

Give & Take

VOL. 32 NO. 3 • MARCH 2000

NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Estate Administration—Closing the Loop

Paying careful attention to all phases of your bequest program can pay big dividends.

by Robert F. Sharpe, Jr.

Bequests have traditionally been the source of a large percentage of planned gift income. As a result, in addition to actively encouraging charitable trusts, gift annuities, and other gifts that involve an irrevocable transfer of assets during life or at death, most organizations and institutions with active gift planning efforts devote a significant portion of their activities to the process of encouraging charitable bequests.

Much of the effort in terms of time and energy expended in the case of trusts, gift annuities, and other irrevocable gifts comes on the front end of the process in working closely with donors and advisors to help assure that such gifts are created in ways that are mutually beneficial to the donor(s) and charitable beneficiary(ies).

Bequests are different. While staff can be involved in the planning of bequests, gifts via wills and revocable living trusts are often created by donors with little or no knowledge of, or assistance from, the ultimate charitable recipients. Much of the work of the charitable entities involved is focused on communicating the needs of the organization, and asking that donors consider those needs as they make their long-term plans.

Four time periods

There are four distinct periods of time related to charitable bequests. First is the time period before the will is executed. This is a time when most activity is related to “asking” for the bequest, often in a relatively impersonal way through the use of mail and other mass communication techniques.

The second period of time is the time between providing for the bequest and the death of the benefactor. If the donor chooses to reveal his or her intentions during this period, an excellent opportunity is afforded for stewardship of a special relationship. If the donor chooses not to inform charities of bequests that have been planned, there is less for a charitable beneficiary to do during this period of time.

The third period of time related to a bequest is the time between the death of a donor and the receipt of the bequest. Finally, there is the period after the estate is closed and the bequest has been received. The focus of this article will be on the third and fourth time periods.

After notification

After an organization has been notified that it has been included in the will or other plans of a donor who has passed away, it is of vital importance that all attempts possible are made to determine the identity of surviving loved ones who should be thanked for the bequest. Ask the executor or attorney for the estate for the names of appropriate

Continued on page 5

Inside

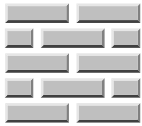
What can we learn by examining estate tax returns? *Page 2*
Chicago gift planner explains how Tax Act changed her career ... *Page 3*



Spend May 8-9 with us in Boston as we present “Major Gift Planning I.”

Planning Matters

Estates escalate—IRS figures reveal promises for planned giving.



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>.

The publisher of Give & Take is not engaged in rendering legal or tax advisory service. For advice and assistance in specific cases, the services of your own counsel should be obtained.

Articles in Give & Take may generally be reprinted for distribution to board members and staff of nonprofit institutions and other non-donor groups. Proper credit must be given. Call for details.

© 2000 Robert F. Sharpe and Co., Inc.

Editor:
Elizabeth H. Smithers

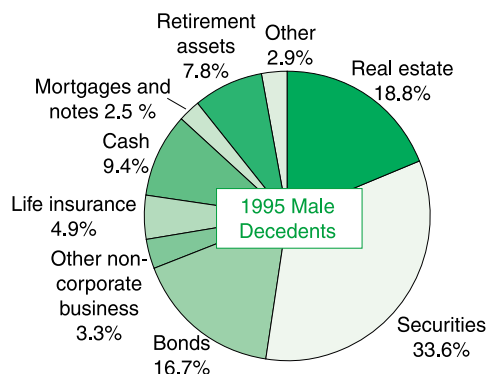
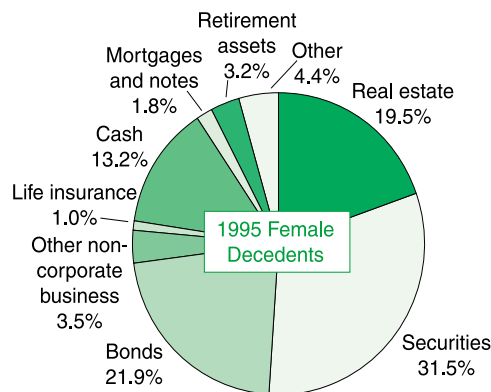
Assistant Editor:
Helen Anne DiMeglio

The number of Federal Estate Tax returns filed has increased dramatically in recent years. A number of the key figures compiled by the IRS from recent estate tax returns look promising for charitable organizations and institutions interested in planned gifts.

The most recent figures available are included in the Summer 1999 *Statistics of Income Bulletin*. The report features data from the estate tax returns of individuals who died with gross estates of \$600,000 or more whose returns were filed between 1995 and 1997.

The number of estate tax returns filed increased from 69,755 in 1995 to 90,000 in 1997—an increase of 29%. Over 78,000 of the returns filed during this three-year period were for persons dying in 1995. In 1995, female decedents passed away at 80.9 years on average, while male decedents lived to 75.3 years.

Stocks, real estate, and bonds made up the majority of decedents' estates totaling almost 75% of the gross estates. While similar in many respects, there were differences between the estate holdings of men and women. See charts below.



Deducing deductions

The marital deduction and charitable deduction were the two most popular estate tax deductions. For the 78,023 estates for persons who died in 1995, a charitable deduction was claimed in 18.3% of the estates. Charitable deductions claimed on these estate tax returns totaled \$10.1 billion, or 28% of net worth.

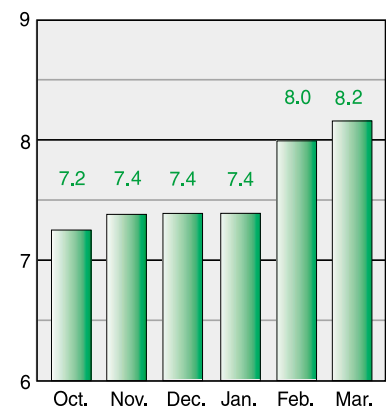
Factors affecting charitable gifts

Gender and other factors definitely affect giving patterns. Women are significantly more likely to include charitable provisions than men. This is presumably explained by the fact that women normally live longer than men. With married couples, the first spouse to die typically takes advantage of the unlimited marital deduction by leaving the bulk of their estate to the surviving spouse. Of female decedents, 24.3% made charitable bequests compared to 13.4% of male decedents.

Marital status also was an important factor to consider. Single females and males were the most likely to include charitable bequests. Almost half of all single females studied, and over one-third of all single males, included charitable provisions in their estate plans. Widows and widowers were the next most likely group to include charitable

Continued on page 4

Discount Rates



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

1997 Tax Act Changed Gift Planner's Life

In this month's "Gift Planner Profile", we talk with Chicago gift planner Judith Kaufman. Ms. Kaufman, who most recently served as the executive director of planned giving at Illinois Institute of Technology, has just assumed a new position as vice president of development and external affairs for the Chicago Historical Society.

Give & Take: What led you to a career in fund development?

Kaufman: I had worked for 17 years for nonprofit organizations and found myself gravitating toward major gift planning. At that time I was working with the founders of an organization who were in their seventies and eighties. They were very active in the organization, and were very much ready for someone to focus on fund development. When the Taxpayer Relief Act of 1997 was enacted, for me it represented a perfect time to start thinking about working on planned giving full-time. At that point it became apparent that many of the rules were changing, and it might be an opportune time for me to do what I always wanted to do on a full-time basis.

Give & Take: What is it about your work that inspires you the most?

Kaufman: When you are working with a donor and you wind up in a win/win situation and when you are able to help someone make a great gift they might not otherwise be able to make. You get to sit down with this donor and help them fully realize their charitable intent and make the biggest gift they are capable of making. And when that happens successfully, it is wonderful to see the look on a donor's face. They realize they have made a significant contribution to their favorite charity, perhaps improved their financial status, and are benefiting from significant tax savings. This is a very satisfying experience.

Give & Take: How do you balance serving your donors and serving your institution at the same time?

Kaufman: I don't think this necessarily needs to be a balancing act when you are working with donors who really want to do what is best for the institution. The only conflict that you normally run into is if the donor has a gift in mind that the institution does not really have a need for. In my experience, this is rare, and generally the donor and gift planner can reach a mutually agreeable compromise when it does.

Give & Take: What is the most challenging aspect of gift planning? How have you handled it?

Kaufman: The most challenging part is convincing major-gift-oriented staff that planned or deferred gifts are wonderful and necessary. They are what keep the organization going long-term and are often the source of the institution's endowment if you look very deep into history. Planned gifts are thus what the chief financial officer can look toward to determine where the organization is going to be financially down the road. The planning of organization's campaigns increasingly hinges on deferred gifts. Nowadays when people start talking about major capital campaigns, they are often budgeting for 30% or more of that campaign to be fulfilled with deferred gifts. So getting that message out is the biggest challenge. I think all of us who work in planned giving need to keep pointing out the benefits of planned gifts until the rest of the major gift community says, "Yes. You're right. We need to have a strong in-house program for planned giving."

Give & Take: What has been some of the best advice you have received about planned giving?

Kaufman: The best advice I ever received about planned giving was "just do it." It goes back to the summer of 1997 when the Taxpayer Relief Act was enacted. At that point I was vacillating about whether to go into planned giving. I always wanted to do planned giving, but I was



Judith Kaufman

Continued on page 4

Gift Planner . . . *Continued from page 3*

"It is really easy to work with a wide spectrum of ages in planned giving.

thinking to myself, "I am not an attorney. Do I know enough? Am I smart enough? Can I learn enough?" My mentor told me there would never be a better opportunity than at that point to make that switch, and he was right.

Once I decided to dive into planned giving, I attended a Sharpe training seminar in the fall of 1997. I was so glad to know there were experts out there who could teach me what I needed to know. I knew that even if I had to take that seminar and 50 other courses before I learned it, at least I could become what I wanted to become because there was assistance out there.

When I started IIT, we were lucky to have Robert F. Sharpe and Company under contract. I knew if I ever had a question, I could call on them to help. It was interesting because at first I had to call quite often, but now I know a lot of the answers myself!

Give & Take Working at an educational institution, you must have dealt with a wide variety of alumni and friends from all age groups. How do you communicate effectively with such an age-diverse constituency?

Kaufman: It is really easy to work with a wide spectrum of ages in planned giving because there are so many gift planning vehicles to work with when you understand how they fit in the age and wealth spectrum. In most donor situations, you can look at the vehicles and look at your donor and find a match. And that is fun. That to me is one of the most interesting and challenging parts of gift planning.

When you realize that you are working with someone with strong charitable intent, you communicate with every age group the same. . . you only have to speak much louder with the older donors! **GT**

Planning Matters . . . *Continued from page 2*

provisions in their estate plans, with approximately 25% doing so. On the other hand, less than 10% of married decedents included charitable provisions.

Size matters

The increasing number of larger estates is shown by the rise in the number of federal estate tax returns filed between 1987 and 1997:

1987	45,113
1988	43,683
1989	45,695
1990	50,367
1991	53,576
1992	59,176
1993	60,207
1994	68,595
1995	69,755
1996	79,321
1997	90,006

Historically, the IRS estate tax returns indicate that about 20% of relatively wealthier Americans dying in a given year actually include charitable provisions. One might reasonably assume that growth of the number of larger estates will provide significant future growth of planned gift receipts by charitable organizations.

The IRS figures provide encouragement for all persons involved in the gift planning process. The data provides solid evidence that the growing transfer of wealth will continue to provide a healthy source for increased charitable giving via estates.

However, while some charitable organizations and institutions regularly receive between 25% to 50% of their gifts from individuals in the form of estate transfers, the majority receives little or nothing from this growing source of gifts. Ongoing and effective communications to friends and donors may well be the key to encouraging your constituents to leave a lasting legacy. **GT**

Estate Administration . . . *Continued from page 1*

parties. Ask for advice from the executor or attorney as to who should be thanked. The executor may be a family member who can be very helpful in this regard. If there is lack of interest in your organization on the part of other family members, you may discover this fact during an initial contact with the executor.

Remember that five or more charities are named in the same will, on average, so your efforts in thanking surviving family members may be compared to other organizations' efforts. Failure to thank surviving family members, where appropriate, can be a major mistake and one that can cost your programs in the future in many ways.

Second, steps should be taken to discover the nature of your bequest. Pay particular attention to whether it is a bequest of a specific amount of cash, a bequest of a particular property, or whether it is a bequest of all or a portion of the residue of an estate.

Pay especially close attention to bequests of the residue, or remainder, of estates. Consider the fact that excess fees, reductions in value of the estate due to sales at below market value, and erroneous tax calculations and apportionment may be born entirely by the residual beneficiaries.

Where a particular property is bequeathed, it can be very important that you gather appropriate information quickly, especially in the case of real estate, business interests, or other property that may require environmental audits, insurance, or other special attention.

Also attempt to determine if any restrictions have been placed on the use of the funds. Make certain that it is possible for your organization to carry out the donor's wishes.

After receipt

Finally, after receipt of the amounts that are left to your organization, take steps to assure that the funds are used as directed, and that family members are regularly thanked where that is deemed appropriate. Ongoing stewardship of relationships with

surviving family members can result in tremendous long-term benefits for organizations that take their efforts in this regard seriously.

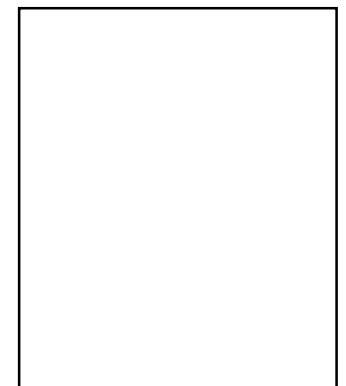
A case in point

In 1997, Mary S. died and left an estate of \$1,000,000. She left specific bequests of \$225,000 to each of three nephews, and the remainder of her estate worth approximately \$325,000 to three charitable interests. Each charity's interest should have been worth approximately \$108,000. A farm with an estimated date of death value of \$300,000 was part of the estate and the rest was in the form of marketable securities.

The nephews received their distributions within six months in the form of cash following the liquidation of the securities portfolio. By the end of 1999, however, the charities had received nothing. One of the charities was monitoring the estate process and the other two were not. After two years, it was learned that the executor of the estate had entered into a contract for the sale of the farm property to a business associate for \$250,000. The charity monitoring the process hired local counsel and after a few phone calls, the contract was cancelled and the property was placed with a commercial real estate broker and sold a few months later to another party for \$375,000. As a result of a few simple efforts and minimal legal fees, each charity's bequest was increased from a reduced amount of \$91,000 to an increased amount of \$133,000.

The two "passive" charities made no attempt to learn the identity of the surviving relatives, or to thank them. The active charity contacted the nephews and asked their opinion on which of three projects they thought their aunt might have wished to fund. They expressed interest in a project that would require \$175,000. They each pledged \$14,000 over a three-year period to provide the difference between \$133,000 and the \$175,000 needed to fund the project in memory of their aunt. As a result,

"Failure to thank surviving family members can be a major mistake."



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.

Continued on page 6

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.

Preparing for memorial gifts

Are you prepared for the upcoming memorial gifts season? The spring months offer a number of opportunities to pay tribute to someone special—Mother's Day, Father's Day, Memorial Day, and several religious holidays. Now is the time to communicate with your donors about the many rewards of memorial giving—for donors, honorees and their families, as well as charitable organizations and institutions.

Sharpe offers a publication specifically designed to assist you with your memorial gift communication efforts. The newly updated six-panel brochure "**Giving Through Living Memorials**" explains how to make memorial and tribute gifts in a variety of ways. For example, readers learn about using cash, appreciated securities, and other assets to complete their gifts in honor of or in tribute to special loved ones.

Use this brochure to supplement a broader mailing to donors, as a gift acknowledgment, or as an informational piece at donor events. It contains a convenient and cost-effective perforated reply panel that allows your donors to request further information about memorial gifts or other types of gifts that interest them.

"Giving Through Living Memorials" is available in three attractive designs. See back page for illustrations of designs. Your organization's logo and pertinent information may be added on the cover and reply panel as well.

For more information or to place an order for memorial giving publications, call 1-800-238-3253.

New option for newsletter users


Sharpe has just added a new group of newsletters to our collection of publications. If your organization uses newsletters as part of its gift planning communication efforts, you may want to consider new alternatives.

Featuring new design elements and updated, concise articles, each newsletter is attractive and easy to read with subject matter designed to address a broad range of gift planning opportunities for donors of various ages and wealth levels. In addition, each newsletter title is offered in a choice of a number of formats designed to complement various types of missions.

If you would like more information about Sharpe newsletter options, please call 1-800-238-3253 or e-mail info@rfSCO.com.


Planning for after April 15

The period just after tax filing season is one when donors may be particularly receptive to learning about ways they can reduce their future tax bills. Consider sending them "**Your Guide to Effective Giving in 2000**." This publication is designed as a helpful service to donors that explains wise ways to make the most of their charitable gifts this year.

To order "Your Guide to Effective Giving in 2000", call 1-800-238-3253. 

Estate Administration . . . *Continued from page 5*

the third charity received a total of \$175,000 instead of the \$91,000 bequest they would otherwise have received had they not been proactive in monitoring the estate settlement process and not sought the input of surviving family members. One or more of the nephews will no doubt continue their support in future years, as well.

As this example illustrates, minimal effort expended in the oversight and effective management of bequest development efforts following the death of a benefactor can make a tremendous difference in the amount of funds ultimately received. 

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 in 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. 

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

Seminar Training Dates

Major Gift Planning I

Chicago
April 13-14

Boston
May 8-9

Major Gift Planning II

Tampa
May 31 - June 1

Chicago
July 10-11

Planned Giving When That's Not All You Do

San Francisco
April 7

Los Angeles
April 10

St. Louis
June 26

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

12 Years Ago in Give & Take

Barlow Mann examined the possibilities of memorial gifts in this excerpt from the March 1988 issue of *Give & Take*:

"While the majority of memorial gifts tend to be small, they are an important source of gift revenues and new donors. Some organizations have carefully managed their memorial and honor giving programs as a primary means of acquiring new donors.

As we all know, it is from these many smaller contributions that long-term major donors will emerge.

To see the importance of memorial and honor gifts in the area of major giving—current and deferred—look around you as you visit colleges, churches, museums, libraries, and other places. Endowment funds, programs, buildings, rooms, and books often bear the names of persons memorialized by gifts. In fact, entire organizations have been named in memory of loved ones.

Coupling the family's name with an appropriate project can increase a current or deferred gift ten- to a hundredfold." 