

## Making Sense of the Census

by Barlow T. Mann

The 2000 Census and other U.S. Census Bureau studies contain a wealth of information of interest to gift, estate, and financial planners alike.

Consider the following:

- U.S. population grew by over 13% to 281 million since the 1990 Census.
- Every state's population grew for the first time since the 1870s.
- The median age of Americans increased, while the over-85 age group swelled over 40% during the past decade from 3 million to 4.2 million.
- Households consisting of a married couple with no children increased, as did single households.
- Between 1970 and 2000, the average size of households decreased from 3.14 to 2.62 persons.
- Home ownership rates reached record levels, with 2 out of 3 households owning their homes.

This Census data is likely to fuel the continued interest in planned giving as the potential pool of persons who are most likely to make substantial gifts in this manner grows. The number of older persons with no or few children is reportedly on the rise. The Census data may lend additional credence to the Boston College wealth transfer study, which projected as much as \$41 trillion or more in estate transfers over the next five decades, with record amounts left to charities. Note, however, that the aging of America is uneven and, as reported in the February 2001

Select Age Groups	October 1, 2000	July 1, 1995	Net Change
55 - 64 years	24,161*	21,132	+3,029
65 - 74 years	18,175	18,757	-582
75 - 84 years	12,381	11,178	+1,203
85 - 94 years	3,920	3,369	+551
95+ years	435	316	+119

\*Numbers in Thousands

Source: U.S. Census Bureau

issue of *Give & Take*, there has been a shrinkage in the 65-75 age group as a result of lower birth rates between 1925 and 1935. See the chart above.

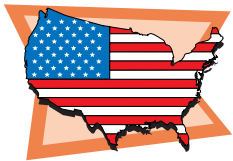
### Making use of the data

While the Census data release may hold general interest, astute financial development executives will recognize that this information can be carefully utilized to positively impact their development efforts. It may be difficult, however, to use the information to gain more than general insights about the overall donor population.

The 2000 Census is based upon individual household information, but that data is compiled into over 8 million "blocks," or neighborhood groupings. To maintain household confidentiality, Census Bureau statisticians use a number of techniques, such as data swapping among households within a "block," to mask the identity of individual households. It will also be some time before the new Census data is generally available for use in the enhancement of marketing efforts. This means that many organizations that are utilizing Census track data for marketing purposes are still using information that is based on the older 1990 Census.

### Inside:

- See the latest giving statistics from *Giving USA* p. 2
- A strategy for working effectively with older donors p. 3



## Planning Matters



Giving estimates for 2000 released.

In its annual *Giving USA* report, the American Association of Fund-Raising Counsel (AAFRC) Trust for Philanthropy released its estimates of charitable giving in 2000 in late May. Total giving was estimated at \$203.45 billion, an increase of 6.6% over 1999's estimate of \$190.16 billion.

Of special interest to gift planners, the report indicates that an estimated \$16.02 billion came in the form of bequests—an increase of 2.6% from 1999. Bequests accounted for 7.8% of all charitable contributions made in 2000. Altogether, 82.6% of all gifts came from individuals.

### More giving facts


Other *Giving USA 2001* statistics point out the broad-based increases in giving to all types of organizations:

- Giving to religious organizations increased 4.3%, reaching \$74.31 billion—accounting for 36.5% of all charitable gifts.
  - Gifts to education reached \$28.18 billion—up 2.6% from 1999 and totaling 13.8% of all charitable gifts.
  - Giving to health-related organizations represented 9.3% of all giving—up 4.9% to \$18.82 billion.
  - Human services organizations received \$17.99 billion—a 3.6% increase from 1999.
  - Contributions to arts organizations were \$11.5 billion—an increase of 3.9%.
    - At 5.9%, the highest percentage increase in giving was experienced by public/society benefit organizations—exceeding \$11 billion for the first time.
    - Environment and wildlife organizations received \$6.16 billion—a 5.7% increase from 1999.
    - Gifts to international affairs organizations increased 2.6% to \$2.71 billion.

These figures once again illustrate that the spirit of philanthropy in America continues to be resilient in the wake of significant losses in investment markets beginning in early 2000, and a general slowdown

in the long period of economic expansion that began in the early 1990s. While growth percentages varied somewhat depending on the nature of the cause, all segments of the nonprofit sector participated in the growth experienced in the year 2000.

Looking to the future, based on the aging of the U. S. donor population (see article on page one), one might expect bequests and other planned gifts to comprise an increasing percentage of the dollars donated each year. Bequests already comprise upwards of 30% of the annual gift income of many of the nation's leading health organizations, and other types of organizations can perhaps expect their percentages to grow nearer these levels as a comparable portion of their support base begins to be comprised of an older group of persons.

For more information or to order a copy of *Giving USA 2001*, please call AAFRC Trust for Philanthropy at 1-800-46-AAFRC or visit their Web site at [www.aafrc.org](http://www.aafrc.org). 

## 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](mailto:info@rfsco.com) or through our Web site at <http://www.rfsco.com>.

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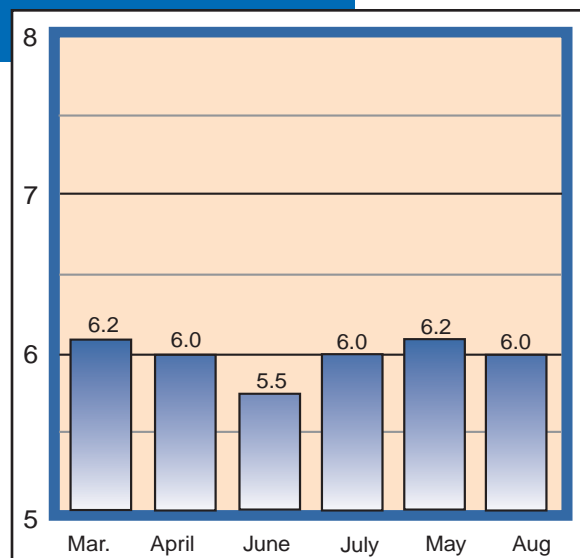
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## Discount Rates



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

# Addressing Older Donors' Needs Leads to More Cost-Effective Fund Raising

*After working in the field of nonprofit fund development for a number of years, Mark Walker believes that those who are successful in the area of planned gift development are those who "value the donor more than the donation." According to Mr. Walker, senior representative for MAP (Medical Assistance Programs) International, this tenet is also a fundamental element of his "elder donor strategy."*

## **What is the elder donor strategy?**

The elder donor strategy consists of discovering the special needs of your older donors and putting plans into place which address those specific needs. In many cases, nonprofit management tends to look at reports analyzing donors who give smaller amounts and decides these donors are not worth keeping on the file. Too often, these reports ignore the age of donors and the fact that many of these "underperforming" donors are simply older and cannot afford to make larger gifts due to increased living expenses, reduced income as a result of lower interest rates, and other factors.

The response of some organizations is to compound the problem as they increase the number of appeals mailed to smaller donors as part of "upgrade" or "lapsed donor" strategies. At some point, it can appear that these donors are simply not worth spending time and effort on because they are not producing cash gifts at the same rate that they once were. This can be a critical error and one that can cost an organization the bulk of what would have been its bequests, gift annuities, and other planned gift income over time.

From previous experience at other not-for-profit organizations, Mr. Walker knew that older donors were special and should be handled in a special way. "When you have a majority of your donors over age 65, and you meet these folks and realize the incredible emotional ties they have to your organization, you also realize the gift potential they represent for those who have the ability to help them give more effectively," said Mr. Walker.

Based on the advice of his consultant, Robert Sharpe, Jr., Mr. Walker started the process of finding out who his older donors were through an age overlay on his donor

base. He then looked for those age 70 and over who were long-time givers but had reduced their giving in recent years. A process was put in place that included a phone call to each of these persons as soon as possible after they made a gift of any size.

It was quickly discovered that, as suspected, many of the older donors on Mr. Walker's donor list were retired and living on a fixed income. Even though they still believed in the organization's mission and were loyal donors, they simply did not have the actual or perceived capacity to make larger outright gifts.

These donors were also displeased with the amount of funding appeals they were receiving in the mail for two reasons: first, they did not have the cash on hand to make a gift every time they received a request and felt guilty that they could not respond, and second, they felt that the organization was wasting funds on superfluous mailings.

Once Mr. Walker discovered why his older donors were not responding to the current appeals, he decided to restructure his organization's way of dealing with its older constituents. "We decided to focus on our elder donors' potential for long-term giving," Mr. Walker said, "not just on immediate funding possibilities."

## **Putting the strategy to work**

The first thing Mr. Walker decided to do was cut the number of appeals mailed to his older donor group. "Once we talked with some of our donors and found out that they were giving out of their Social Security checks, we realized that it was not cost effective to be sending these donors appeals on a monthly basis," he said.

Mr. Walker knew that his older donors, while they may not have the ability to make large cash gifts, in most cases did possess significant assets in the form of home equity, securities, retirement plan benefits, life insurance, etc. He decided to send his older donors a special informational newsletter focusing on estate planning strategies and planned gift opportunities. The first page of this newsletter features a story about donors who have already made planned gifts to the organization.



Mark Walker



# How Do Your Publications Rate?

In recent weeks we have received a number of questions about the correct use of income tax rates in examples in publications intended for use this year.

While there *were* rate reductions for 2001 beginning July 1, they were *not* effective from that point forward. In other words, if a taxpayer was in the 28% bracket on January 1 and earned \$25,000 in the first half of the year and the rate was “reduced” to 27% on July 1, this does not mean that the money earned after that time is taxed at 27%. The blended rate applicable for the entire year of 2001 is 27.5%. The same is true of the 39.6%, 36%, and 31% brackets. The correct rates for 2001 are 39.1%, 35.5%, and 30.5%. See the IRS publication reproduced below with Web site reference for more information.

Note that any illustrations of gifts to be completed in 2001 must use these rates when

referring to tax savings. For example, an illustration of a \$1,000 gift completed in 2001 should refer to its deductibility against a marginal rate of 27.5% with a tax savings of \$275. A reference to a 27% rate and savings of \$270 will not be valid until next year when the rate for 2002 will be 27%.

For 2001, there is no 28% rate and there is no 27% rate. The only rate effective for 2001 for the purposes of tax calculations and examples is 27.5% or whatever other marginal rate specified in the table below is appropriate. All Sharpe publications have been revised to use applicable rates for 2001. If you have other questions regarding tax rates for 2001, check with your accountant or other tax counsel. [G&T](#)

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**For 2001, there is no 28% income tax rate and there is no 27% rate.**  
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## Revised 2001 Tax Rate Schedules

**Caution:** Do not use these Tax Rate Schedules to figure your 2000 taxes. Use only to figure your 2001 estimate.

<b>Single Schedule X</b>				<b>Head of household Schedule Z</b>		
If line 5 is:		The tax is:	of the amount over—	If line 5 is:		The tax is:
Over—	But not over—			Over—	But not over—	
\$0	\$27,050	----- 15%	\$0	\$0	\$36,250	----- 15%
27,050	65,550	\$4,057.50 + 27.5%	27,050	36,250	93,650	\$5,437.50 + 27.5%
65,550	136,750	14,645.00 + 30.5%	65,550	93,650	151,650	21,222.50 + 30.5%
136,750	297,350	36,361.00 + 35.5%	136,750	151,650	297,350	38,912.50 + 35.5%
297,350	-----	93,374.00 + 39.1%	297,350	297,350	-----	90,636.00 + 39.1%

<b>Married filing jointly or Qualifying widow(er) Schedule Y-1</b>				<b>Married filing separately Schedule Y-2</b>		
If line 5 is:		The tax is:	of the amount over—	If line 5 is:		The tax is:
Over—	But not over—			Over—	But not over—	
\$0	\$45,200	----- 15%	\$0	\$0	\$22,600	----- 15%
45,200	109,250	\$6,780.00 + 27.5%	45,200	22,600	54,625	\$3,390.00 + 27.5%
109,250	166,500	24,393.75 + 30.5%	109,250	54,625	83,250	12,196.88 + 30.5%
166,500	297,350	41,855.00 + 35.5%	166,500	83,250	148,675	20,927.50 + 35.5%
297,350	-----	88,306.75 + 39.1%	297,350	148,675	-----	44,153.38 + 39.1%

Source: www.irs.gov/graphic/estimatepaynts.gif

## Footnotes



News and ideas about Robert F. Sharpe and Company's services.



### ***New booklet addresses tax law changes***

Now that the 2001 Tax Act is in effect, many donors will want to know how the new provisions may affect them and their giving plans. Consider using the new Sharpe booklet **“Charitable Giving After the 2001 Tax Act”** to educate your constituents about tax law changes and how to make the most of the new tax environment.

You may want to consider using the booklet in one or more of the following ways:

- Make a special mailing of the tax booklet to a select group of high-interest donors, such as those who have made significant gifts over time and those who have expressed interest or completed a planned gift arrangement.
  - Include a copy of the booklet with each gift acknowledgment or with receipts for larger gifts.
  - Leave the booklet with donors when you make personal visits.
- To order “Charitable Giving After the 2001 Tax Act,” call 1-800-238-3253 or fax your order to (901) 761-4268.

### ***Study at your own pace with tax seminar materials***

The newest Sharpe seminar, “Charitable Giving After the 2001 Tax Act,” has received high ratings by participants—an average of 9.3 out of a possible 10. For those who were unable to attend in person, this seminar is now available in a convenient format that allows you to learn on site about how the new tax law affects you and your donors.

The materials package includes:

- The seminar manual containing outlines and a number of supporting articles and summaries of the law.

- Audio cassettes of the seminar recorded live in Chicago on June 29, 2001, featuring presenters Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq.

- A CD-ROM featuring a PowerPoint presentation containing the primary visual aids used during the seminar.

- A 24-page MS Word outline of an abridged presentation designed for use as the basis for education of staff or volunteers.

- A PowerPoint presentation for use in staff training presentations.



With this “portable seminar,” you and other staff members can listen and learn at your convenience. The price is \$395. Major credit cards accepted.

To place your order for the tax seminar materials, call 1-800-238-3253 or visit our Web site at [www.rfsc.com/taxlaw](http://www.rfsc.com/taxlaw).

### ***Managing year-end mailings in wake of the new tax law***

Provisions included in the 2001 tax law changes may actually create one of the best years since the late 1980s for year-end gifts. Because income tax rates will be reduced in coming years, deductions for charitable gifts may never save a donor more than if completed prior to the end of this year.

Many donors will need to hear this news from you in order to act this year. Sharpe has five year-end giving brochures that explain these benefits of giving, as well as other information that will be useful to donors as they plan.

Representative samples are enclosed. You may view all five covers as well as full text of the year-end giving brochures at [www.rfsc.com/yearend](http://www.rfsc.com/yearend). To order, call 1-800-238-3253 or fax your order to (901) 761-4268.

# Training Update

## **An Introduction to Planned Giving**

For a comprehensive, in-depth training experience, consider attending Sharpe's 3-day seminar "An Introduction to Planned Giving."

Presenters Timothy Sharpe, Barlow Mann, and Phillip Adcock combine their experience to 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 for 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 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**

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

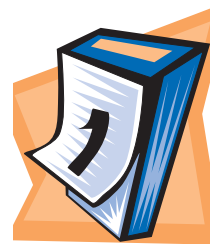
linking their knowledge and over 40 years of combined experience, Sharpe and Tidd lead participants who possess a basic understanding of gift planning tools through a comprehensive training experience designed to help them best utilize their skills in today's environment. Registration is limited to allow 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. **G&T**

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



## Seminar Training Dates

An Introduction to Planned Giving  
Chicago  
October 29-31

Orlando  
December 10-12

Major Gift Planning I  
Washington, D.C.  
November 8-9

Major Gift Planning II  
Chicago  
September 6-7

Washington, D.C.  
December 10-11

## Sense of Census...Continued from page 1

### **Great expectations**

The 2000 Census data contains invaluable information for those making gift planning marketing decisions. For example, knowing that over 75% of households in one state own their homes as opposed to approximately 40% in another may affect the way a gift planner makes list selections for communications that focus on gifts of remainder interests in homes. Similarly, knowing which states have the greatest percentages of elderly residents may influence who receives bequest or gift annuity mailings. For the best effect, though, these statistics should be analyzed in conjunction with information that you already know about

your donors. In addition to traditional gift frequency, longevity, and amount analysis, other factors such as age or wealth rating may enhance your gift marketing selections.

The key to effective marketing is reaching the right people at the right times in their lives with the right gift opportunity. The new Census data is one more tool you can use to refine your selection in hopes of increasing the success of your gift planning efforts. For more information on the 2000 Census, visit the Census Bureau's Web site at [www.census.gov](http://www.census.gov). **G&T**



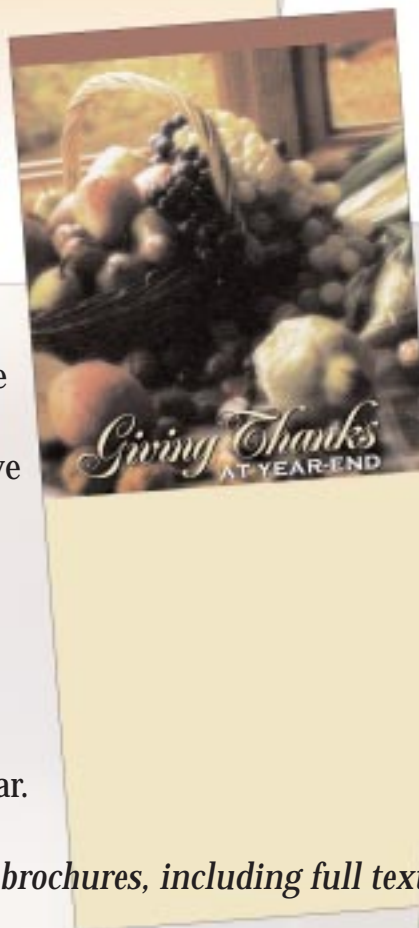
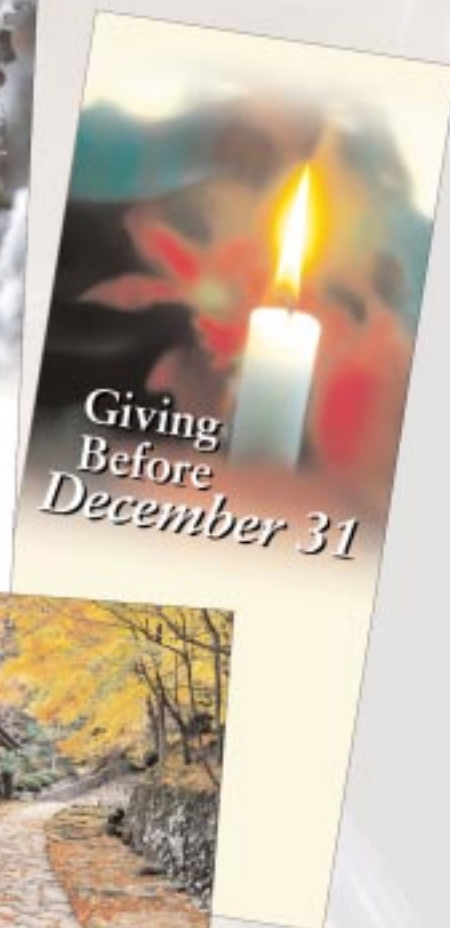
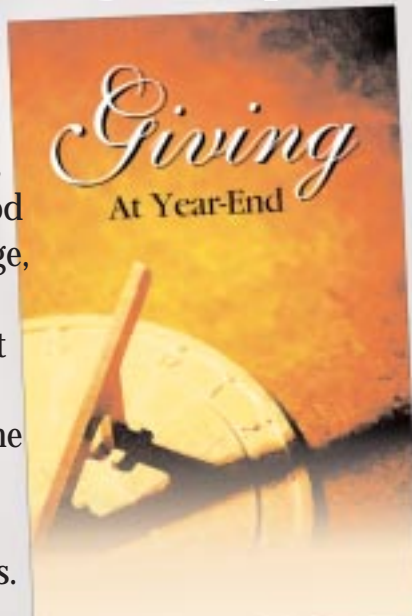
*Barlow T. Mann is an attorney and chief operating officer of the Sharpe company. He designs planned giving programs for a number of America's nonprofits, presents seminars, and authors many articles on gift planning.*

# 2001 Year-End Giving Brochures

This year-end, during a period of rapid change, it is extremely important that your donors know about the best ways to make their charitable gifts.

Sharpe's 2001 year-end giving brochures are designed to quickly impart the information your donors will need, including why the 2001 tax law may make their gifts more attractive this year.

Make sure that your donors have the information they need to maximize their giving before the end of the year.



View brochures, including full text, at [www.rfSCO.com/yearend](http://www.rfSCO.com/yearend).

**Robert F. Sharpe & Company, Inc.**