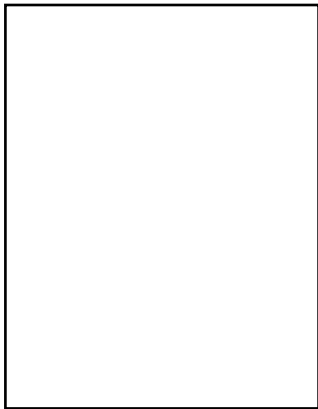


# Give & Take

VOL. 30 NO. 5 • MAY 1998

NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

## Asking for the Gift: A Discussion with Frank P. Wendt



*Frank Wendt*

Frank Wendt is the retired chairman of John Nuveen & Company, one of the world's largest creators of tax-free investment opportunities. Retired since 1988, Mr. Wendt has served on many not-for-profit boards and chaired campaigns for several educational institutions. This month we continue a series of interviews with nonprofit leaders which began with *Give & Take's* talk with Cornell's Dave Dunlop in the January and February issues. In this interview with Tim Sharpe, Mr. Wendt adds the benefit of his many years of experience as a volunteer leader and fundraiser.

**Sharpe: Nuveen's Closed-end Municipal Bond Fund offered in 1987 was the largest initial public stock offering (IPO) in the history of the New York Stock Exchange. How has your experience in the business world helped you as a solicitor, and donor, of major gifts?**

**Wendt:** My business experience taught me to treat major donors the same way in which my firm treated its customers during my 40-year career. Several thousand of the top customers (brokers) were given my unlisted number so they could reach me personally if they had a problem with one of our products. I made certain any problems were resolved immediately. Much in the way Dave Dunlop suggested in your earlier interviews, we became our customers' friends and advocates. In my work for charities, I have found that becoming friends with your donors is critical as well.

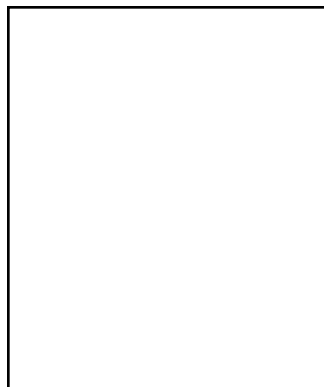
**Sharpe: Linking the financial world to philanthropy, how do you think people balance a natural need to give with their understandable desire to accumulate wealth for security?**

**Wendt:** Dr. Peter Gomes, chaplain of Harvard University, makes the observation that charitable giving is, in a way, unnatural. Everyone—our parents, banks, stockbrokers, etc.—tells us to save for the inevitable rainy day. Someone gives us a piggy bank when we are quite young to instill in us the habit of saving. When we start our professional careers, we are often blessed with the security of company-sponsored pension plans. Indeed, I spent my 40-year career on Wall Street showing people how to save for a rainy day by investing in tax-free municipal bonds.

It is not surprising, then, that prospective donors may be taken aback when folks from charities tell them, "You've got it all wrong. You're not supposed to accumulate treasure. It's better for you if you transfer a portion of your assets to us." Little wonder that fund raising is among the most stressful and challenging of all professions! Yet my association with fundraisers over the years has convinced me that it is also one of the most rewarding careers.

**Sharpe: Given that most of us have been taught to save money, how do you go about asking people to give away large sums?**

**Wendt:** First you have to ask yourself, "What is going to prompt the donor to respond favorably to my case?" Then



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

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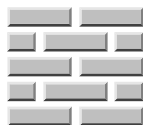
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gift planners.



### Give & Take

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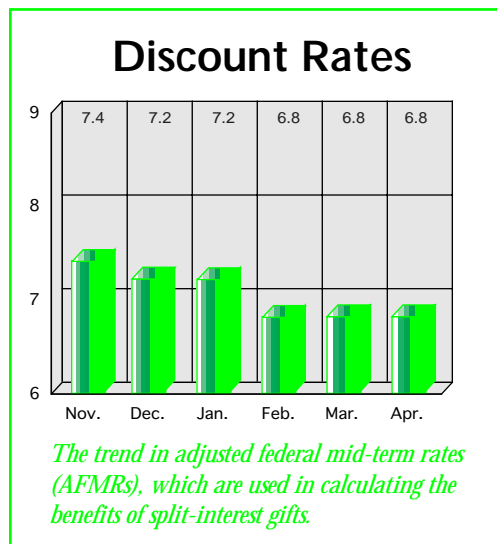
### Happy Birthday, new planned giving prospects

According to data compiled by the American Association of Retired Persons (AARP), over 2 million Americans turned 65 in 1996. The total number of people age 65 years or older was 33.9 million, or 12.8% of the U.S. population. The AARP study also found that older age groups are growing even older. Compared to data from 1900, the 65-74 age group was 8 times larger in 1996, the 75-84 group grew 16 times larger, and the 85 and over segment was a whopping 31 times larger. This is certainly good news for gift planners because the best major gift prospects generally come from these age groups.

Source: "A Profile of Older Americans: 1997," a publication of AARP

### Public wary of abolishing tax code

According to a confidential poll conducted by the Republican National Committee, the majority of voters do not support a Republican proposal to terminate the income tax code by December 31, 2001. While the public is clearly unhappy with the current tax system, the poll indicates that voters are listening to the Democratic party argument that abolishing the tax code without establishing a definite replacement for it could lead to serious economic consequences.




The Tax Code Termination Act states, "No tax shall be imposed by the Internal Revenue Code...for any taxable year beginning after December 31, 2001." Other specific issues that have divided the Republicans thus far, such as whether to retain the charitable contribution deduction or support a flat income tax system, are not addressed in the bill.

Source: *The Commercial Appeal*, Memphis, TN, March 22, 1998

### Tax breaks prompt some to give more

While the Taxpayer Relief Act of 1997 provided capital gains tax breaks for many investors, some feel that the new tax law unfairly benefited them. As a result, 80 wealthy people formed a group called Responsible Wealth—their goal being to donate the proceeds from their capital gains tax cuts to various charitable causes.

Mike Lapham, project director for the group, said, "As beneficiaries of numerous policies that are tilted in our favor, we felt a responsibility to take action to create a more fair system." So far the group has pledged at least \$628,000 to charitable causes, such as a campaign to promote more fair tax policies.

Lapham announced the group's formation at a press conference where the Citizens for Tax Justice released a new report indicating that 81% of the capital gains tax cut by the 1997 tax act will benefit the wealthiest 5% of Americans. 

Source: *The Commercial Appeal*, Memphis, TN, April 5, 1998



Robert F. Sharpe & Company, Inc.

**Celebrating  
35 years**

of helping nonprofits build  
long-range financial stability.

## Gift Annuity Rates Lowered at Conference

by Robert F. Sharpe, Jr.

At the twenty-third Conference on Gift Annuities held in Atlanta April 14-16, the new gift annuity rates recommended by the American Council on Gift Annuities were adopted. The recommended starting date for the new rates is July 1, 1998.


The new rates represent a slight reduction in rates for those age 83 and younger. Recommended rates remained unchanged for those age 84 and older. See the box below for a comparison of current rates to the new recommended rates.

The new rates for single-life gift annuities have been reduced by no more than .2% to .3%. Two main factors influenced the Council's decision to lower gift annuity rates. First, the assumed rate of return for gift annuities has been reduced from 7.0% to 6.75% to accommodate charities in certain states, like New York and California, whose return may be limited by investment restrictions. The second reason given for lowering the rates for charitable gift annu-

ities is to keep them differentiated from commercial rates to avoid any appearance of competition between charitable organizations and insurance companies.

The earnings assumptions for deferred gift annuities were reduced as well. This will result in slightly lower deferred gift annuity rates.

Surveys show that the majority of the Council sponsors routinely follow the recommended rate structure, although the rates are suggested rates only and sponsors are not required to follow them and there are no sanctions for failure to do so. With passage of the Charitable Giving Protection Act of 1995, Congress made it clear that charities may join together to recommend rates in keeping with practices of the American Council on Gift Annuities since 1927 without risk of violating federal anti-trust laws.

Two-life rates and factors for deferred gift annuities may be found on Robert F. Sharpe and Company's Web site at [www.rfSCO.com](http://www.rfSCO.com). 

Take a look at the new lower rates and the reasoning behind them.

### Single-life Gift Annuity Rates

Age	New Rate	Old Rate	Age	New Rate	Old Rate	Age	New Rate	Old Rate
55	6.5%	6.7%	70	7.5%	7.7%	85	10.5%	10.5%
56	6.5	6.7	71	7.6	7.8	86	10.8	10.8
57	6.6	6.8	72	7.7	7.9	87	11.1	11.1
58	6.6	6.8	73	7.8	8.1	88	11.4	11.4
59	6.6	6.9	74	8.0	8.2	89	11.7	11.7
60	6.7	6.9	75	8.2	8.4	90+	12.0	12.0
61	6.7	7.0	76	8.3	8.6			
62	6.8	7.0	77	8.5	8.8			
63	6.9	7.1	78	8.7	9.0			
64	6.9	7.2	79	9.0	9.2			
65	7.0	7.2	80	9.2	9.4			
66	7.1	7.3	81	9.4	9.6			
67	7.2	7.4	82	9.6	9.8			
68	7.3	7.5	83	9.9	10.0			
69	7.4	7.6	84	10.2	10.2			

*Robert F. Sharpe, Jr., is president of the Sharpe company. He advises a number of the nation's leading nonprofits in the design and implementation of their gift planning initiatives.*

## Wendt . . . *Continued from page 1*

“Listening is critical in fund raising, both for the gift planner and the donor.”

immediately ask yourself if you are doing things that almost undercut the goodwill your mission has established. Let me explain what I mean.

One day I received a letter from a non-profit that said, in effect, “We’re delighted to have had your support, but please note that we’ve changed our giving level categories. The Patron level is now \$1,500 rather than \$1,000.” Why did the organization do this? Was there any additional value to me, the donor? Or did the organization simply need more funding? It is understandable that an organization’s focus will most likely be on their immediate needs, but such actions can stand in the way of creating strong relationships with donors. My wife, Barbara, and I continue to support this organization in spite of their development efforts—not because of them!

I think it important that you establish a rapport with the donor, something that cannot be done easily or quickly. A gift planner needs to learn as much as possible about a donor’s business and family back-

ground, not just giving record. You must form a friendship, and that is best done through listening. A good friend listens carefully and really cares about what you have to say.

Listening is critical in fund raising, both for the gift planner and the donor. One of the challenges that fundraisers face is making the donor want to listen to their organization’s story, to engage themselves intellectually in a project, to envision themselves as having the capacity to do something positive, to make a difference.

And it is crucial that the friendships you establish begin long before the next capital campaign. It takes time and cannot be rushed to meet your deadline.

**Sharpe: What is the most common error, in your opinion, when it comes to effective fund development efforts?**

**Wendt:** I am convinced that many gifts are lost because no one ever really asks for the gift. The subject is approached and danced around, but often it is not handled

*Continued on page 5*

## Six Years Ago in *Give & Take*

Robert F. Sharpe, Jr., explored some guidelines for presenting gift annuities to donors in his November, 1992, article in *Give & Take* entitled “Marketing Gift Annuities.”

Here is an excerpt:

When communicating the benefits of gift annuities to prospective donors, it is vitally important that the benefits not be misstated. Federal security law anti-fraud provisions apply to gift annuity marketing activities, so descriptions must be accurate.

. . . Also, don’t invite comparisons you can’t win. Life insurance companies are aggressively marketing commercial annuities to older persons. . . . Thus, more and more of your older donors will be aware of the fact that they can sometimes receive higher rates from commercial annuities.

. . . Many donors, when comparing a commercial annuity with a charitable gift annuity, will opt for the lower rate of the gift annuity because they want to make a charitable gift. The tax deduction also is a welcome feature, which helps reduce, though not eliminate, the difference in payment size between the two options. *GT*

## Wendt . . . *Continued from page 4*

in a direct and forthright manner. The most difficult task for CEOs, trustees, and even for some development professionals is to get down to the specific case and ASK.

### **Sharpe: How do you suggest handling the thanking of donors and the ongoing relationship?**

**Wendt:** I suggest you look for a multitude of ways to thank your major donors. In doing so, you are keeping them involved. For example, consider asking the recipient of a scholarship to write a personal letter to the donor who made it possible. If a donor has provided new computers for the library, a letter from the librarian may be appropriate as well as a note from the president, the board chairman, and, of course, from the development officer. Make a tickler file to thank that donor in six months, a year later, and so on, always letting the donor know how the gift has made and is continuing to make a difference. And please forget the form letters for this purpose!

### **Sharpe: How do you think charitable giving makes people feel—both on the giving and receiving ends?**

**Wendt:** I've never met an unhappy donor. Development professionals know that a gift to their organization will make a difference. For if it didn't, there would be no reason for their efforts. However, a donor is not likely to part with a substantial sum of money if the person asking doesn't involve him or her with the organization's mission. Donors need to know their gift is making a difference over time, and they need to be told again and again!

### **Sharpe: How do you see planned gifts fitting in to the overall major gift development effort?**


**Wendt:** Planned giving allows organizations to help solve some of their donors' problems by finding more productive uses of assets. There are endless opportunities, and in all cases the gift planner should see themselves as doing the donor a favor by

helping solve a financial challenge while at the same time giving the donor the satisfaction of making a difference in the life of a charitable institution. That's the real "magic" of planned giving.

### **Sharpe: What does it take to be successful in encouraging planned gifts?**

**Wendt:** For a gift planner to be successful, the focus must first be on the donor's needs. Security is uppermost in the minds of most donors. Think of it this way. When you accept a new position, you ask about pensions, health benefits. Why? Because you want security. A major gifts officer must be prepared to address a donor's questions of "security." Planned giving can help provide those answers.


### **Sharpe: Do you have any final words of advice for gift planners?**

**Wendt:** Give your donors the benefit of your own personal research and hard work. Determine their interest. Be their advocate. Show them how they can make a difference to your organization without negatively impacting their own financial security. But most important of all—when you've done all of the above—be sure to ASK for the gift. If you have done your part, asking for the gift can be a rewarding conclusion to a quite natural process. 

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"I've never met an unhappy donor."

## IRS Notice Posted on Web

In last month's *Give & Take*, we told you about IRS Notice 98-20, regarding the guidelines for treatment of long-term capital gain income as part of distributions from qualified charitable remainder trusts under the "four-tier" distribution system. If you would like to read the complete text of IRS Notice 98-20, please visit our Web site at [www.rfsc.com](http://www.rfsc.com) under the "Current Topics of Interest" section. 

## 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](http://www.rfSCO.com).

### Special budget planning options

If your organization's fiscal year begins in July, you may be winding down your budget for this fiscal year before you begin the next. Robert F. Sharpe and Company understands this dilemma and for many years we have gladly worked with organizations and institutions to provide flexible billing options, which include:

- Dividing billing over two budget years
- Allowing payments for publications or services to be made early while budget funds are still accessible
- Postponing billing for products and services currently used until the new fiscal year begins and budget funds become available.

With flexible billing, we hope to assist you in making a smooth transition from one fiscal year to the next. Please contact a Sharpe representative to find out more about accelerated or delayed billing options.

### Preparing for gift annuity rate changes

In its triennial meeting in Atlanta in April of this year, the American Council on Gift Annuities released new recommended gift annuity rates for use beginning July 1, 1998 (see page 3 for more information on the new rates). Now is the time to update your publication library with the newly revised gift annuity booklet entitled "Giving Through Gift Annuities." This booklet can serve you and your donors better than ever before. Why? It offers:

- A "rate neutral" format. Examples in the booklet are not associated with particular ages, making this piece especially flexible.

For example, one illustration features an annuity that pays 9.0% without giving the age of the donor. This is the rate for a 78-year-old under current recommended rates but it is the rate for a 79-year-old under the rates recommended for use after July 1. You can thus replenish your supply of booklets today with the confidence they

will not be "outdated" when new rates are adopted.

- Text that has been revised to emphasize the special benefits of gift annuities under the provisions of the 1997 tax act—specifically, the increased advantages of funding gift annuities with appreciated property due to the fact that income may be reported at more favorable, lower capital gains tax rates.

- An updated "Technical Advisory Section" that provides more in-depth information for donors and their advisors.

You may want to keep these booklets on hand to send to donors who respond to mailings, or you may decide to make a special mailing of these booklets to a specific group you believe may be particularly interested in gift annuities.

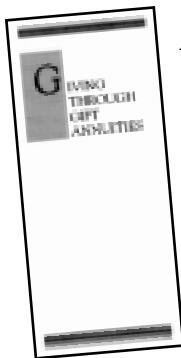
Act now by using the flexible billing options outlined above to take maximum advantage of marketing opportunities that may be inherent in gift annuity rate changes. Please call 1-800-238-3253 for more information about the new gift annuity booklet.

### Year-end giving time draws near

How do you plan to communicate with your donors at the end of the year? One proven method of explaining the benefits of major giving and gift planning at year-end is through brief, informative publications included as part of your fall appeals.

This year Sharpe offers five professionally prepared brochures designed for this purpose, including:

- Three brochures for general use that could serve as a support piece in your appeals
- A brochure specially tailored for use by educational institutions
- A piece built around a Thanksgiving theme which may be particularly appropriate for religious organizations and their constituents.



## 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 between 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

*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](http://www.rfSCO.com) E-mail [seminars@rfSCO.com](mailto:seminars@rfSCO.com)*

assumed. Special emphasis is placed on the impact of recent tax legislation.

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 your CEO or president to the support staff who may be first on the phone with donors. Your co-workers will become some of your best planned giving advocates once they understand its benefits for your donors and your institution. 



*Join us in our country's capital on July 15 for the one-day seminar "Planned Giving When That's Not All You Do."*

### Seminar Training Dates

#### Major Gift Planning I

Pittsburgh  
July 20-21

New York  
September 14-15

#### Major Gift Planning II

San Francisco  
June 1-2

Tampa  
June 11-12

Chicago  
August 3-4

#### Planned Giving When That's Not All You Do

San Francisco  
June 3

Washington, D.C.  
July 15

New York  
August 3

## Footnotes . . . *Continued from page 6*

Fully customized brochures are also an attractive and economical option for those with larger donor lists. A newsletter focused on year-end giving will also be available in the summer for those organizations that prefer a newsletter format for their donor communications. Several booklets, including "Taking Stock...and Giving It" and "Your Guide to Effective Giving in 1998," are also convenient for use with major gift donors and prospects.

Please call 1-800-238-3253 for more information or to place your order. 