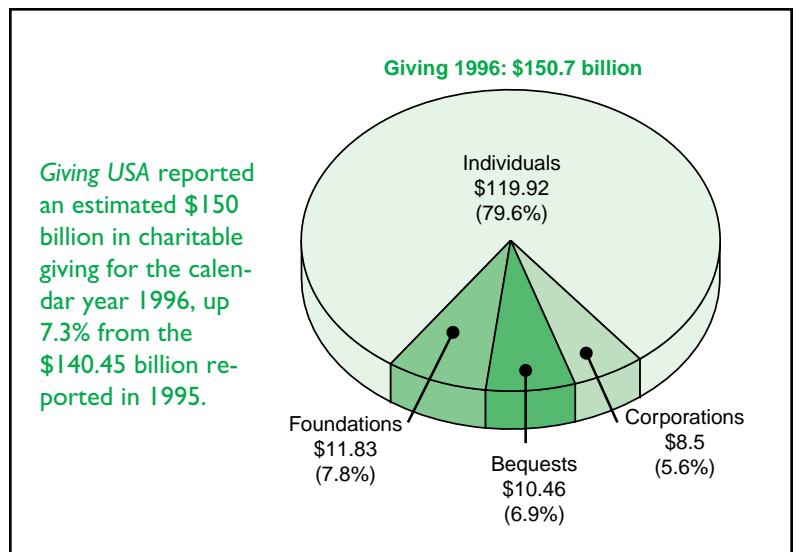
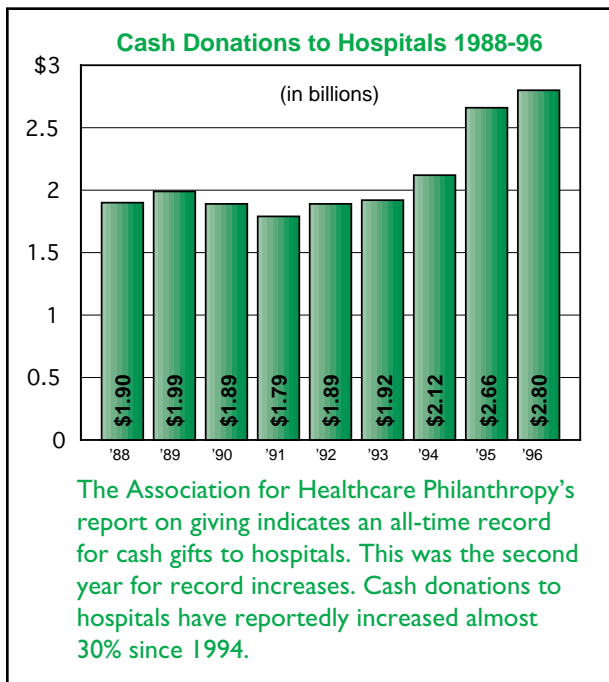
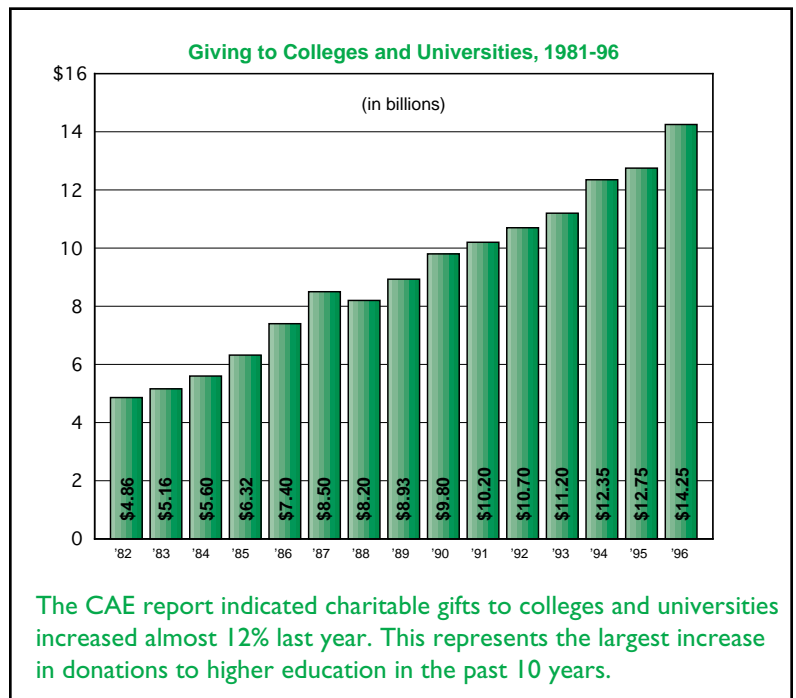
The three reports include *Giving USA 1997* for the year 1996, *Voluntary Support of Education* by the Council for Financial Aid to Education, and *Report on Giving* published by the Association for Healthcare Philanthropy. (See page 4 for details about obtaining these reports.)

Key factors that may have contributed to these increases include the continued period of economic expansion contributing to strong personal income figures, and an unprecedented growth in the value of stocks.

Strong increases in planned gift receipts contributed to the positive results in all three reports. (See related story concerning IRS studies on page 1.)

With many of the same factors alive and well in 1997, gift planning officers have every reason to believe that this, too, may be a record year. 

A record year is within reach for 1997.



Bequests . . . *Continued from page 1*

Factors affecting charitable gifts

Gender definitely affects giving patterns. Women are significantly more likely to include charitable provisions than men. This is presumably explained by the fact that women tend to live longer than men. With married couples, the first spouse would likely take advantage of the unlimited marital deduction for the surviving spouse. (See related article in June 1997 *Give & Take*, page 5.)

Marital status also was an important factor to consider. Single females and males were the most likely to include charitable bequests. Forty-one percent of all single females studied, and almost one third of all single males, included charitable provisions in their estate plans. Widows and widowers were the next most likely group to include charities in their estate plans.

Age at death was also a significant factor. Those persons dying between the ages of 80 and 90 represented almost half of all charitable contributors from estates. Interestingly, the largest percent of net worth was given by decedents who were between the ages of 60 and 70 at the time of death.

The IRS figures should provide encouragement for all persons involved in the gift planning process. The figures provide solid evidence that the growing transfer of wealth is becoming a source of increased charitable giving.

Evidence of the increasing size of estates is shown by the rise in the number


of federal estate tax returns filed between 1992 and 1995:

1992 - 59,176
1993 - 60,207
1994 - 68,595
1995 - 69,772

The combined assets of the 1995 decedents increased almost 20% over the 1992 amount to \$117.7 billion. These 69,772 estates represent only 3% of the 2.3 million people who died in 1992.

When considering that the U.S. Trust survey indicated 50% of its study group intended to include charities in their estates, while the NCPG study found that only 5% had actually included charitable dispositions in their estates, it appears that considerable room for growth remains.

And finally, the IRS estate tax returns indicate that about 20% of relatively wealthier Americans dying in a given year actually do include charities. One might reasonably assume that growth can be achieved by reminding those who have charitable intentions to follow through on those intentions!

Ongoing and effective communications may well be the key to making this process happen and allowing your donors to leave a lasting legacy. Future issues of *Give & Take* will include additional data from the IRS studies that may assist you in your gift planning efforts. 

Source: Internal Revenue Service, *Statistics of Income Bulletin*, Fall 1996, Washington, DC 1996

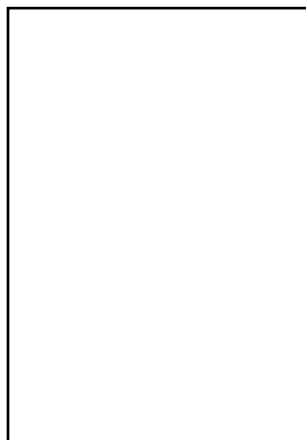
Complete copies of the reports cited on pages 3 and 4 may be ordered from the following sources:

AAFRC Trust for Philanthropy, *Giving USA*, Fulfillment Dept. 5, 20 Academy Street, Norwalk, CT 06852-7100. 1-800-544-8464. Cost is \$49.50 plus shipping and handling.

Council for Aid to Education, *Voluntary Support of Education 1996*, 342 Madison Avenue, Suite 1532, New York, NY 10173. (212) 661-5800. Cost is \$55 for colleges and schools that participated in the survey, \$85 for all others.

Association for Healthcare Philanthropy, *Report on Giving—USA FY 1996*, 313 Park Avenue, Suite 400, Falls Church, VA 22046. (703) 532-6243. First copy is free to members of the association, \$25 each for additional copies. Cost is \$50 for non-members.

Statistics of Income Bulletin, Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954.



Barlow T. Mann is an attorney and chief operating officer of the Sharpe company. He designs planned giving programs for a number of America's nonprofits, presents seminars, and authors many articles on gift planning.

Communication and Cooperation Open Doors to Success

by Timothy D. Sharpe

One of the most frequently asked questions by those who are considering an increased emphasis on planned giving is whether this “program” should be a separate effort or integrated into other development efforts, such as the annual fund, capital gifts, major gift programs, etc.

Even those institutions that have been active in planned gift development for decades sometimes struggle with this issue from time to time. The answer will vary from program to program.

The organizations that seem to have the most trouble with this issue are the largest ones with the largest staffs and the most capacity for division of labor. Smaller programs are often managed by a small number of persons—maybe even one—who must wear many hats out of necessity.

Various approaches are taken

Some organizations pride themselves on not having a separate “planned giving program.” In these cases, top leadership expects this function to be fulfilled as part of other programs. In their view, planned giving is just a set of tools used to complete various types of gifts.

On the other hand, we see organizations with tremendous potential and resources create separate state-of-the-art planned giving programs on the theory that this effort must be separate in order to be successful. The resources that are put in place are often isolated from other development efforts and thus underused, resulting in fewer gifts.

Such programs sometimes appear to have been built under the theory that a technically first-rate program will somehow attract gifts without a well-conceived plan for cooperation among all the people who interact with donors and prospects daily.

An excellent planned giving officer may, at times, become the “Maytag

repairman” of the development team because he or she is not brought into discussions with donors at the proper point in the relationship.

In the future, the best programs of all sizes will build their efforts around the realization that it is ultimately the age, wealth, and other circumstances of each particular donor that must dictate how we approach them. Successful programs will be designed to assure that donors move through various parts of the overall development program as they move through phases of their lives.

A case in point

The case history of a recent \$1 million endowment gift to one of our clients can yield some valuable insights.

Mr. and Mrs. Browne were acquired as donors in 1971. Their first gift in the amount of \$10 was to a direct-mail acquisition effort. Their annual gift totals gradually grew from \$10 to \$15, to \$50, then to the \$250-\$500 range. In 1993, when both were in their early 60s, they made their first \$1,000 gift.

At that point, they began to be more personally cultivated by the major gift program. In this organization, the major gift efforts and the planned giving program work closely together, with the planned gift department taking primary responsibility for exposing the masses of older donors to various gift planning options, while acting as an in-house resource to assist in better structuring the major gifts of donors of all ages and wealth levels.

The Brownes received information about the organization’s pooled income fund in marketing efforts aimed at higher dollar donors in the correct age group. They completed a \$125,000 gift to the pooled income fund in 1995. Their current gifts continued, with the idea originally that the \$125,000 pooled income fund gift would perpetuate their annual gifts in

The natural progression of a dedicated donor’s involvement can guide a nonprofit’s division of labor.



Timothy Sharpe, based in the Washington, DC, area office, is executive vice president of the Sharpe Company.

Continued on page 6

Gift Planning “In a Nutshell”

Other Seminar

Dates & Locations

Major Gift Planning I:

Aug. 4-5 Chicago

Sept. 8-9 Phoenix

Major Gift Planning II:

Oct. 20-21 Pasadena


For seminar information call
1-800-238-3253, ext. 307.

Planned Giving When That's Not All You Do explains gift planning basics in a one-day format that is valuable for busy staff members with varied responsibilities. A great seminar for CEOs, board members, chief development officers, peers in other areas of development, program staff, finance and legal professionals, and support staff.

Experience shows that many who are not fully engaged in gift planning are not able to take the time to travel or attend multi-day seminars. This seminar considers their needs with its format and accessible locations; an excellent way to foster greater

awareness of the benefits of an effective gift planning effort.

Discounts are available for multiple registrations to help facilitate attendance for several staff members. Mark your calendar for **August 4, 1997 in New York City** and register as soon as possible to assure your space in this vital training experience.

Contact the Sharpe company for more details and to register. Complete seminar information, including detailed agenda, faculty biographies, and comments from prior attendees, is available on the Sharpe company's world wide web site at <http://www.rfSCO.com>, also. 

Communication and Cooperation *Continued from page 5*

future years. At 5% the \$125,000 would yield some \$6,250 in annual income following their passing.

Their pooled fund units would also produce enough to provide them with the money to make their annual gifts during their lifetime. During the process of completing the pooled income fund contribution, the primary contact with the Brownes gradually shifted to the planned giving officer who was more adept with gifts completed as part of the estate planning process.

In mid 1996, during the course of regular contact, the Brownes mentioned that they had completed a review of their estates and had decided that they could afford to make a much more significant gift. It became apparent that Mr. Browne was quite ill, and they wished to complete a gift in the near term so that he could see the gift completed during his lifetime.

That same year, just prior to Mr. Browne's death, the couple completed a \$1 million gift to endow programs of interest to them. This gift was completed almost 25 years after their first \$10 gift.

The connection continues

Mrs. Browne, now a widow, has a net

worth estimated at several million dollars. She thinks of the organization like a member of the family, and has indicated that it is “in her estate.” One can only speculate about the amount of her final gift.

It is not atypical, however, for persons in Mrs. Browne's situation to, at some point, reduce their current giving to a level where their current gifts no longer qualify them as a “major donor.” It is very likely, in fact, that current gifts will cease entirely for a period of a few years prior to Mrs. Browne's death.

Imagine what would have happened if the planned gift program had not been allowed to give these donors greater attention. What if the major gift program had insisted that they would continue their current gifts at the same level forever, preventing planned gift specialists from assuming a greater role by introducing the concept of deferred gifts?

Taking the next step, imagine what would happen if her reduced current giving in the final years suddenly relegated Mrs. Browne to the same level of cultivation she received when she gave less in earlier years. Imagine also if she then received materials aimed at “upgrading” her current giving!

Footnotes for Gift Planners

When donors and prospective donors ask for more information about specific gift plans, you can turn to booklets from the Sharpe company with confidence.

Appropriate to send all year long, but especially relevant in the second half of the year, *Your Guide to Effective Giving in 1997* has been published and updated each year since 1964. This booklet focuses on the advantages of major current gifts—tax and non-tax benefits of giving securities, cash, and other property.

Written especially to address investors who hold highly appreciated securities, *Taking Stock . . . and Giving It* offers practical strategies for charitable gifts of securities, even when they have declined in value. Examples and advantages of giving now are emphasized.

Your Legacy . . . Planning for a Better Tomorrow speaks to donors about steps they can take to assure the most secure future possible for themselves and their loved ones. A “must-have” booklet for all

development programs to educate their constituency about creating effective estate plans with a charitable dimension. Cover art features an attractive four-color design.

Giving Real Estate emphasizes the many gift opportunities open to those who own appreciated real property. For many persons, real estate represents the largest percentage of the overall estate, and can be a good choice to fund current or deferred gifts. It is important, therefore, to share with your donors and prospective donors ideas for funding major gifts using these assets.

An unprecedented rise in the numbers of people reaching retirement age has begun and will accelerate over the coming years. *Giving Through Retirement Plans* reminds donors that charitable gifts can be a part of many vehicles created for retirement security.

You can order these and other booklet titles via mail, phone, fax, or the internet at www.rfSCO.com. ☞

News and ideas about Robert F. Sharpe and Company services and publications.

For more information, join us on the web at <http://www.rfSCO.com>.

Communication and Cooperation *Continued from page 6*

Worse still, imagine Mrs. Browne receiving a “sorry to see you go” lapsed member mailing when her current gifts stop.

All these events and more can and do occur in programs that are not managed with the changing circumstances in donors' lives in mind.

Results of cooperation

Gifts like the Brownes' don't just happen. They usually occur because of a long history of cooperation among a number of departments. They also involve careful record keeping and nurturing of institutional memory—sometimes in the face of frequent staff turnover. Readily accessible computers and donor tracking software are now helping to facilitate this process.

In a recent presentation to a university development department, some 35 development officers were in attendance. To

illustrate the need for careful record keeping in cases such as Mr. and Mrs. Browne, it was pointed out that an 85-year-old alum who graduated in 1933 may have dealt with as many development officers during 64 years of “alumni-hood” as there were development officers in the room! The file may be new to the person who just received the bequest notification, but the relationship is very “old” to the donor.

There can be significant dangers in too little or too much specialization, depending on innumerable factors. What sets the best programs apart, however, is the ability to put in place the appropriate level of division of labor. By creating departments and the natural areas of emphasis that follow, and taking “direction” from the donor, you reap the harvest of many years of prior cultivation—quite possibly with receipt of the donor's ultimate gift of a lifetime. ☞

Robert F. Sharpe and Company
5050 Poplar Avenue, Suite 700
Memphis, TN 38157
Phone: 1-800-238-3253
Fax: (901) 761-4268
E-mail: info@rfSCO.com
Web site: <http://www.rfSCO.com>

