

Give & Take

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NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Nine Tips for 1999

by Robert F. Sharpe, Jr.

What can gift planners do this year to enhance development efforts? Here is specific advice you can implement today.

As we begin 1999, which is both the last year of a century *and* a millennium, the world around us is changing—and these changes will undoubtedly have a tremendous impact on the way we pursue planned gift and other development efforts.

While there are any number of important actions you might consider now to help assure success in your programs this year, here are nine areas that may deserve special attention during 1999.

1. Monitor economic conditions very closely. There have been significant fluctuations in stock and bond markets in the past year. If these trends continue, donors will in all likelihood be more receptive to gift plans that offer a greater degree of certainty. Plans such as unitrusts, pooled income funds, and other gift vehicles that are more affected by ups and downs in investment markets, i.e. a “bumpier ride,” may be less attractive than plans that feature a fixed, predictable source of income.

Lower interest rates can have a number of different effects on charitable giving. They affect the size of charitable deductions, reduce disposable income for seniors, and lead to increased interest in gift annuities among older persons.

On the other hand, lower interest rates are leading to increased disposable income for younger persons who are enjoying the impact of lower mortgage rates, and they can make charitable lead trusts much more attractive to wealthier donors of all ages. (See page 2 for more information on the effects of lower rates on charitable gift planning vehicles.)

2. Maintain flexibility in marketing activities. Don't try to plan communications activities on subjects other than charitable bequests too far in advance.

While interest rates are low, emphasize gift annuities, charitable lead trusts, and other plans that are more attractive in such an environment. If interest rates rise, be prepared to quickly shift your plans accordingly.

3. Review minimum age and gift amounts. Take steps to assure that your minimum age and gift amounts still make sense in today's environment. If you anticipate lower overall investment returns in coming years, it may be prudent to increase minimum ages and/or gift amounts in order to reduce the risk of corpus or reserve fund exhaustion.

Risks are generally higher in the case of younger donors receiving relatively high payouts or if you are managing large numbers of smaller gifts where costs may become too high a percentage of the aggregate fund and thus lead to increased risk.

4. Bring marketing materials into line. Review all marketing and donor communications materials in light of current economic conditions and any changes you may decide to make in minimum gift or age amounts. Make sure that you are presenting examples that are still realistic in today's environment. Prepare or purchase materials with a view toward shelf life. Avoid unnecessary detail that could render materials obsolete in the event of economic fluctuations that lead to different payment rates, tax law changes, and other environmental changes.

Inside

An in-depth look at low discount rates Page 2

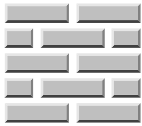
A Boston University gift planner shares her insights Page 3

Sharpe founder sets new course Page 5

Continued on page 4

In the News . . .

News and notes
of interest to
gift planners.



Give & Take

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Falling discount rates may spell opportunity for gift planners

The applicable federal mid-term rate (AFMR) used to calculate certain charitable gifts has been steadily declining over the past year. The November and December 1998 AFMR of 5.4% marks the all-time low since the floating rates took effect in 1989 and is now lower than the fixed statutory rate of 6% that was in effect until 1983.

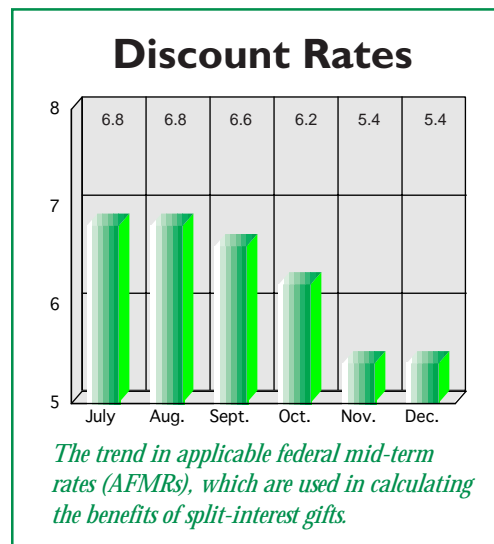
What do such low discount rates mean for gift planners and donors? Low rates can mean that charitable lead trusts will hold greater appeal once again. With the AFMR at record lows, the charitable lead trust offers gift and estate tax planning opportunities not seen in recent years. For example, at a 5.4% discount rate, a charitable lead annuity trust paying 8% for 20 years will result in a gift and estate tax deduction that serves to eliminate 98% of the tax liability that would otherwise be due on assets transferred to loved ones via this gift planning vehicle.

For those donors who are interested in life income plans such as charitable remainder trusts and gift annuities, however, low discount rates can in some cases reduce the attractiveness of a gift from a pure tax planning perspective. Now more

than ever it is critical that gift planners utilize the most favorable AFMR for their donors—choosing from either the current month's rate or the rate from one of the two months preceding the current month. For example, in a gift annuity calculation that is prepared for a donor today (at press time of this *Give & Take*), the gift planner could process the calculation with December's AFMR of 5.4%, November's rate of 5.4%, or October's rate of 6.2%. Each calculation will show a slightly different tax deduction available to the donor depending upon the discount rate that was used. The higher the AFMR, the larger the tax-deductible gift value for the donor of a gift annuity. By determining the most beneficial discount rate among the three most recent rates, gift planners can help their donors make the most tax-wise gifts possible.

For gifts such as gift annuities and charitable remainder annuity trusts that can return a portion of payments received as tax-free or capital gain income that is taxed more favorably than regular income, falling discount rates can result in a larger percentage of income being taxed on a more favorable basis when received, thereby reducing or largely offsetting the reduced tax savings as a result of the lower tax deduction at the outset. The exact results will depend on the age of the donor and the cost basis of property used to fund a gift.

Another point to keep in mind: as the discount rate falls the maximum payment possible from a charitable remainder trust for life must also fall in order to avoid running afoul of the 5% probability test and the 10% minimum charitable remainder value rules. For this reason, trusts that pay higher rates of income for limited terms of years will be increasingly popular, especially when dealing with younger persons who would otherwise not be able to qualify for higher payment rates they may prefer. In other cases donors may simply lower their "rate expectations," thereby increasing their income tax deductions.



Continued on page 7

Boston Gift Planner Finds Donors “Fascinating”

The “Gift Planner Profile” has been a popular segment in *Give & Take* over the years. In this our inaugural issue of 1999 we bring you an interview with Mary Tambiah, director of gift and estate planning at Boston University.

Give & Take: What led you to choose the field of philanthropy as a career?

Tambiah: When my children started school full time, I went back to school and received my M.B.A. in 1984. I then went to work in banking here in Boston. I was very interested in venture capital and investing in high-tech companies. This was in the late 1980s, and there were fewer career opportunities in this business because of mergers and consolidation. I decided to step back and try to find a more promising arena. I did a great deal of networking. Then at a dinner one night a college classmate of mine said, “Mary, development and planned giving is the place for you.” I contacted a friend who was director of major gifts for a small university and she suggested that I intern in her office. So I did.

Give & Take: What do you think are the ingredients to having a successful gift planning program?

Tambiah: It requires an enormous amount of persistence and detail work and the ability to see the big picture—both from the perspective of the institution for which you work and the perspective of the donors and their advisors. This is a very dynamic process. You have to be in full coordination with the major gift group if it is a separate group from planned giving, the school based development officers, the alumni officers, alumni volunteers, and everyone else who may be involved, depending on the circumstances. I just do not see how I am doing my job right if all I do is pay attention to people who call me. That is just not the way to do it. You have to be proactive in talking with your staff and others important in the development process.

Give & Take: What has been the most rewarding aspect of your work?

Tambiah: It is definitely working with donors. I have really enjoyed working with some wonderful, fascinating BU alumni and friends. They are fun, they’re interesting, and they have done interesting things. Most of these people have very modest backgrounds and have come to lead very financially successful lives. What I find so enjoyable is that the alumni are so deeply and immediately grateful to the University for the opportunities their education gave them. They tell me time and time again, “BU was good to me; now I want to give something back.”



Mary Tambiah

Give & Take: Tell us about a recent gift that you were involved in planning of which you are particularly proud.

Tambiah: Last year we received nearly a quarter of a million dollar gift for construction on a new building. The gift came from an extremely sophisticated businessman—he trades on his own account and has his own seat on the New York Stock Exchange. We worked out an arrangement with him: he contributed stocks, which have been used to fund a single-life charitable gift annuity. Then at a point in the future, which is as yet undetermined, he has the right to renounce his income interest. When he does this, then construction can begin because the assets will be available. The gift will be used to build a sailing pavilion that will be named after the donor. It was a very complicated gift that took almost ten months to complete. It took a lot of coordination between our office and the Office of Financial Affairs.

Give & Take: What advice would you give to your fellow gift planners who may be just starting out in the field?

Tambiah: Certainly you need to join your nearest planned giving group. Second of all, you should make sure your organization has planned giving counsel. Third, talk

Continued on page 6

Nine Tips . . . *Continued from page 1*

5. Stay on top of expectancies. With increased gift planning activity in both the nonprofit and for-profit sectors, now may be an important time to “check in” with your bequest and other planned gift expectancies. Remember that bequests via wills can be changed at any time.

Consider also the fact that in the case of most charitable remainder trusts created by donors with the help of their advisors, donors retain the right to change the charitable remainder beneficiary of their trust. One of the biggest mistakes can be to neglect donors who have notified your organization of their intentions for gifts via their wills and/or other revocable gift instruments.

6. Encourage repeat gifts and additional contributions. As in the case of stewardship of bequest and other revocable gift donors, it is important to keep in contact with those donors who have already completed irrevocable deferred gifts. These persons can be among your best candidates for new gifts. It is much easier to motivate an additional contribution to a charitable remainder unitrust than it is to create a new trust.

Similarly, gift annuity and pooled income fund donors do not have to be educated in the workings of the gift. Pointing out how an additional gift annuity may be even more attractive as donors grow older and are entitled to higher rates may lead to significant additional gifts in a period when returns from fixed investments have been trending downward.

7. Be consistent in marketing activities. Keep in mind that planned gift concepts can take time to understand and that events in donors’ lives can determine their level of receptivity to a particular plan at any given time. That is why the quality and consistency of the exposure of gift planning concepts is more important than the quantity. Take the time to determine the appropriate group to receive information on various topics and then put programs in place that assure consistent exposure to the correct groups over time.

8. Align board and management expectations. Over the past decade there has been an unprecedented increase among senior management and volunteers in the awareness of the possibilities for planned gifts. That is the good news. To ensure that this continues, make certain that your leadership has a realistic expectation level for what planned giving may mean for your organization or institution.

Depending on the size of your constituency, age and wealth ranges, and other factors, the realistic expectations for bequests and other planned gift income for various organizations may be very different. Be proactive in attempting to set expectation levels where they may better reflect the success of your efforts.

9. Integrate development efforts. Whether you work in a large or small shop, the future belongs to those who work to make various development efforts complement one another whenever possible. In times when competition for the charitable dollar and expectations for results are both rising, unnecessary and destructive *internal* competition will be more costly than ever.

And speaking of competition, remember that as gift planning has matured and developed as a vital source of funding for nonprofits, almost every organization and institution has ready access to virtually the same gift plans, payment rates, and tax incentives.

So as 1999 opens, we may find that we have come full circle back to the point where quality of mission and the stewardship of relationships will be in the forefront. Knowledge about and availability of gift plans will be assumed as a starting point—the price of admission, if you will—to having a truly comprehensive development program.

These are just a few ideas to serve as a checklist of things to consider as you begin the new year. A minimal amount of time invested in careful planning and coordination of your activities now can help assure success in 1999 and result in abundant dividends in coming years. *GA*

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.

After 40 Years in Planned Giving, Sharpe Company Founder Takes New Direction

After nearly a half century of service spent working in the fields of life insurance, charitable estate planning, publishing, and training, Robert F. Sharpe, Sr., is moving out of an active role in the company he founded over 35 years ago.

Back in the 1950s, Mr. Sharpe was a successful life insurance professional helping people protect themselves and their families with prudent financial planning. It was in the course of this work that he first recognized a need that was not being met at the time. What he discovered in talking with people was that a great many of them had the desire to support charitable organizations and institutions, yet virtually no one had the information they needed to do so effectively.

Mr. Sharpe left the life insurance field and spent the years from 1959-1963 working for an international religious organization, developing ideas in a field then known as "deferred giving." In 1963, he founded Robert F. Sharpe and Company in St. Louis. Since its move to Memphis in 1965, the Company has grown to become one of the nation's largest providers of gift and estate planning information for charities and their donors. In 1967, the National Planned Giving Institute was born. Since then, over 28,000 individual seminar registrations have been received.

In 1993, the Institute was given by the Sharpe company to the College of William and Mary in Williamsburg, where it resides today. At that time, Mr. Sharpe began spending the majority of his time working with the Institute as its executive director. Revenues from the Institute are being used to create the Robert F. and Jane A. Sharpe Professorship in Philanthropy and American Institutions at the College.


Mr. Sharpe's sons, Robert, Jr., and Timothy, joined the company in 1981 and 1987, respectively, after serving on the staffs of nonprofits in higher education and

public broadcasting. Robert Sharpe, Jr., an attorney, has written extensively on a number of gift planning topics. He has been President of the Sharpe company since 1990 and has spearheaded a quintupling of the firm over his 17-year tenure. Timothy staffs the company's regional office in the Washington, D.C., area and handles a portion of consulting, speaking, and managerial responsibilities. Robert and Timothy Sharpe became the majority shareholders in the company in 1994 and today lead a staff of over 40 persons.

Today and tomorrow

Mr. Sharpe, Sr., will continue his work with the Institute at the College of William and Mary and will continue to write and speak for associations and institutions. He continues to serve on the boards of the Endowment Association of the College of William and Mary in Virginia, Inc. and the Memphis Orchestral Society. He has also been inducted into the Society of Entrepreneurs in Memphis. He was recently given a lifetime achievement award by the National Catholic Development Conference at their annual meeting in Toronto.

Our appreciation

The Robert F. Sharpe and Company staff thanks our founder, Robert F. Sharpe, Sr., for his foresight in recognizing a need and creating this company to help meet that need. We recognize him for all the good that has been achieved by the organizations he has served with the resources they have gathered under his guidance. We will continue to carry out our mission of providing the highest quality gift and estate planning information to organizations, institutions, and the people who support them. 



Robert F. Sharpe, Sr.

[Editor's note: A new book by Mr. Sharpe, Sr., entitled *Planned Giving Simplified: The Gift, the Giver, and the Gift Planner*, has recently been published by Wiley Publishers. Copies are available by calling 1-800-249-0179.]

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.

A new year brings a new guide to giving

In 1965, the Sharpe company first published the booklet "Your Guide to Effective Giving." Each year since then, "Your Guide" has been revised and updated to reflect changes in charitable giving strategies, countless tax law revisions, and other events that affect donors and the ways they can make the most effective charitable gifts.



While the new booklet draws on its more than 30-year history, "Your Guide to Effective Giving in 1999" reflects the current trends and giving opportunities available to donors today as we move toward a new millennium. "Your Guide" also boasts a new, attractive cover design featuring a map and

compass that symbolize the importance of careful planning and the many directions possible in the charitable gift planning process.

Consider making use of "Your Guide" in a special communication with donors early in the new year or as a response piece for donors who request information on ways to give more creatively, or as a complimentary handout at meetings or during donor visits.

A copy of the new booklet is enclosed with this issue of *Give & Take*. To place your order or for more information about "Your Guide to Effective Giving in 1999," please call 1-800-238-3253.


New brochure enriches friendships with donors

If you are looking for a way to help inform your donors while thanking them for their gifts, let Robert F. Sharpe and


Company's new "Thanks for Giving" brochure act as a relationship-building tool. "Thanks for Giving" is specifically written and designed to assist you in thanking donors for their generous gifts. The brochure also explains a variety of other giving opportunities they may wish to consider for their future gifts.

"Thanks for Giving" contains a perforated panel featuring a response device that you can personalize which allows donors to request more information on giving options that interest them. The new brochure is available in four full-color cover designs (please see the back cover of this issue for illustrations).

Acknowledging donors for their gifts is a critical part of the development process and can positively influence the generosity of donors in the future. "Thanks for Giving" is an ideal, cost-effective insert to your gift acknowledgment letters or receipts. Your donors will appreciate being thanked for their current gifts while they learn more about planned giving opportunities in a low-key way.

For more information about "Thanks for Giving" or to place an order, please call 1-800-238-3253. 

Profile . . . *Continued from page 3*

to as many people who have been in planned giving as you can as soon as you can. Get their ideas about what is important. Also consider very carefully what your institution does—what are its strengths and its mission? Finally, find out about the people who are likely to give to your institution. Are they old, middle-aged, young? Learn their stories and what interests them. That is the interesting part for your donors and for you. 

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. 

Seminar Training Dates

Major Gift Planning I

New Orleans
February 18-19

New York
March 15-16*

Chicago
April 8-9

Tampa
June 2-3*

Major Gift Planning II

Phoenix
May 10-11

Planned Giving When That's Not All You Do

Los Angeles
March 29

Chicago
June 30

**Please note these dates have been changed.*

In the News . . . *Continued from page 2*

The subject of discount rates and how they affect gift planning objectives is discussed in more detail in the Sharpe seminar "Major Gift Planning II." For more information on this and other Sharpe training opportunities, please see above. You may also want to see the article on page 1 for tips on dealing with lower interest rates this year.

Magazine ranks top 100 charities

In a recent comprehensive article, *Consumers Digest* discussed how much money American charities raise and give away. The article also produced a list of the top 100 charities according to total expenses. Here are the 10 charities in terms of total income that topped the *Consumers Digest* list:

1. American Red Cross	\$1,737 (million)
2. Memorial Sloan-Kettering Cancer Center	739
3. American Cancer Society	418
4. Easter Seals	402
5. Salvation Army—Southern Territory	402
6. Salvation Army—Eastern Territory	355
7. Shriners Hospital for Children	334
8. Salvation Army—Central Territory	325
9. Salvation Army—Western Territory	319
10. American Heart Association	318

Source: *Consumers Digest*, November/December, 1998 

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