Give & Take

VOL. 29 NO. 10 • OCTOBER 1997 NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Gift Planning Professionals Share Their Thoughts on the New Tax Law

If you are wondering what effects the new tax law will have on your development program, read on for the views of four fund-raising professionals.

Now that the Taxpayer Relief Act of 1997 is in effect, you may be wondering what it will mean for your donors and, ultimately, how it will affect your organization. Read on for the views of four gift planning professionals. They are Pamela Bennett, director of planned giving for Memorial Sloan-Kettering Cancer Center; Edward John, director of planned giving for the United Way of America; Jack Murphy, senior trust officer and director of planned giving for Cornell University; and Steve Settle, director of development and planned giving for the Society of the Divine Savior. Together they claim over 53 years of combined experience in fund raising and charitable gift planning.

Q. You've seen the provisions of the Taxpayer Relief Act of 1997. How do you feel planned gift development will be affected in the coming years?

Bennett: I think there will be improvements because of this new law, especially regarding charitable remainder trusts. There will be less opportunity for gifts which don't have much benefit for a charity with the new 10% remainder provision for CRTs.

John: I believe the new tax law will be a non-event for us. First and foremost, we will continue to focus on the "gift" aspect or charitable intent. Tax changes may affect the ultimate size of the gift or the gift vehicle, but this creates another opportunity to visit our donors.

Murphy: I think initially the law may create some confusion for a period of time, particularly in the capital gain area. But soon this legislation, like the others that preceded it, will simply become part of the general understanding of advisors, planned giving professionals, and donors.

Settle: For us, I doubt that there will be any significant impact as a result of this law. I suspect that many if not most of our donors don't even itemize, and their primary motive for giving is certainly not tax-related. The tax aspect is only one small part of a gift, just the cherry on top of the sundae, so to speak.

Q. How do you plan to educate your donors about the effects of the tax law? Do you have any specific marketing efforts in mind?

Bennett: We have always focused our marketing efforts on charitable intent and we will continue to do so. Right now we are in the process of adapting one of our regular mailings to focus on the new tax law. We plan to send out the Sharpe booklet ("A Guide to Charitable Giving after the 1997 Tax Act") as an insert in one of our mailings.

John: We are starting by educating our staff and volunteers. First of all, Robert F. Sharpe, Jr., will be speaking about the tax law changes at our Planned Giving Roundtable for a number of local United Way organizations. Secondly, we are informing our local United Way organizations to look at the Sharpe web site for details about the tax law (www.rfsco.com). And we may also use the Sharpe tax booklet this fall.

Murphy: I plan to use every opportunity I have to talk with donors, trustees,

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Inside

In the News . . .

News and notes of interest to gift planners.

Good advice makes a difference

Most people wonder from time to time if the job they do really makes a difference in people's lives. This may be especially true of gift planning professionals who strive to help donors achieve their personal and charitable goals. According to a recent survey, gift planning professionals do make a difference in people's lives, one that could affect how donors will give in the future.

Conducted by Prince and Associates for *The Chronicle of Philanthropy*, a recent survey questioned wealthy donors about their experiences with financial advisors and nonprofit development executives during the process of planning major gifts. The donors who participated in the survey had each made at least one planned gift of $75,000 or more.

Of those who had a positive experience with professional advisors, 81% of donors surveyed said they would make another planned gift and 88% would recommend such gifts to their peers. On the other hand, of donors who felt they were not given good advice from professional advisors, only two percent would consider another planned gift!

Donors also expected good advice from planned giving officers employed by charities. Of donors who had a positive experience with planned giving officers, 94% would recommend planned gifts to their peers and an overwhelming 100% would suggest that friends support the same charity.

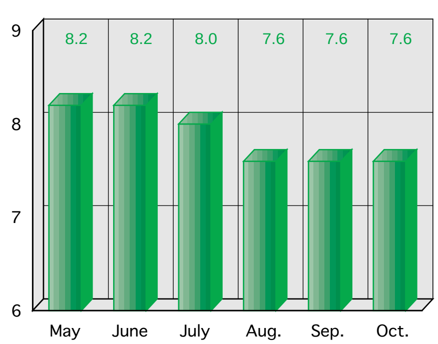
But when it comes to knowledge of the technical details of making a planned gift, donors expected more from professional advisors. Only 16% of those surveyed thought that planned giving officers needed extensive technical expertise, while 98% expected their financial advisors to be skilled in executing planned gifts.

What does this survey mean to gift planning professionals? The bad news is donors who are not happy with advisors may stop giving altogether. The good news, however, is planned giving officers and professional advisors can have a strong positive impact on donors' giving. The findings reveal that donors, when properly advised, have a propensity to give again and become advocates for the organizations they support.

Complete results of this survey and other research is included in *The Charitable Giving Handbook.* Call 1-800-423-2288 for more information.

Source: *The Chronicle of Philanthropy,* August 7, 1997

Discount Rates



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

Secretary bequeaths $18 million to help children

No one ever dreamed that Gladys Holm, a retired secretary, had $18 million dollars. But this woman who never earned more than $15,000 a year left $18 million to the Children's Memorial Hospital in Chicago. Holm, a volunteer at the hospital, sometimes eluded to "having something" for the hospital in her will.

Holm accumulated her wealth by investing small but consistent sums of money in the stock market over the years. Holm's former boss often advised her to invest her excess earnings in stocks, which she did. She also lived modestly in a two-bedroom townhouse in a Chicago suburb.

Source: *The Commercial Appeal,* Memphis, TN, August 1, 1997

Give & Take

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Charitable Intent and Tax Concerns Result in $1 Million Lead Trust

How a lead trust gift will help save lives and reduce estate taxes.

Although the charitable beneficiary of this lead trust wishes to remain anonymous, the story of this gift bears repeating and may inspire your organization to take another look at the charitable lead trust as a valuable gift planning vehicle.

The gift: A $1 million charitable lead trust, funded with appreciated securities. The trust will pay $80,000 annually for 15 years to a community foundation for healthcare. At the end of 15 years, the trust assets will be distributed to the donors' children and grandchildren in generation-skipping trusts.

The donors: Jean and Michael Ford (pseudonyms are used for anonymity) were in their late sixties when the gift was completed early last year (Michael passed away within six months). They were active community leaders in their small midwestern town of approximately 15,000 people. A successful business owner, Michael served on the boards of many local charitable organizations including, since its inception, the community healthcare foundation that received this gift.

The organization: The charitable recipient is a two-year-old community foundation focused on healthcare philanthropy. Currently the foundation consists of an executive director, administrative assistant, and 15 board members.

The foundation "evolved out of a capital campaign for a new community hospital," said the organization's executive director. "Local leaders wanted this to be a foundation serving the healthcare needs of the entire community, not just the new hospital," he stated. To date, the foundation has contributed funds to 13 local health-related nonprofits.

Background of the gift: The Fords had a history of giving back to the community, having been generous donors to the previous hospital as well as contributing major funding and leadership during the capital campaign for the new facility.

After the community healthcare foundation was formed, Michael took on another leadership role as a board member. And, when the foundation decided to encourage estate planning reviews by its donors and friends, Michael once again led the way by putting his own estate through a review process.

The executive director believes this estate planning review was key to "the gift of a lifetime" the foundation would later receive. "The Fords already had a good estate plan that had been revised recently," he said. "However, when the Ford's realized what their potential estate taxes would be and how this would affect their heirs and charitable goals, they wanted to learn more about reducing these taxes while helping the local community."

About the gift: The charitable lead trust took approximately seven months to arrange. During that period, the Fords met several times with the executive director and other representatives of the foundation to discuss various options. "The gift would not have come about without a number of months of education for the couple on how the community and their family could benefit from certain tax incentives," noted the executive director. The Ford's children were also involved in the planning process and supported their parents' charitable intentions.

The motivation: The Ford's concerns were twofold; first, providing for their children and grandchildren in the wisest way possible and, secondly, making a significant gift that would help save lives in their small community.

While a family (non-grantor) charitable lead trust is a taxable trust, it is allowed an unlimited charitable deduction for required payments to the charitable beneficiary. The family beneficiaries' future interest is a taxable gift, but at a substantial discount because of the present value of the

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New Tax Law . . . *Continued from page 1*

"Emphasize the positives of the new law."

volunteers, and staff about the new tax law. My staff and I are already scheduled to speak at the Cornell Law School Annual Campaign Kick-Off, our upcoming trustees' meeting, and donor events in California. We will also be using the Sharpe tax booklet as a follow-up piece to our next newsletter and sending it out to a broad group of major donors.

Settle: Right now we don't have any mass mailings planned directly related to the legislation, and I don't believe emphasizing this law is crucial to our mission. But, if our donors request information on the new law, we will send them some general information and advise them to speak with their attorney or other advisors for more specifics.

Q. Have you already seen any effects from the new tax law?

Bennett: I have not heard much from donors yet, but we have gotten some calls from advisors who wanted to discuss how charitable remainder trusts will be treated differently under the new law.

Murphy: Yes. This July was one of our most active Julys ever. We had 37 trust gifts in that month. But, in August things slowed down because of fluctuations in the stock market and confusion about the tax law. In our experience so far, this confusion has led to some delays of making gifts of appreciated property.

Q. What specific advice would you give to your fellow gift planners in light of the new tax law?

Bennett: Just stick to the basics and market charitably. It may be tempting to market planned gifts by tax benefits, but you're generally not going to reach the most motivated donors that way. Keep focusing your marketing on your mission and you'll come out ahead.

John: I think it is important to approach this law from a positive standpoint. Don't assume that your donors know anything about the law. Explain to them that there are still benefits to charitable giving and encourage them to ask their advisors for more help. Planned giving professionals may also see this as an excellent opportunity to revisit training, review the four-tier structure of income, and brush up on their knowledge of holding periods.

Murphy: Emphasize the positives of the new law. Of course charitable intent is what really drives giving. But lower taxes are nothing but good for charitable organizations since they create more individual wealth. A good economy and declining tax rates encourage giving because individuals have more to give.

Settle: Keep in mind that you're not the donor's lawyer. Resist any urge to "play lawyer" when it comes to this revised law. Ask donors, "Have you talked with your attorney, your CPA, and your family about this gift?" Also, don't forget to carefully proofread all of your marketing materials to make sure they are still valid under the new tax law. G&T

Lead Trust . . . *Continued from page 3*

income flowing to charity. In the Ford's case, they were able to give $1 million of assets while using only slightly more than $300,000 of Michael's $600,000 unified credit equivalent amount in the process. The value of the gift for estate tax purposes was determined at the time the trust was funded. Any capital growth in the trust goes to family in 15 years, free of estate tax.

Although all of the above was appealing from the estate planning standpoint, what really motivated Jean and Michael was the ability to invest what is anticipated to be more than $1 million in payments to benefit the community and lead the way in building up the area's healthcare services.

The gift's message: Although they will rarely, if ever, be the cornerstone of most organizations' gift planning programs, charitable lead trusts do offer certain donors a unique way to fulfill their charitable goals while they reduce the taxes that could possibly "devour" over half of their estate. Perhaps the executive director of the community foundation said it best: "Maybe the gifts aren't driven by tax benefits, but they certainly are enhanced and often triggered by them." G&T

How To Plan a "Successful" Mailing

by Bo McElroy

Was your last planned gift promotional effort successful? Before you go wading through your files to pull out last quarter's results, think about what those spreadsheets really tell you about the mailing. You probably know the number of responses, but do you know if the responses were mostly general requests for information inquiries or highly qualified prospects? Are you sure that those who received the mailing were the best possible candidates for the subject matter? A "successful mailing" is always a relative term that depends on pre-established goals. Here are some tips to help you accomplish your goals with your next effort.

Are you working from a clean list?

One of the most important aspects of a mailing is who receives it.

If you want prompt replies from donors interested in planning bequests and deferred gifts, your list should consist of donors in middle- to upper-age ranges. Be careful not to remove donors from your list due to the small size of their gifts. The amount they have given is generally not as important as the length and frequency of their giving.

What is your subject?

Be specific when it comes to the subject matter of your mailing. Remember that some mailings will have broader appeal than others. For example, mailings on wills and bequests and, most recently, gift annuities usually generate a greater number of responses than mailings on more technical gift plans because of their appeal to a broad group of donors.

On the other hand, people who respond to mailings about less familiar gift planning vehicles may have a greater capability to seriously consider a major gift.

Consider the contents

Mailing packages vary greatly. Two of the most important elements in any mailing are the carrier envelope and the response device. The outer envelope is the first element of the mailing a donor will see. Make the envelope appear as important as possible, and preferably look like a piece of quality business correspondence.

The response device you include should be easy for the donor to use. If you make it difficult for the reader to respond, fewer will take the trouble. Common problems include giving the donor too many choices, resulting in confusion, lack of space for older persons to write legibly, and not including a postage-paid reply envelope. Not only is the postage-paid envelope very convenient, it offers the confidentiality that is very important to many donors.

Are you looking for quality or quantity?

Before you mail, decide exactly what you would like your mailing to accomplish. Is your goal to find 100 donors who have a mild interest in gift planning? Or perhaps you would prefer 5 responses from committed donors who have already made a bequest or other planned gift commitment or possess the desire and capability to make such a gift?

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Determining your goals before you mail will help you plan communications with donors.

Bo McElroy rejoined the Sharpe company in July 1997. During her long tenure here which began in 1975, she has been instrumental in assisting development programs across the country with their marketing strategies.

11 Years Ago in *Give & Take*

As the world of philanthropy geared up for the Tax Act of 1986, Robert Sharpe, Jr. spoke with Austin Kiplinger, president of The Kiplinger Washington Editors and a noted observer of trends in America. As we face the Taxpayer Relief Act of 1997, Kiplinger's advice to gift planning professionals bears repeating today. Here is an excerpt from the September 1986 issue of *Give & Take.*

Kiplinger: "If we seekers of funds—both the professional as well as volunteers—do our jobs well, we will minimize the impact of tax changes, and we will motivate the new holders of wealth to do some good and have some fun with what they have acquired.

"The root of giving is the desire to do something worthwhile—to create, to support, to perpetuate. If tax benefits make it easier, well and good. But tax benefits are not the principal human motivating force... Let's make people give because they want to, and then let's make them feel good about it."

Wise advice 11 years ago. Wise advice today. G&T

Footnotes for Gift Planners

News and ideas about Robert F. Sharpe and Company's services and publications.
For more information, join us on the web at **www.rfsco.com**.

New booklet explains tax law changes

The new Taxpayer Relief Act of 1997 is now in effect. As noted in the September issue of *Give & Take* (to review this issue on-line, see www.rfsco.com) there is much information to know about how the new law relates to gift planning and development for nonprofits. Are you prepared to tell your donors how the provisions of the new law may affect THEIR giving plans this fall and in future years?

Here are three suggestions on how to educate your major donors about the new tax law:

1. Mail "A Guide to Charitable Giving after the 1997 Tax Act" with each gift acknowledgment or receipt.

2. Plan a special mailing of "A Guide to Charitable Giving after the 1997 Tax Act" to a select group of high-interest donors. Consider including the following:

- Those who have made gifts over a certain amount, perhaps $100 or more, in the past.
- If you choose a higher gift level such as $500 or $1,000, be sure to include those with higher cumulative gift levels even if they have never made a single gift at the threshold amount you choose.
- All who have made stock gifts. If you don't code such gifts, try searching for gift amounts that do not end in zeros. For example, a gift of $3,237.42 is likely to be the proceeds from the sale of a gift of stock.
- Those persons who have made planned gifts or received a proposal for planned gifts over a certain time period.
- Volunteers, advisors with whom you have interacted, key staff members, and others you believe might benefit from a greater understanding of the provisions of the new law.

3. Give out "A Guide to Charitable Giving after the 1997 Tax Act" when you visit with donors in person or during your regularly scheduled seminars.

For a sample copy or to place an order, call toll-free 1-800-238-3253.

All booklets soon updated to reflect new tax law

The entire collection of Sharpe booklets is now being revised to address the Taxpayer Relief Act of 1997. Each booklet highlights a different aspect of charitable gift planning and is designed to help you communicate with your more interested donors and prospects. Rewritten in light of both the direct and indirect impact of the new law on various gift planning techniques, these booklets feature reliable and understandable information to guide donors as they work with their advisors to implement their plans. To receive copies of new booklets as they become available, call 1-800-238-3253, ext. 371 or e-mail info@rfsco.com.

Time is of the essence for year-end

Remember year-end is just around the corner. The following materials are still available for use before the end of the year. All of these publications have been revised to reflect the 1997 Tax Act.

Clearly written, attractive six-panel brochures provide a convenient way for you to reach a broader group within your constituency. These brochures point out the importance of gift-timing and the continued tax advantages of certain charitable gifts. See the samples enclosed in this *Give & Take.*

If you prefer, you may wish to consider sharing year-end giving information in four-page newsletter format. The year-end giving issue of the Sharpe informational newsletter series features tips for giving before the end of the year and is designed to be extensively customized to meet your needs if desired.

Time is short, so reserve your copies soon. Call 1-800-238-3253 to order or to receive more information. G&T

Seminar Update

Major Gift Planning I—Options and Opportunities

In two intensive, information-packed days, presenters Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., discuss the most important information gift planners need to know to successfully guide their organizations into the 21st century. By linking their knowledge and over 40 years of combined experience, Sharpe and Tidd lead participants through the most comprehensive training available.

Highlights include:

• The role of gift planning within the fund development program.

• Current and deferred gift planning techniques.

• Deferred gifts in capital campaigns.

• Tax and other financial considerations in planning major gifts.

• Integrating charitable gifts into estate plans.

• Working successfully with donors' advisors.

Make sure you are prepared to meet your donors' needs in the coming years by attending this popular seminar. Registration is always limited to allow for more interaction between participants and instructors.

Major Gift Planning II

For the more experienced gift planner, "Major Gift Planning II" focuses on using various planning tools to help donors meet multiple goals while making significant gifts. A working knowledge of various gift planning vehicles is assumed.

Presenters Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., pay particular attention to the practical challenges facing today's fund raisers.

Planned Giving When That's Not All You Do

This one-day seminar will help you focus your efforts when you're responsible for more than planned giving. One of our most popular training sessions, "Planned Giving When That's Not All You Do" is designed to broaden the basic knowledge of gift planning in your organization, from your CEO or president to the support staff who may be first on the phone with donors. Once they are informed of the benefits of planned giving for your donors and your institution, your co-workers will become some of your best planned giving advocates. G&T

Keep watching *Give & Take* in the upcoming months for specific seminar dates in these cities in 1998. Multiple registration discounts are available.

For more information or to register, please contact the Sharpe company.
Call 1-800-238-3253, ext. 360
Fax (901) 761-4268
Web site www.rfsco.com
E-mail info@rfsco.com

Successful mailing . . .

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Either outcome could be seen as "successful" depending on your objectives.

One way to define your goals is to consider your situation. For example, do you have the staff available to phone and visit respondents? Be careful not to take on more response than you can handle, but continue to challenge yourself and other staff members. Once you have defined your goals, then you can choose mailing materials and lists to help you reach them.

A successful mailing means different things to different organizations. Every constituency is unique, so beware of comparing your results to those achieved by others who may be working under very different circumstances. Determine your success by testing against your own best results to date. G&T

Remaining 1997 Dates

October 20-21
Major Gift Planning II
Pasadena

October 22
Planned Giving When That's Not All You Do
Philadelphia

November 10
Planned Giving When That's Not All You Do
Chicago

November 17-18
Major Gift Planning I
Tampa

December 1
Planned Giving When That's Not All You Do
Atlanta

December 8-9
Major Gift Planning I
Washington, D.C.

1998

January
Major Gift Planning I
Atlanta (Jan. 26-67)
Planned Giving When That's Not All You Do
New York

February
Major Gift Planning I
San Diego (Feb. 23-24)
Major Gift Planning II
Dallas

March
Major Gift Planning II
New York
Planned Giving When That's Not All You Do
St. Louis

April
Major Gift Planning I
Chicago
Planned Giving When That's Not All You Do
Boston

May
Major Gift Planning II
Tampa
Planned Giving When That's Not All You Do
Washington, D.C.

June
Major Gift Planning II
San Francisco
Planned Giving When That's Not All You Do
California

July
Major Gift Planning I
Pittsburgh

August
Major Gift Planning II
Chicago
Planned Giving When That's Not All You Do
Chicago

September
Major Gift Planning I
New York

October
Major Gift Planning I
Los Angeles
Planned Giving When That's Not All You Do
Pittsburgh

November
Major Gift Planning I
Kansas City

December
Major Gift Planning II
Washington, D.C.