

Give & Take

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NEWS AND IDEAS FOR DEVELOPMENT EXECUTIVES OF NONPROFIT ORGANIZATIONS

Gifts for All Seasons

by Robert F. Sharpe, Jr.

Learn what to expect from planned gift donors and prospects during this changing economic climate.

In recent weeks much has been written about the lackluster performance of stock markets in 2000.

What has the impact of softer markets been on charitable giving in general and planned giving in particular? Early reports for the last quarter of 2000 are spotty with some organizations and institutions reporting mixed results, particularly in receipts of stock gifts. Others are reporting record years, particularly in bequest receipts and in newly funded gift annuities and charitable remainder trusts.

In this article we will examine how different planned giving prospect groups may react to changing economic conditions.

Younger planned gift donors

Donors in the youngest segment of traditional planned gift donors—persons aged 55 to 65—may have been among the most heavily affected group in terms of reductions in asset values. In this age group, pre-retirement for most, assets tend to be invested more heavily in equities, with more participation in investments with higher growth—and risk—potential.

Many donors in this age group may have securities that have decreased in value since they have owned them, but still have gains that would translate into capital gains tax liability if sold. Donors with outstanding pledges should be reminded that from a tax planning standpoint it may be better to give securities that still have *any* gain in them rather than make gifts of cash. Cash can be used to repurchase the same securities and thus enjoy a higher cost basis and less gain when stock prices recover in the future.

Deferred gift annuities and trusts that feature relatively high payouts for a short term of years may be appealing to the 55- to 65-year-old donor as well. Such gifts can be a way to lock in a higher income today while enjoying income tax savings and diversification that can be achieved without sacrificing a portion of their remaining asset values in capital gains taxes.

Older planned gift donors

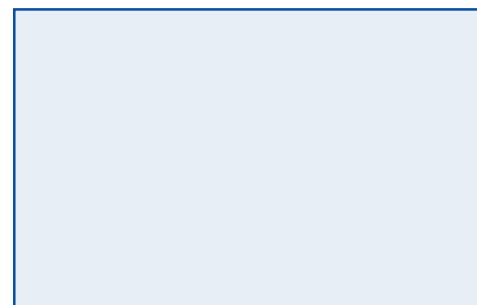
For donors in the 65- to 75-age group, different plans may be in order. As donors in this age range tend to be retired and more heavily invested in bonds and “old economy” stocks, they may actually have seen *increases* in their net worth over the past year, although not in the magnitude of prior years. For persons who hold a significant portion of their investment portfolio in bonds, lower interest rates in recent months may have led to increases in the value of that portion of their portfolio. Now may be a good time to remind such donors that charitable remainder trusts for life, current and deferred gift annuities, and other traditional planned giving tools may

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Join Sharpe presenters for “An Introduction to Planned Giving” in Washington, D.C. See page 7 for details.

Planning Matters

How gray is your constituency?

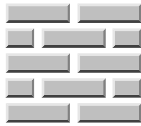
Over the past few years much has been written about the aging of America and how a larger pool of older Americans will create, among other things, a golden age of philanthropy through unprecedented amounts of assets passed via estates.

Consider the fact that the portion of the American population over the age of 65 increased eleven-fold from 1900 to 1994, as compared with just a three-fold increase in the population under that age during the same period.

By the mid-1990s, older Americans represented one-eighth of the U.S. population and can be categorized as follows:

| | |
|-----------------|--------------|
| Age 65-74 | 18.7 million |
| Age 75-84 | 11.0 million |
| Age 85+ | 3.5 million |

U.S. Census Figures



Give & Take

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Health care advances and lifestyle choices have shifted the more dramatic increases in the number of older Americans to the group comprising the oldest of the old—the over-85 age group. In a few more years the baby boom generation will begin contributing to the number of newly minted 65-year-olds. In the meantime, indications are that elderly population growth rates will be more modest during the 2001-2010 period. This is a result of decreased birth rates during the Depression years and World War II.

Of special interest to gift planners

Based upon recently released population estimates from the U.S. Census Bureau, there has, as would be expected, been a decline in the number of persons age 65 to 74—an age range of special interest to gift planners. (See chart at top right.)

The dip in 65- to 74-year-olds is a direct result of the decline in birth rates in the 1930s. The decrease in a portion of the prospect group for planned gifts may have already begun to affect those planned gift development programs without plans in place designed to adapt to this phenomenon.

Dealing with the dip

Many successful programs have already begun to implement age and wealth-based planned gift strategies to deal with potential problems caused by the decreased numbers of persons aged 65 to 74. Examples include efforts to increase market share among the nearly 20 million persons in this age range.

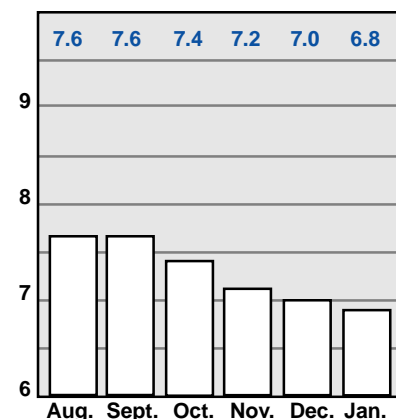
| Select Age Groups | October 1, 2000 | July 1, 1995 | Net Change |
|-------------------|-----------------|--------------|------------|
| 55 - 64 years | 24,161 | 21,132 | +3,029 |
| 65 - 74 years | 18,175 | 18,757 | -582 |
| 75 - 84 years | 12,381 | 11,178 | +1,203 |
| 85 - 94 years | 3,920 | 3,369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

Census Data: Number in Thousands

Other programs have begun marketing planned gifts to the larger constituency in the next youngest age group. This solution must be carefully considered to avoid attracting gifts from persons who are at an age where such gifts may not be optimal. For younger donors, consider a shift to term of years trusts to meet specific objectives, or plans to provide for elderly relatives and others. Gift plans that “return” the donor’s funds over time, such as grantor lead trusts or relatively high payout CRTs, may also be appealing to

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Discount Rates



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

Before, During, and After the Bequest

by Phillip Adcock

Much has been written on the importance of effectively communicating the concept of charitable bequests to donors and prospective donors to charitable organizations and institutions of many different types. Why? Because gifts by bequest have consistently comprised the vast majority of gift planning funds, even for the most sophisticated gift planning programs—as much as 70% or more of realized funds for many programs.

Much of the focus of discussion has surrounded the process of encouraging charitable bequests through effective file segmentation as well as utilizing appropriate communication strategies designed to motivate potential bequests. Debates on how to record bequest commitments, how to determine the potential income from bequests, budget issues, and other functions that relate to the mechanics of bequest development have also been the topic of many articles and other communications in recent years.

While it can be interesting and is important to work on and discuss the many nuances of a planned gift development effort, it can be easy to overlook some basic principles that are important to success.

Three stages of bequest giving

It can be helpful to think of bequest gift efforts in terms of three time periods: before the bequest is made, after notification from a donor that he or she either intends to leave a bequest or would consider leaving a bequest to your organization or institution, and after the death of the benefactor and receipt of funds.

Before the bequest

The first step in nurturing a successful bequest program is carefully managing relationships with regular donors today. When a donor is acquired, it is important to have a clear system in place that says thank you to all that give, regardless of the size of the gift. Recognition societies, listing donors' names where appropriate, and keeping donors in-

formed about your organization's progress are other activities that make the difference in retaining donors and building the types of relationships necessary to motivate bequests.

After notification of intention

The next time someone notifies you that they have included your organization or institution in their will, think about what that means. Who is usually mentioned in a person's will? Family most likely, and perhaps close friends. By remembering your organization in his or her will, a donor has in some respects elevated your cause to the status of family.

Recently I heard a presentation by a university president to a group of alumni on this very subject. He stated that he believed a gift through one's estate plans is "a profound act of love and a profound act of confidence in our institution." When a donor takes steps to arrange such a profound act of generosity, gift planners must be poised to acknowledge the bequest with the same thoughtfulness in which it was made.

In many cases you will never have the opportunity to thank donors who include charitable gifts in their wills and other long-term plans. Recent studies, including one published last fall by NCPG, indicate that many donors prefer not to share their estate plans with others. Consider, on the other hand, the mindset of those who *do* decide to inform you of their decision.

It is vitally important that such persons be thanked in a timely and appropriate manner. If, for example, your average bequest is valued at \$35,000, respond as if each notification is equivalent to a current gift at that level.

After death of benefactor

This is an area that is most often neglected—an understandably so. The estate administration process is often handled by the legal or other administrative offices within the organization, in some cases with little or no communication with the devel-

Gift planners must be poised to acknowledge a bequest with the same thoughtfulness in which it was made.

Before, During, and After . . . *Continued from page 3*

A bequest to charity is often the single largest, most thoughtful charitable gift a donor can make.

opment staff. In some cases family members feel that they, too, have in some respects made a gift to the organization because the funds given to charity would most likely have otherwise been theirs. For this reason the staff members and legal counsel who are interacting with family members should be sensitive to the donor relations aspects of the estate settlement process. Programs that successfully integrate the estate settlement process with development efforts often find that a bequest can be the beginning of a long relationship with surviving family members who may decide to continue the investment in the organization made by their parent, sibling, or other loved one.

I recall an instance several years ago when I was working as a development executive for a nonprofit organization. One day a check was received for \$1 million. It was a specific bequest that was restricted for use in a particular state. No one in the organization knew or had prior knowledge of the benefactor.


A building campaign was under way and these funds were just the amount needed to complete the project. The board approved the use of the bequest to finish the building. While very pleased with the gift, the staff member in charge of the program told me that he simply could not rest at night. He knew that legally there was no problem in using the funds as the board had directed, but he really wanted to know what the donor had in mind when making a gift of that magnitude.

He decided to contact the executor of the estate, who happened to be the son of the benefactor. The staff member explained the plans for the bequest and then asked, "Before moving forward, I want to make sure the use of these funds in this manner is what your father would have wanted". The son indicated that he thought the father would approve of the funds being used for a building. His next question was, "Do you think your father would have liked to have the building named in his honor?" The son's answer was yes.

After the building was completed, a dedication ceremony was held which involved the surviving family members of the donor. During the ceremony, the family presented another check—larger than the original bequest—to handle the future needs of maintaining the building that was named for their loved one. This is just one example of what can result when attention is paid to surviving loved ones following a bequest, and they are treated as the major donors they often feel they are.

Personal treatment is key

As I mentioned earlier, we must keep in mind the highly intimate and personal nature of the charitable bequest. Whether from the large estate of a high-profile philanthropist or the modest estate of a retired teacher, a bequest to charity is often a donor's single largest, most thoughtful charitable gift in their lifetime. This is the reason why gift planners should attend to bequest donors with extreme care.

Consider taking the time to arrange for systems and procedures that result in establishing communication between internal departments that handle bequest administration and the development function, a system that acknowledges family members appropriately and creates an environment that can give rise to personal relationships with them and their advisors. Attention paid to this process can pay surprising dividends for the time invested. 

Phillip Adcock is senior vice president with Robert F. Sharpe and Company. Previously he served as national director of major gifts and planned giving for the American Cancer Society National Center.

Gifts for All Seasons . . . *Continued from page 1*

offer attractive opportunities to diversify their holdings in a tax-free manner while enjoying income tax deductions and what may be a generous flow of income.

Expect gift annuities and charitable remainder *annuity* trusts to be of greater interest to this and other age groups than in recent years. Remembering the old adage that “a bird in the hand is worth two in the bush,” a 70-year-old may find a fixed income for life of 7% to be more attractive than a 5% or 6% unitrust that may or may not offer growth in income in coming years. In times of lower interest rates, a larger percentage of income from annuity trusts may be reported by the donor at more favorable capital gains tax rates under the tier structure of reporting income from such trusts.

Discussions of reduced estate and gift taxes may also call more attention to the income element of planned gifts and lead to more interest in establishing such gifts during life rather than as part of more long-range estate planning.

Despite periodic fluctuations in asset values, donors in the older age range will continue to make their estate plans. Many will continue to experience the desire to “give something back” through charitable bequests and similar gifts. As retirement plan assets comprise ever larger percentages of assets of older Americans, it is important to keep reminding such persons that “bequests” via retirement plans can offer special benefits in the form of increased tax savings when compared to traditional bequests via the will.

Meeting needs of oldest donors

Donors in the over-75 age range may have experienced the least decline in asset values and may have benefited the most from increases in bond prices as interest rates have trended down. On the other hand, as donors in this age range may depend most heavily on fixed income investments for their income, lower interest rates may have led to less spendable in-

come, especially for those who have invested in money markets and short-term bond funds. The current environment may thus be the best for charitable gift annuity programs since the early 1990s. Don't overlook the attractiveness of *deferred* gift annuities to older donors who are willing to delay income from their annuities for a few years in return for higher rates in later years when they may need the income the most.

For those in their late seventies or older, remember that charitable remainder annuity trusts for the life of one or more persons may be structured with higher rates with relatively little risk to principal. For example, a charitable remainder annuity trust funded with \$100,000 in assets can pay a rate of 10% for 10 years with an expected remainder in the range of \$50,000. This might be a very attractive way for an older person to structure a significant gift while returning income equal to the entire \$100,000 over a 10-year period along with an immediate income tax deduction of approximately \$30,000.

As in the case of those in younger age ranges, estate planning will continue unabated by those who are increasingly aware of their mortality. Bequests and similar gifts are typically made by those in their late seventies who die in their early to mid-eighties. Successful programs will continue to take steps to assure that their organizations are top of mind when such persons are working with their advisors to make what may be their final estate plans.

An abundance of cash

Regardless of age, many donors now have more cash than in recent years as they have shifted a portion of their assets out of more volatile stocks and into investments that are more liquid.

For the wealthy, certain plans may prove more attractive under these circumstances. Charitable lead trusts, for example, may hold increased attractiveness with discount rates under 7%. For those who have significant amounts of cash they would like to pass

Discussions of reduced estate and gift taxes may call more attention to the income element of planned gifts.

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.

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 now for memorial gifts

While charitable organizations and institutions typically receive memorial gifts throughout the year, the spring months offer special occasions that prompt many donors to remember loved ones with special gifts to charity—Mother's Day, Father's Day, Memorial Day, graduations, and religious holidays. Be ready to initiate discussions with donors about ways they can pay tribute to others through memorial giving.

Let Robert F. Sharpe and Company help you communicate with your donors about the variety of memorial and honor giving options available to them. The helpful brochure "**Giving Through Living Memorials**" not only explains the many ways a memorial gift can be funded but also includes an attached response device that can be personalized so your donors may include gifts and/or request additional information.

In a recent National Committee on Planned Giving study, donors indicated that creating a lasting memorial was one of the top motivations for making their charitable gift and was equal in importance to estate tax savings possibilities when planning charitable bequests. So inform

your donors about the special giving opportunities available through memorial and honor giving. For more information about memorial giving brochures, call 1-800-238-3253.

Plan consistent bequest efforts

Have bequest awareness efforts slipped lower on your organization's priority list than you would like? Or has a program conducted with intensity at its inception been followed with periods of relatively little activity?

If you are looking for a proven successful way to jumpstart a neglected bequest program, or to augment an already successful program, the Sharpe company has four new brochures that may interest you. Each brochure focuses on a different aspect of the wills and estate planning process—when to review estate plans, specific estate planning needs of women, what to do before you visit an attorney, and how to avoid the "state-made" will and replace it with a plan that you create for yourself and your family.

If you would like more information about using wills and bequests brochures to enhance your bequest efforts or to place your order, please call 1-800-238-3253. [CA](#)

Planning Matters . . . *Continued from page 2*

members of the emerging group of 55- to 65-year-olds.

Traditional gift planning techniques will continue to be attractive to the 75- to 84-year-old group. Fixed income alternatives like gift annuities and annuity trusts could, in fact, become even more popular in a period of low inflation and low interest rates (See page 1 for more on this topic). Communication approaches may need to be adapted for these very different audiences. What is appropriate for a 75-year-old may miss the mark for a 55-year-old and vice versa.

Special approaches may also be particularly useful with the over-85 age group, recognizing the social, economic, health,

and demographic concerns of the oldest of the old. As this group grows and is active to an older age, programs that continue to serve donors in this oldest age group can be expected to be of increased importance. Gift annuities and bequests from this group may make the difference in programs where smaller numbers of those in the 65- to 75-year-old group can be expected to result in fewer gifts.

Programs that recognize the changes that demographic shifts portend will continue to be successful, especially those that recognize that a one-size-fits-all approach may be less productive when spanning age groups from age 55 to age 90 or older. [CA](#)

Training Update

An Introduction to Planned Giving

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

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 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. [GT](#)

Seminar Training Dates

An Introduction to Planned Giving

San Francisco
February 12-14

Washington, D.C.
February 28-March 2

Memphis
May 21-23

Major Gift Planning I

Chicago
March 5-6

Charlotte
May 30-31

San Francisco
June 18-19

Major Gift Planning II

Washington, D.C.
April 17-18

*Please see our Web site at www.rfSCO.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.rfSCO.com; E-mail seminars@rfSCO.com

Gifts for All Seasons . . . *Continued from page 5*

to loved ones tax-free and who also have sufficient income from other sources, lead trusts can be a wonderful way to leave assets to others while making a charitable gift.

Donors with significant amounts of cash may also be encouraged to satisfy outstanding pledges with gifts that would be subject to a 50% of income limitation rather than the more restrictive 30% limitation for gifts of appreciated assets.

Gifts for all seasons

Planned gift arrangements are amazingly flexible vehicles. Plans that were appropriate in recent years may lose some attractiveness while others that may have been "dormant" of late may come to the fore. A little time spent today adjusting our thinking, and our approaches to donors and their advisors, will, as in the past, pay tremendous dividends in increased gift income both now—and in future years. [GT](#)

Will you be on their minds...

When your donors create
or revise their wills?

Bequests continue to be the fastest growing source of giving—growing 14% in 1999 while overall giving was up only 6.7%. As the transfer of wealth accelerates in the 21st century, make sure your organization has laid the groundwork for encouraging bequest gifts.

Robert F. Sharpe and Company's newest series of brochures informs your constituents about wills, trusts, and other estate planning tools available to them. Your donors will learn the importance of having an up-to-date estate plan—for themselves, their families, and their favorite charitable causes.

A recent study published by NCPG reported that most donors learned about charitable bequests by reading materials sent to them by a charity. Make sure your donors are hearing from you about charitable bequests today.

Call 1-800-238-3253 for more information about the newest line of wills and bequest brochures from Robert F. Sharpe & Company.



Robert F. Sharpe & Company, Inc.