

Give & Take

VOL. 32 NO. 6 • JUNE 2000

NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Riding the Rollercoaster

by Barlow Mann

Do you know how stock market fluctuations affect giving? Read on to find out.

With the ups and downs that the stock market has experienced so far this year, one might expect some investors to be re-considering their level of commitment to a market experiencing this kind of volatility. But news reports indicate that the roller coaster market has thus far not yet shaken the confidence level of most investors. It appears that both seasoned and novice investors recognize that markets will invariably fluctuate. In addition, many investors realize that short-term downward swings may even provide opportunities to buy additional stocks at a discount.

Stocks boost giving

According to the *Giving USA* reports on charitable giving in America, gifts of appreciated securities have been one of the prime reasons that charitable giving reached record levels in recent years. Recently released Council for Aid to Education reports credit strong stock markets with driving an 11% increase in giving to higher education this year. If the current atmosphere of uncertainty and volatility surrounding equity markets continues, however, what impact might we expect in charitable giving, and what strategies may be beneficial to planned and major gift prospects in the months ahead?

An increase in cash gifts?

Those who decide to reduce their exposure in the stock market this year may well find that they have significant amounts of cash on hand as they take their profits, and in some cases losses, in the market.

Some will reinvest in other securities, but many will place their cash “on the sidelines.” For these persons, 2000 may be an excellent time to use some of their gains from the long bull market to complete outstanding pledges and otherwise make larger than usual cash gifts in 2000. Such gifts can help to offset capital gains taxes that would otherwise be due as a result of taking gains in the market.

There are other ways to combine charitable giving with realignment of investment portfolios.

Three options

We start with the fact that there are really only three possible scenarios for investment markets—they can go up, go down, or trade at current levels. Each of these different scenarios provides planning strategies that can help your donors meet both personal and charitable goals with gifts of appreciated securities.

If a donor believes that the market is headed downward, one strategy would be to make charitable gifts with appreciated securities to conserve cash. This strategy would allow the donor to fulfill charitable obligations with “paper profits” that the donor thinks may be further eroded by future decreases in the market while, at the same time, preserving cash for other purposes. The donor enjoys a federal, and perhaps state, income tax deduction based on the full value of the donated assets, and capital gains tax is bypassed entirely.

If your donor is uncertain as to which direction the market may go, you might want to suggest that, instead of giving cash,

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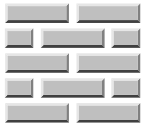
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Planning Matters

Council leaves gift annuity rates unchanged.

At the 24th conference of the American Council on Gift Annuities held in April in St. Louis, it was announced that there would be no change in the recommended gift annuity rates at this time.

The board of the Council met and determined that the current rates continue to be prudent in light of today's fixed income and equity markets. The rates assume a total return of 6.75% on annuity reserves with .75% cost factor with a net return of 6%. The board continues to be confident with those assumptions. The majority of charitable organizations and institutions offering gift annuities tend to utilize the Council's recommended rates (see rate chart below).



Give & Take

A client service publication published monthly since 1968 by Robert F. Sharpe and Company, 6410 Poplar Avenue, Suite 700, Memphis, TN 38119, (901) 680-5300. Fax (901) 761-4268.

E-mail info@rfsco.com or through our Web site at <http://www.rfsco.com>.

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Gift Annuity Payment Rates

(Single Life)

Age	Rate	Age	Rate
55	6.1%	75	8.2%
56	6.2	76	8.3
57	6.3	77	8.5
58	6.4	78	8.7
59	6.5	79	9.0
60	6.6	80	9.2
61	6.7	81	9.4
62	6.8	82	9.6
63	6.9	83	9.9
64	6.9	84	10.2
65	7.0	85	10.5
66	7.1	86	10.8
67	7.2	87	11.1
68	7.3	88	11.4
69	7.4	89	11.7
70	7.5	90+	12.0
71	7.6		
72	7.7		
73	7.8		
74	8.0		


New survey released

At the conference the Council also released the findings of a report entitled "1999 Survey of Charitable Gift Annuities." The project was conducted by Frank Minton and was partially funded by the Lilly Endowment. The report noted a large increase in the number of charities offering gift annuities. The average age of gift annuity donors

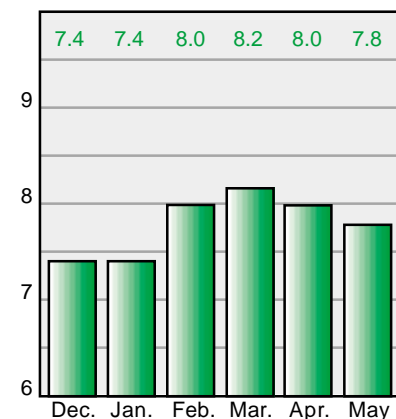
remained at 77 and females comprised 60% of the contracts. Approximately two-thirds were one-life gift annuity agreements and the average size has grown from slightly less than \$20,000 to slightly more than \$30,000 per contract.

Emphasize gift annuity's stability

Now may be an excellent time to emphasize the benefits of gift annuities to donors who meet the profile for this gift vehicle. With market fluctuations, the gift annuity offers a wonderful opportunity for donors to make a gift while increasing income from low-yielding, highly appreciated assets. Older donors, possibly worrying about the ups and downs of the market, may be particularly interested in attractive fixed gift rates for life. Other benefits include an immediate income tax deduction, removal of assets from the taxable estate in most cases, and receipt of a portion of the annuity payments tax-free or at more favorable capital gains tax rates.

For additional information or to order a copy of the "1999 Survey of Charitable Gift Annuities," contact the American Council on Gift Annuities, 233 McCrea Street, Suite 400, Indianapolis, IN 46225 or call (317) 269-6271. 

Discount Rates



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

What Are We Doing About Endowment?

by Robert F. Sharpe, Jr.

One of the favorite topics of trade journals, convention planners, and others these days is “endowment development.” Like other jargon in our field, the term has become a codeword for any number of activities.

For some, endowment development means the process of encouraging committed donors to make gifts for general or restricted purposes to be set aside permanently or “semi-permanently” and used to meet future organizational needs.

To others, “endowment development” has become synonymous with “planned” or “deferred” giving, regardless of whether the gift is actually restricted to endowment or any other use.

In still other cases, “endowment campaigns” refer to a “fall back” position in capital campaigns. These components of campaigns are sometimes used to help facilitate the inclusion of bequest commitments and irrevocable deferred gifts where donors for reason of age or other circumstances are not able to participate in other more traditional ways.

For the purposes of this article, we consider endowment to be funds set aside in an institutional “savings account” which, depending on restrictions, can be used to fund specific programs or can be tapped into in the event of unanticipated needs or when current support falls short for one reason or another.

The buck stops

Under this definition, who cares about endowment? In our experience, the higher you go in the volunteer and professional ranks and the longer staff and volunteers plan to stay in a particular role, the more interest you will find in building endowment.

When an institution is successful in accumulating endowment assets, who receives the credit? In most instances it will be a long-term chief executive and/or long-term volunteers.

On the other hand, when there is insufficient endowment, who receives the blame? More people share the blame in most cases, even the relatively short-term employees who are involved in “major gifts,” “planned giving,” and similar roles, but the chief executive will usually still head the list.

Responsibility shifts

We are increasingly seeing development executives being held accountable for the state of the endowment, regardless of the length of their tenure. Greater professionalism in fund raising has led to longer and more productive stays for many. The longer an executive has been in a development role, the greater the expectations for impact on endowment may be.

Experienced chief executives and board members know that it is possible to have an impact on endowment through a carefully orchestrated plan carried out over three, to five, to seven years.

At least, after a year or two, most development executives should be ready for the question, “What are you doing to increase the endowment?” Your answer may shape your career.

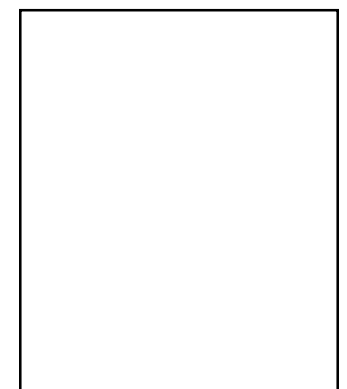
Where does endowment come from?

In our experience, historically most endowment has been realized in the form of proceeds from bequests and other deferred giving techniques.

One cannot predict exactly when these gifts will come to fruition, although with knowledge of ages and other factors, rough predictions are possible.

Bequests and other similar gifts typically result from many years of cultivation, often of a relatively impersonal nature. Because of the sensitivity of the subject of long-range financial and estate planning, it is relatively rare for a donor to discuss personal estate plans with a staff member, much less a peer

What does the state of your organization’s endowment mean to you?



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.

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"It is more important than ever to consistently encourage gifts for endowment."

acting in a volunteer capacity. Where donors *do* notify an intended recipient of a bequest, it is vital that well-trained and committed staff be diligent in managing relationships with such persons. Not to do so can result in changes in plans that can have a tremendous negative impact on future endowment funding.

Today's environment

In our current environment where unprecedented levels of wealth are held by an increasingly older population that is beginning to consider the ultimate disposition of those assets for charitable and other purposes, it is more important than ever to consistently encourage gifts for endowment.

This comes down to the need to be consistently communicating to your constituency about how they can make their "gifts of a lifetime" in ways that first consider

the needs of their families and other loved ones. Recognize that the funds often must first serve as the donor's personal "endowment" before becoming part of your institution's endowment.

As the challenges of acquiring and maintaining relationships with younger donors become increasingly apparent, top management and volunteer leaders will increasingly be turning their attention to endowment as a source of funding current operations needs. But in some cases they may not focus on endowment and reveal their concern to development staff until it is too late.

For that reason, when planning fund development programs this year and beyond, stop and consider how you will respond when asked, "What are we doing about endowment?" *GT*

Tips from the Field



Ross Weidman

Ross Weidman, director of gift planning at Garden Spot Village, a retirement community in New Holland, Pennsylvania, spearheaded a campaign for endowment for a previous employer in the 1990s. The four-year-long campaign raised \$4.9 million for endowment, surpassing its goal of \$3 million.

Here are some of Mr. Weidman's ideas for incorporating planned gift components in a successful endowment campaign:

- **Develop strategies that help donors focus their thoughts on endowment.** "We began adding testimonials in our publications for donors that told the stories of people who had made successful gifts to the organization that were designated for endowment," said Mr. Weidman. "We offered in-house estate and financial planning seminars for donors to create a forum explaining charitable giving ideas as they relate to a donor's overall financial picture and used examples geared to endowment."
- **Educate yourself as well as your donors.** "Educating myself about planned gift options was also very important," said Mr. Weidman. "I attended seminars conducted by Sharpe and others over time, and frequently I went back and repeated some courses, which helped tremendously. I think continual, ongoing training plays a definite role because every year the courses gave me those ideas that I could come back with and implement so I could educate my donors more effectively. Interaction with others in similar roles also had an energizing effect."
- **Help your organization by keeping the donor your central focus.** Above all, according to Mr. Weidman, it is vital to, "Look at things from the donor's perspective. Help donors, work with their advisors, and keep their interests in mind." *GT*

Rollercoaster . . . *Continued from page 1*

he or she consider making outright gifts using appreciated securities. Then the donor can use the cash that might otherwise have been donated to repurchase additional shares of the same stock at today's value. That way, if investments lose value in a market correction, the donor will have a capital loss to declare for tax purposes. On the other hand, if the markets go up, the donor will enjoy a new, higher cost basis in the stock that "replaced" the donated stock. This strategy, sometimes referred to as "reloading," may have particular appeal to donors who are receiving large cash bonuses and thus have the funds to give while "replacing" their investments.

"Balancing" interests

If your donor simply wants to reduce his or her position in the market, the donor may want to consider a combination of giving some shares of stock and selling the remaining shares. This is called a "balanced sale" of the stock.

Let's examine how a balanced sale works. Suppose Bill Turner owns stock worth \$20,000. He bought the stock for just \$5,000 several years ago. He believes that the stock is unlikely to increase in value in future years and he would like to sell it. He does not, however, wish to pay capital gains tax of as much as \$3,000, which would leave him with net proceeds of no more than \$17,000.

Mr. Turner is also interested in making a charitable gift of approximately \$6,000 while enjoying the greatest tax savings in his 36% tax bracket.

Here is how a balanced sale would help him accomplish both of his goals.

Take a look at the chart above. Note that the \$2,160 in tax savings from the gifts more than offsets the \$2,100 in capital gains tax due on the securities sold. The tax liability on the portion of the securities that are sold is thus "balanced" by the tax benefit for the charitable gift portion.

Mr. Turner is able to enjoy cash proceeds of \$14,000 and the satisfaction of

making a \$6,000 gift, a total of \$20,000 in value to him, while effectively bypassing capital gains tax liability. Had he sold all of the securities, he would have netted just \$17,000 after paying some \$3,000 in taxes. Mr. Turner has thus been able to make a \$6,000 gift at an after-tax "cost" of just \$3,000.

	Step 1 Give \$6,000 in securities	Step 2 Sell \$14,000 in securities
Gift value	\$6,000	-0-
Ordinary income tax savings	\$2,160	-0-
Capital gains tax liability	-0-	\$2,100
Net tax due	-0-	-0-

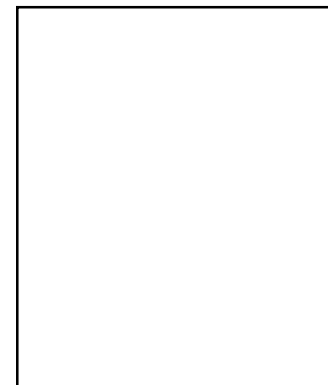
Giving gains for income

In today's environment, many donors may wish to use stock that has increased in value in recent years to fund gifts that provide additional income for themselves and/or loved ones for life or other period of time. Funding such gifts can be an excellent way to unlock value from appreciated securities while reducing tax liabilities and providing an additional source of income for future use.

Helping donors

While these strategies may seem obvious to charitable gift planners, it is doubtful that many of your donors have seriously considered the possibility of combining their personal and philanthropic planning. Charitable organizations and institutions must be prepared to assist donors and their advisors with advice about the most effective ways to give securities in today's economic climate if they hope to reap future rewards.

For more about ways you can communicate the benefits of stock gifts to your donors, check out the Sharpe booklet "A Guide to Year-End Giving." Explanations of the strategies described above along with detailed examples your donors can understand are featured. See page 6 of this issue for more details. ☞



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

Footnotes for Gift Planners

News and ideas about Robert F. Sharpe and Company's services. For more information, join us on the Web at www.rfSCO.com.

Plan for a rewarding year-end 2000

As we settle into the rhythm of the summer months, don't forget that the year-end giving season will be here before we know it. Why is it so important to plan now for year-end gifts? Because many organizations and institutions receive almost half of their annual gift income in the last few months of the year.


This year Sharpe offers five year-end giving brochures and a year-end giving booklet that each discusses the special benefits of giving before the close of the year.

- **"Giving at Year-End 2000."** Available in two cover designs, this brochure title explores the various assets that can be used to fund charitable gifts, such as cash, retirement funds, and appreciated property. These and other options may be particularly appealing to donors who are concerned about recent stock market fluctuations. The brochure closes by introducing readers to the concept of considering planned gifts as they review their overall estate and financial plans.

- **"Giving Thanks at Year-End."** As the name suggests, this brochure focuses on the theme of Thanksgiving in text and design and, therefore, may be especially appealing to donors in a season traditionally associated with sharing with others. You may choose from two cover designs that may be imprinted on the front and/or back covers.

- **"Giving Before December 31."** If you prefer a brochure that focuses more on the timing of charitable gifts and the tax advantages associated with them, this brochure is for you. It includes a simple chart designed to help readers determine how much they can deduct if they make their gifts before the end of the year. This title also mentions planned gift ideas in a low-key way.

- **"A Guide to Year-End Giving."** This booklet contains more in-depth information about giving at year-end and is geared toward the more affluent donor. With its easy-to-read copy, helpful charts, and realistic examples, this piece explains a variety of effective ways to make charitable gifts before the end of 2000. Strong emphasis is placed on gifts of appreciated securities and creative ways to manage and plan for the capital gains tax implications of such gifts. The 14-page booklet also explores ways to minimize estate and gift taxes through planned gifts to charitable organizations and institutions.

Please watch your mail for sample brochures arriving soon. If you would like additional information or to place your order for year-end giving materials, please call 1-800-238-3253. Or for fastest service fax your order to (901) 761-4268. You may also view sample brochures on our Web site at www.rfSCO.com. 

Flexibility for budget planning

At a time when many organizations are involved in budget planning, we are frequently asked about special billing options. Robert F. Sharpe and Company will work with you to plan your program needs to bridge fiscal years where necessary. With Sharpe flexible billing alternatives, you can reserve the products and services you need now and be billed for them when it is most convenient for you. For example, you can:

- divide payments over two budget years,
- pay early if funds are available but services are not required until later,
- or begin production processes or attend training sessions now and postpone billing until funds become available in the new fiscal year.

Don't let a fiscal year transitional period stop you from obtaining the products and services that are critical to your program's continued success. With Sharpe's flexible billing options, for example, you won't have to worry about sacrificing a summer gift planning mailing because budget funds are scarce.

If you would like to learn more about flexible billing options, please call a Sharpe representative at 1-800-238-3253.

Training Update

Introduction to Planned Giving

For a comprehensive, in-depth training experience, consider attending Sharpe's new 3-day seminar, "Introduction to Planned Giving," to be held September 6-8 in Chicago.

NEW

Presenters Timothy Sharpe, Barlow Mann, and Phillip Adcock guide participants through the basics of charitable gift planning, from detailed explanations of gift planning techniques, to organizing and implementing an effective gift planning program, to communicating benefits of more effective charitable gift planning in the most efficient manner to your constituency.

Empower yourself with a wealth of gift planning knowledge that your donors will appreciate and that will help your organization or institution benefit from the unprecedented intergenerational wealth transfer that is now on the horizon. This seminar is designed to be especially helpful for those who are beginning their career in gift planning or have multiple responsibilities and are charged with incorporating gift planning capabilities into other development efforts.

Major Gift Planning I - Options and Opportunities

In two concentrated, information-packed days, presenters Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., address issues of vital importance to those charged with structuring major gifts to their organizations. By linking their knowledge and over 40 years of combined experience,


Sharpe and Tidd lead participants who possess a basic understanding of gift planning tools through a comprehensive training experience designed to help them best utilize their skills in today's environment. Registration is limited to allow for more interaction among participants and instructors.

Major Gift Planning II

Designed with the more experienced gift planner in mind, "Major Gift Planning II" focuses on the skillful use of gift planning tools to help donors meet a variety of personal goals while making significant gifts. A working knowledge of various gift planning vehicles is assumed.

Instructors Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., emphasize the impact of recent tax legislation and investment market conditions and ways to "salvage" gifts that might otherwise not be completed.

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

Introduction to Planned Giving

Chicago
September 6-8
Washington, D.C.
December 4-6

Major Gift Planning I

New York
August 7-8
Washington, D.C.
October 2-3

Major Gift Planning II

Chicago
July 10-11
San Francisco
September 7-8

Planned Giving When That's Not All You Do

St. Louis
June 26
Washington, D.C.
July 13

**Please see our Web site at www.rfsc.com for more information or to register.*

Multiple registration discounts are available.

For more information or to register, please contact the Sharpe company.

Phone 1-800-238-3253, ext. 5360; Fax (901) 761-4268;

Web site www.rfsc.com; E-mail seminars@rfsc.com

YOUR MOVE.



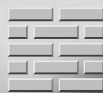
Leaders of America's nonprofits today face tough choices about how to meet current funding needs while building for a stable future. Every move counts.

Increase your awareness of gift planning opportunities available to you and your donors. Attend the new three-day workshop "Introduction to Planned Giving" in Chicago, September 6-8.

Experienced presenters will lead this comprehensive seminar focusing on the basics of charitable gift planning. If you are assuming responsibility for planned giving for the first time, or if planned giving is one of your many duties, this in-depth introduction to gift planning will examine practical ways to implement an effective gift planning program.

"Introduction to Planned Giving" will equip you to cost-effectively help donors better plan their gifts to help ensure your organization's future.

Enrollment is limited. Call 1-800-238-3253 ext. 5360 or visit our Web site at www.rfSCO.com for more information or to register.



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