

Give & Take

VOL. 30 NO. 12 • DECEMBER 1998 NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Down to the Wire: Timely Ideas for Stock Gifts

by Timothy Sharpe

Despite the volatility in the stock market since July—and perhaps, in part, because of these ups and downs—this year may shape up to be a banner year for gifts of stocks and other appreciated securities. As in years past, many of these gifts will be received in the closing weeks, days, or even hours of the year. The windfall may bring mixed blessings as nonprofits enjoy what are often sizable gifts of property but are less than enthusiastic about the processing that must be handled to perfection under what can be extreme time pressures.

Be prepared

The current volatility in the market makes it more critical than ever that one take the necessary steps to be prepared to accept gifts of securities. With a rapidly changing market, the likelihood increases that a stock may lose significant value between the time the donor completes the gift and the time the property is actually sold for the charity's benefit. With advance preparation, these gifts can be quickly processed and put to work for the nonprofit.

For example, now may be the time to review the status of organizational accounts with leading brokerage houses. You can complete or update the necessary forms and make certain advance decisions, such as determining your organization's policy on whether or not to immediately sell donated securities. You will also need to obtain your primary broker's "DTC" (Depository Trust Corporation) number, which is similar to a bank routing number. Donors will need

the DTC number so that their representatives can transfer shares electronically to your organization's account.

The better prepared you are when a donor decides to make a gift of securities, the more professional you will be in handling these transactions. This builds greater confidence in your institution in the mind of the donor.

Taking stock—a check list

1. **Who owns the security?** If it is jointly held, for example, both parties must sign a stock power or letter of instruction to their broker.

2. **How is it owned?** The way a security is transferred changes depending on whether the donor holds the actual certificate or the asset is held in "street name" in the donor's brokerage account.

- If the donor holds the certificate, the donor should hand deliver or mail it to the charity in one envelope. A stock power signed in blank should be mailed in a separate envelope.

- For street name accounts, the donor should instruct his or her broker in writing to transfer the asset to the charity's account or brokerage firm.

- If the donor wishes to give a mutual fund, the charitable recipient may be required to open an account with the fund in order for shares to be transferred without triggering capital gains for the donor. Certain "load" funds can be transferred in much the same manner as individually traded securities.

Dealing with gifts of securities in December.

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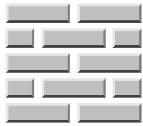
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Give & Take

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Opera lover gives \$25 million to the Met

Alberto Vilar, Cuban born founder and president of the billion-dollar Amerindo Investment Advisors, donated \$25 million to New York's Metropolitan Opera—\$20 million as an outright gift and \$5 million as a challenge gift.

A passionate fan of the opera (he proudly attends over 100 operas each year), Vilar has been very involved with the Met, sitting on the board of the institution. "I believe the Met is a unique institution. I believe it's the best opera company in the world," Vilar stated.

Source: *Pensacola News Journal*, October 4, 1998

The wealth is spreading

According to the research firm PSI Global, 10,528 American households have a net worth of at least \$50 million. There are tens of thousands of families with assets of \$1 million or more. Therefore more careful gift and estate planning will continue to take on greater importance now and in future years.

Source: *Forbes*, October 12, 1998

California college receives \$35 million

Saint Mary's College in suburban San Francisco received a \$35 million gift from

an anonymous donor. The gift will be used to build a new science center and fund two new academic programs at the small, private liberal arts school. The building will be called the J.C. Gatehouse Hall—the initials were specified by the mystery donor.

Source: *Philanthropy Journal Alert*, October 9, 1998

Budget bill brings good news for private foundation donors

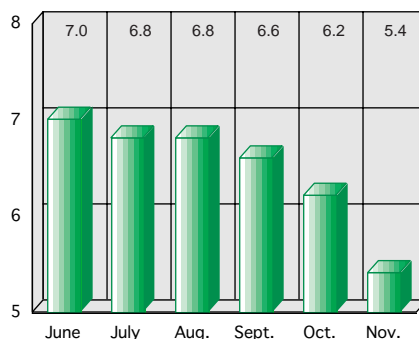
In mid-October Congress and the President settled on a budget bill which also establishes new rules for this year. While most of the proposed new tax breaks were dropped, one tax incentive that affects some donors did pass. The budget bill restores the fair market value deductibility for gifts of appreciated securities to some private foundations.

This is welcome news because, as *Give & Take* reported in June and July of this year, the deduction for gifts of stock to private foundations expired on June 30, 1998, as a result of provisions in the Taxpayer Relief Act of 1997. This development should lead to renewed interest among some wealthy persons in the creation of their own private foundations and may result in less interest in supporting organizations and other alternatives to private foundations that have gained in popularity with some donors and their advisors in recent years.

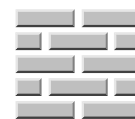
Source: *The Kiplinger Tax Letter*, Vol. 73, No. 21



Discount Rates



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



Robert F. Sharpe & Company, Inc.

*Celebrating
35 years*

of helping nonprofits build
long-range financial stability.

Newsletter Mailing Results in \$300,000 Gift Annuity

In 1994, Jerry Gaughan became the first development director at the Capuchin Franciscan Friars in Pittsburgh. Since then, he has been busy building their donor base and establishing a formal development program. "I knew that the Capuchins had provided a great deal of service in the area and that if we asked for help, people would respond," Mr. Gaughan said. "And they have."

Mr. Gaughan started a direct mail fund development effort two years ago and today the Capuchins have a donor base of over 30,000 people. He currently sends three planned giving newsletter mailings a year to selected donors and other friends of the Capuchins. One particular newsletter on the topic of gift annuities resulted in a \$300,000 gift for the Capuchins. For Mr. Gaughan, the gift was one that proved his theory about using newsletters to communicate with donors about planned giving: "If you get the word out there to the right individuals and your organization has a good mission that has touched people, people will remember it and they will respond."

How the gift developed

Last spring, Mr. Gaughan mailed a newsletter on the subject of gift annuities, prepared by Robert F. Sharpe and Company, to 12,500 persons. The package consisted of the newsletter, a cover letter, a response device, and a card listing the Capuchins' gift annuity rates. The newsletter described how a gift annuity works and its benefits for the donor. The response device contained an area for donors to request further information either in the form of a booklet or through a personalized gift annuity proposal based on their specific age. "These particular donors didn't use the reply card," explained Mr. Gaughan. "They just called."

The donors, a Chicago couple in their mid-80s, received the gift annuity newslet-

ter and had filed it away. Mr. Gaughan believes that they were prompted to take another look at the newsletter when they saw a gift annuity ad in another one of the Capuchins' publications. The donors then called Mr. Gaughan and requested some personalized gift annuity calculations. "The gentleman was from Pittsburgh," Mr. Gaughan said, "and had been touched by the Capuchins when he was a young man and wanted to make a special gift."

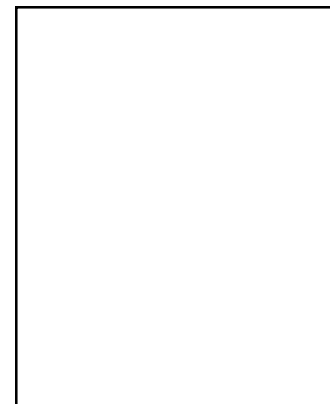
After the couple received the calculations, they decided to fund a two-life gift annuity with appreciated property valued at \$300,000. "They used some appreciated stocks and bonds for the annuity," Mr. Gaughan stated. "They are enjoying more tax-free income and a nice tax deduction, they are removing the assets from their estate, plus they are helping the Capuchins, which is the most important thing to them."

Going the extra mile—literally

After the couple made the decision to fund the gift annuity, they told Mr. Gaughan that they wanted to come to Pittsburgh to complete the gift in person. "I was surprised when the gentleman and his wife wanted to come to Pittsburgh to complete the gift," said Mr. Gaughan. "I was even more surprised when I asked him what time their flight got in and he told me they were going to drive!"

Mr. Gaughan gave the couple directions and scheduled a time to meet them. On the day of their arrival, Mr. Gaughan waited for the donors at the predetermined place and time. "When I went out to meet them, I saw an elderly couple driving by very slowly in a car that had Illinois license plates," he said. "I thought that had to be them."

Although he waved to get their attention, the couple stopped only briefly, then continued down the street. Mr. Gaughan,



Jerry Gaughan

Down to the Wire . . . *Continued from page 1*

3. **When is the gift complete?** This question is not as simple as it may seem. The general rule is that the gift is complete when the donor has irrevocably relinquished all ownership and control over the property.

- If hand delivered, the gift is complete upon delivery.
- If the certificate and stock power are mailed separately, the date of gift is the latter of the two postmarks. For this reason, it is a good idea to keep all envelopes associated with stock gifts.
- If a broker is given transfer instructions, the gift is generally complete when

assets are actually transferred into the charity's account (in the case of a DTC transfer, it is not clear whether the gift is complete on the date of transfer out of the donor's account or the date of receipt by the charity's account).

4. **What is the value of the donor's gift?** Gift value for the donor's tax purposes is determined on the date of the gift and is **not** related to the value the charity receives upon selling the property.

- Establishing value for tax purposes is ultimately the donor's responsibility.
- The charity should acknowledge the gift by describing the assets contributed (number of shares, etc.) and the date the gift was received.

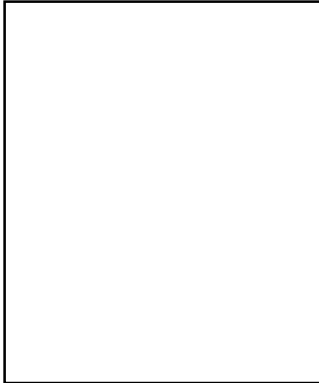
- If a value is stated as a matter of convenience and to indicate the amount of credit being given to the donor for his or her gift, a disclaimer should always be added. The disclaimer should state that donors are encouraged to seek their own counsel in tax matters.

5. **If property has decreased in value,** then donors should generally be advised to sell the securities themselves so they may be able to claim all or a portion of the loss for tax purposes and then give the proceeds.

6. **Be sure the broker understands instructions** to transfer the asset itself and not to sell the securities and donate the proceeds. This is unfortunately a common mistake and one that results in capital gains tax for the donor.

Stocking up in December

As you approach the holiday season and the end of the calendar year, act early and decisively to be ready to accept the increased gifts of stock and other property that may be coming your way. Both your donors and your organization will benefit from having clear and effective procedures already in place. ☞



Timothy Sharpe, based in the Washington, D.C., area office, is executive vice president of the Sharpe company.

Sharpe Discusses Stock Market Volatility

In the Sunday, October 25 issue of *The New York Times*, Robert F. Sharpe, Jr., commented on how the stock market's recent swings may or may not affect charitable giving. Unlike most of those quoted in the article who felt that gift of stocks to charitable organizations may suffer from stock market volatility, Mr. Sharpe pointed out that challenging economic times need not adversely affect giving to many charities.

"Historically, the wealth effect takes about two years before it breaks the charitable giving cycle, so it will be 2001 before we really know what is going on," Mr. Sharpe told *New York Times* reporter David Cay Johnston. "People cancel vacations before they cancel their pledges to their church or synagogue or college," he said in the article.

Mr. Sharpe adds comments for *Give & Take* readers.

"It is unlikely that a few months of market volatility will have a significant adverse affect on charitable giving. After the crash of 1987, charitable giving was not affected for quite some time, and then charities that adapted quickly and redoubled and shifted their efforts did not experience particularly negative consequences. Looking further back in time, at the end of the Great Depression, *The New York Times* reported that educational institutions that experienced growth in funding during that period did so largely on the strength of increased bequest income." (See *The New York Times*, April 3, 1939, for more specifics.) ☞

Acknowledging Donors—Part II

In last month's Give & Take, we featured an interview with two development professionals about acknowledgment systems and the importance of thanking the people who give to nonprofit organizations. This month we continue our in-depth discussion with Tom Cullinan, executive director of gift planning at the University System of Maryland, and Donald Ragona, director of planned giving for the Native American Rights Fund.

Give & Take: How do you acknowledge those long-term donors who may not give large sums of money, but who have exhibited their commitment to your organization regularly for many years?


Cullinan: We try to give such donors special attention. Longevity is a key indicator of a higher likelihood for making planned gifts, so we always look for ways to involve these people. When you look at setting up a campaign, the people who tend to be named to advisory committees or campaign cabinets are those who either have made a large donation in the past, have the potential to make a large gift, or they work for a company who could make a significant gift. But we also try to involve those very committed donors to cement the relationship in the most positive way possible, inviting them to explore new connections with the University. These people may not be on everyone's "A" list, so to speak. But I think it is our job to comb the "B" and "C" lists and to seek to include the most committed among the ranks of these donors in appropriate ways.

Ragona: We have some loyal Peta Uha [NARF giving society] members who are reaching a point in their lives when they can no longer give at the same level. We are now in the midst of developing a program specifically for these people. What this program will do is formally acknowledge them as lifelong members, thank them for their support over these many years, and let them know that just because

they are not able to give as much or as often as in the past, that they will always be a vital part of the Native American Rights Fund and that they will continue to be honored members of the NARF family.

Give & Take: What advice would you give to fellow gift planning professionals about the importance of having a system in place for acknowledging donors' gifts?

Cullinan: I think the most important thing about any system is that it be responsive to our donors' needs. The philosophy I have about systems and procedures is that they are there to help us out not when we are good at our job, but when we are not. So you want to make sure that donor acknowledgments aren't overlooked or somehow don't get done in the proper way. I also think it is important that you have a flexible system, one that will draw out people who are good examples who will inspire others and provide models for other prospective donors. For example, we currently have one particular faculty member who is making a commitment to the University. Because it may lead us to finding other faculty members who are interested in making similar gifts, this gift is getting the kind of attention a larger gift would receive because it serves as a good example of what a faculty member can do. If you don't recognize donors for their commitments, they are going to be less likely to give again. People can be forgiving, but there is a limit as to how forgiving we want to ask them to be.

Ragona: Genuine contact is invaluable and genuine thanks will be appreciated. Don't be phony with your donors. If you believe in what your organization is doing, share that story. You won't connect with everyone, but the relationship with those people with whom you make a strong connection will be lifelong, and it will be both personally rewarding and financially beneficial for your organization. 

Part II of our discussion with two development professionals about the significance of thanking donors.

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.

"Thanks for Giving" helps broaden donor relationships

Donors are truly the life-giving force behind every nonprofit organization. From modest dollar contributors to major givers of significant sums, donors to charitable organizations and institutions help advance

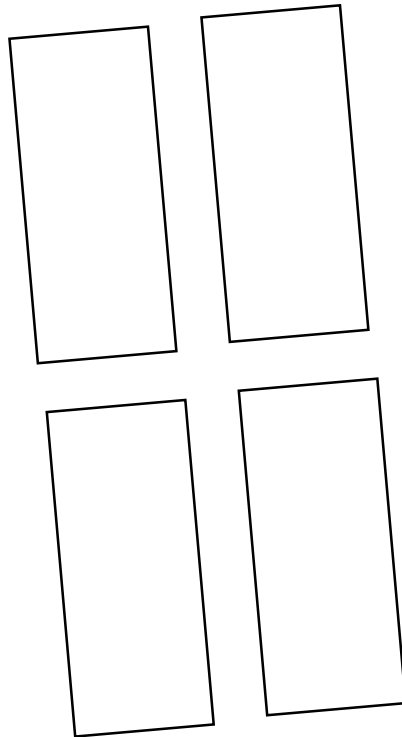
the causes they support and are invaluable assets to the philanthropic community.

Acknowledging donors for their generosity is critical to the overall success of your development efforts. The new Sharpe brochure "Thanks for Giving" is specifically written and designed especially to help you thank donors for their gifts. In addition, the brochure also points out in a low-key way a number of other giving opportunities that are available to them.

"Thanks for Giving" is available in four different cover designs. A perforated panel featuring a personalized response device allows interested readers to request more information on topics of interest to them.

Use "Thanks for Giving" as an insert in your gift acknowledgment letters or receipts, or consider an early 1999 mailing to all 1998 donors. "Thanks for Giving" is a cost-effective way to ensure that your donors are thanked for their current gifts while also informing them about planned giving opportunities.

For more information or to place your order, please call 1-800-238-3253 or fax (901) 761-4268. 




Newsletter Mailing . . . *Continued from page 3*

worried that the donors might get lost, ran after them. After chasing them for almost half a mile in the summer heat, he finally caught up with the couple. "The gift was certainly worth the extra effort," he said with a laugh.

Future plans

Mr. Gaughan has seen the positive effects of his consistent newsletter marketing efforts and plans to continue them in the future. "We are planning to expand the number of people we send the newsletter to because obviously it is working," he said. "We are going to try to have a workshop for our donors next year as well."

Mr. Gaughan reports that he is extremely happy with the results of his efforts thus far. "I feel that the newsletter has paid for itself in perpetuity," Mr. Gaughan stated. "We are going to continue to educate our donors about the giving vehicles we offer." 

Training Update

Major Gift Planning I - Options and Opportunities

In two concentrated, information-packed days, presenters Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., discuss the most important facts 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 a comprehensive training experience.

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


Major Gift Planning II

For the more experienced gift planner there is "Major Gift Planning II," which focuses on applying various planning tools to help donors meet multiple goals while

making significant gifts. A working knowledge of various gift planning vehicles is assumed. Special emphasis is placed on the impact of recent tax legislation and investment market conditions.

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

Planned Giving When That's Not All You Do

If you're responsible for more than planned giving, this one-day seminar will help you focus your efforts. "Planned Giving When That's Not All You Do" is designed to broaden the knowledge of gift planning throughout your organization, from the CEO or president to the support staff who may be first on the phone with donors. Your staff can become some of your best planned giving advocates once they understand its benefits for your donors and your institution. 

New Training Opportunity: Announcing "Gift Planning for the Management Team"


"Gift Planning for the Management Team" is designed as an interdisciplinary learning experience for those responsible for the management and administration of major and planned gift development programs.

During two fast-paced, information-filled days, participants who work directly and indirectly in facilitating gift planning efforts will learn ways in which they may work as a team to meet the challenges of the rapidly changing world of major and planned gift development.

A nationally recognized faculty will conduct this seminar. The presenters will

address their areas of expertise while acknowledging ways in which their roles sometimes overlap with others on their management teams.

This seminar will be of special interest to chief development officers, chief executive officers, financial officers, in-house legal counsel, major gift officers, planned giving directors, volunteers, and others who are part of the fund development team.

Upcoming dates listed at right. Visit the Sharpe Web site at www.rfsc.com for more information. 

Seminar Training Dates

Major Gift Planning I

New Orleans
February 18-19, 1999

New York
March 22-23

Chicago
April 8-9

Tampa
June 3-4

Major Gift Planning II

Phoenix
May 10-11, 1999

Chicago
December 13-14

Planned Giving When That's Not All You Do

Los Angeles
March 29, 1999

Chicago
June 30

Gift Planning for the Management Team

San Francisco
January 21-22, 1999

New York
April 29-30

Multiple registration discounts are available. For more information or to register, please contact the Sharpe company. Phone 1-800-238-3253, ext. 360; Fax (901) 761-4268; Web site www.rfsc.com; E-mail seminars@rfsc.com