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Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

New Report Shows How Super-Wealthy Give

Americans worth \$5 million or more are active contributors to charitable causes, regularly volunteer for charitable organizations, and also include charities in their estate plans, according to results of a recent report.

Conducted for Bankers Trust Private Banking by Boston College researcher Paul Schervish, the study entitled "Wealth With Responsibility Study 2000" focuses on approximately 112 households with a net worth of at least \$5 million. The median net worth of those surveyed was \$38 million. The report, which is a follow-up to one conducted in 1996, sheds light on the attitudes of the super-wealthy toward the relationship between philanthropy and estate planning. The report examines how much the respondents give to charity as well as how they would often like to give more.

Charitable giving habits

According to those surveyed, almost every wealthy household surveyed—97.3%—gives to charity. Though the gift amounts varied significantly, generally the contribution amount and percentage of income contributed to charity increased in correlation with the net worth of the donors. Therefore, the higher the net worth, the larger the gifts and the greater the gifts as a percentage of income.

Most respondent families indicated that they give to causes with which they are associated as members or participants in some fashion (57%) and/or feel passionate about (72%). Not surpris-



Make plans now to join us for gift planning training in San Francisco this summer. See page 7 for details.

ingly, the report shows that gift values are higher when the donor is more involved with the organization or strongly believes in the cause.

Volunteering for charitable causes also ranked high among the respondents. Over the past three years, 92% have volunteered their time to non-profit organizations or political causes, with 86% currently participating in volunteer activities at least one hour per month. Three quarters (75%) of those surveyed said they also spent time fundraising for charitable organizations and institutions.

When asked what factors would influence them to give more to charity, 93% of respondents reported that finding another worthy cause that they feel passionate about would make them likely to increase their charitable contributions. Eighty-eight percent said that an increase in their net worth would lead to increased giving, while 74% mentioned increased tax benefits as a reason to give more to charity.

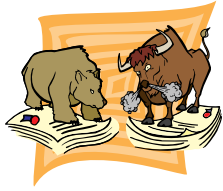
How they would change estate plans

Most of the super-wealthy in the survey have a written estate plan (89%). The following chart

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- Seattle financial advisor and former gift planner shares his perspective on affluent donors p. 3
- Check out new gift annuity rates p. 8

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Planning Matters

The economic turmoil in recent months has left many savers and investors shaken. As consumer confidence erodes, so has “contributor confidence” among some prospective major donors.

Historically, the stock market and interest rates have moved in a counter-cyclical fashion—as interest rates fell the stock market often rose and vice versa. This general trend is illustrated in Charts 1 and 2.

Recently, however, both interest rates and stock prices have been trending downward

remainder trusts with highly appreciated, but potentially declining, assets. With a CRT, a donor can lock in a fixed or variable income based on today’s full current value of the assets to help produce cash flow for personal needs, while also fulfilling philanthropic obligations.

Charitable gift annuities are another attractive option. Consider the thousands of donors who are experiencing lower rates of

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Looking for returns.

Chart 1

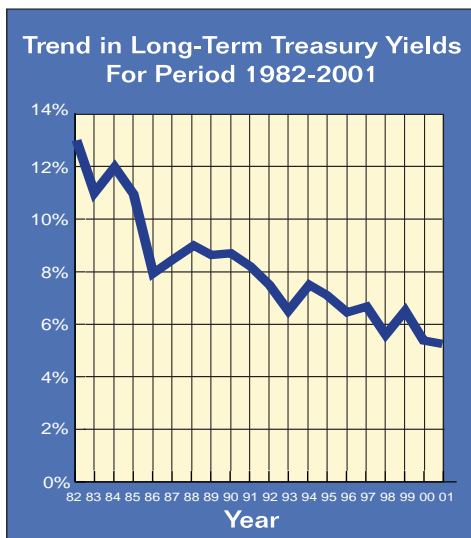
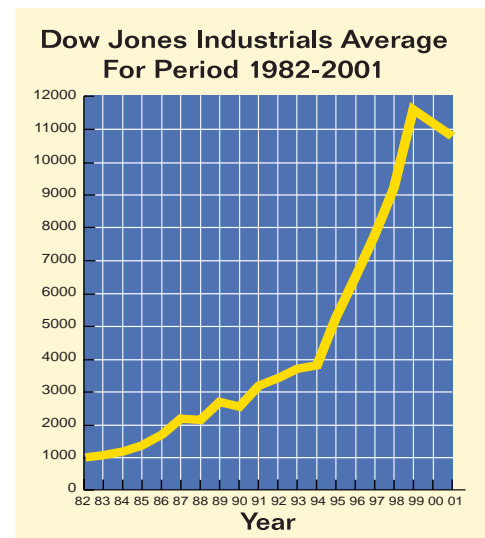


Chart 2



Give & Take:

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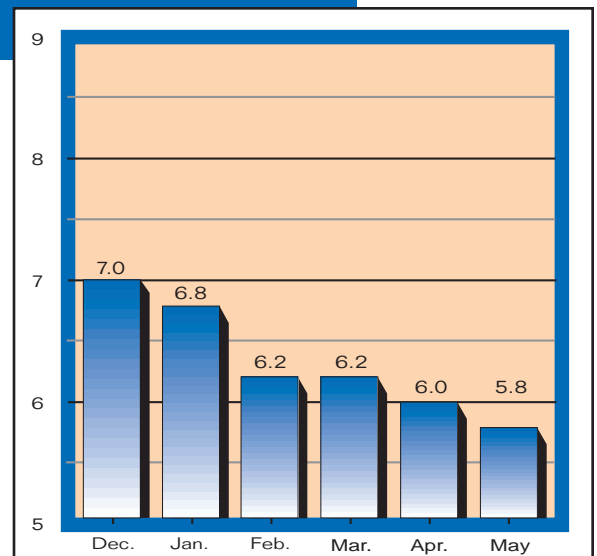
simultaneously, leaving many traditional investors and savers confused.

What to do now?

For the philanthropically inclined, now may be an ideal time to “give out of the market.” Properly planned gifts may meet both personal and philanthropic objectives. Some donors may feel as though they are “locked” in to the stock market. If they were to sell now they would incur a capital gains tax of up to 20% on the remaining gains. Other individuals may be facing declining returns on their money market accounts or certificates of deposit. Some are experiencing both of these financial dilemmas at the same time.

Gift planning options that may help individuals in these situations include the funding of charitable

Discount Rates



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

Gift Planner Turned Financial Advisor Discusses Ultra-Wealthy

As an attorney, financial advisor, and former fund development executive, John Goodwin has spent most of his career helping people meet their personal and philanthropic goals. In this “Gift Planner Profile,” Mr. Goodwin shares his thoughts on the giving habits of the ultra-wealthy and how proposed estate tax changes may affect the giving of significant wealth holders.

Give & Take: Tell us a little about your background as an attorney and planned giving officer.

Goodwin: I started practicing law in 1986 in the estate planning group of one of the largest law firms here in Seattle. Even at that time I had an interest in planned giving because my older brother, Mike, then was director of planned giving at Washington State University. In the scope of that work, I had the opportunity to become the charitable specialist in the firm and be involved in setting up private foundations and charitable trusts and to help structure large outright gifts on behalf of clients. I was recruited to the University of Washington by Frank Minton who was then the director of planned giving and spent eight years there altogether. After three years in planned giving I became the associate vice president in charge of the campus-wide major and planned gifts program including all the school and college development directors and assistant deans. What we had was an integrated planned and major gifts model involving both a central staff and a decentralized staff with extensive cross training, obviously somewhat influenced by Robert Sharpe’s thinking at that time.

Give & Take: How did you come to your current position as a financial advisor?

Goodwin: When I left the U of W, I set up a consulting business providing strategic counsel on large-scale philanthropy to local foundations and high-net worth individuals. I came to the realization that this strategic advising work needed to be done within the broader framework of wealth creation and wealth management. That is in large measure why I joined the wealth management firm, Quellos Group. I am now able to continue to provide strategic counsel about philanthropy as an integrated component of the overall plan to grow wealth and eventually

distribute wealth to both the family and the broader community. I view all my prior experiences—as an estate planning lawyer, charitable gift planner, major gift fundraiser, philanthropic consultant—as integral to developing a comprehensive sense of what it means to provide “wealth management” advice. I think I have a good sense of what motivates wealthy people, what makes them feel good, and how they want to relate to the management and use of their wealth.



John Goodwin

Give & Take: What have you found to be the primary reasons people make large current or deferred gifts?

Goodwin: I think that the reason people ultimately make those gifts is because they are deeply engaged in the organization or the cause, they see a need, and they see an opportunity to make a difference. There’s a hurdle that is then presented: Do they have the financial capability or capacity to make a substantial gift commitment? Once they satisfy themselves that they do, it is really a no-brainer to make that commitment given their level of engagement. In my work, it has always been about the donor seeing a need, seeing a way to make a difference, and feeling connected and financially secure enough to be able to make a substantial gift.

Part of that is getting good advice, which came through in the Bankers Trust survey (see page 1 for more on this survey). Very few people are able to figure it all out on their own. It helps for potential donors to get good advice that can help them decide that they do have enough wealth to make a sizable commitment, advice about how to structure a gift so that it is tax efficient and tax sensitive, and advice about how to structure a gift so that it really makes a difference for the organization.

Give & Take: What impact do you think estate tax changes may have on giving by the wealthy during life and at death?

Goodwin: We deal with people who are the ultra-affluent, those with \$50 million or more. With regard to this question, I think you must separate out this group of people from those with fewer assets who will also be affected by estate tax reform or repeal. As you saw in the Bankers Trust survey, one of

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 “All of the clients I work with would direct the most substantial part of any estate tax savings to charity...”
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the questions that confronts wealthy people is “do I have enough wealth to secure my needs and the needs of my children?” At lower levels of wealth, it does seem to me that changes in the estate tax would drive more money to both family and charity, probably, as noted in the Bankers Trust survey, in a ratio that distributes a somewhat higher percentage of the tax savings to children. Over a certain level of wealth, however, people know that their needs are secure, and they have identified some level of wealth that they want their children to have. Any amount of wealth they manage to accumulate above that level, they wouldn’t give to their children for fundamental reasons that don’t relate to the tax structure or changes in the tax structure. For example, they may not want to demotivate their children. For the ultra affluent clients that I deal with, I don’t think estate tax reduction or changes would fundamentally affect their charitable aspirations because most of our clients drive the residue of their estate to charity after they have provided adequately for children and other loved ones. I don’t expect that to change.

***Give & Take:* What specific advice would you give gift planners in light of proposed estate tax cuts?**

Goodwin: What I would tell them is a lesson that you could also draw from the Bankers Trust survey. That is that they should focus on the fundamental things that motivate people to give regardless of what the tax structure is. Focus on the connection with your donor, focus on engagement, focus on convincing them that your organization is a worthy place to give and is making a difference. Focus on finding people that have already provided for your organization or institution or tell you they are considering the possibility of doing so. That is paramount.

Second, to the extent that understanding the tax consequences of giving and the ways to give is an important part of donors developing a comfort level to give, continue to educate prospective donors about those tax savings, efficiencies, and opportunities in the most highly professional way that you can.

At this point it may be wise, where appropriate, to focus attention on things that are still certain, like income tax savings and capital gains tax planning, and providing for increased income that can be accomplished through various gift planning vehicles.

If you do those two things, help connect donors and prospective donors to your organization in a deep and lasting way and provide the highest caliber counsel possible about giving opportunities, then when their other advisors are in alignment with that the gifts are going to come.

***Give & Take:* What did you think was the most important finding in the Bankers Trust Private Banking survey “Wealth with Responsibility 2000”? What did you think about how the wealthy say they would distribute their assets if allowed to do whatever they wished?**

Goodwin: The most important thing that I took out of that survey was the number of people who don’t know whether they have enough to be secure in order to be significantly philanthropic. We see that in our work every day. We help show people the capacity to do good deeds that their wealth presents. Once people know that they are secure and that their children will be secure, their ability to answer that question about how to divide their wealth between charity and their children becomes more obvious to them.

The survey also pointed out the fact that very few ultra affluent people are interested in making their children as wealthy as they could possibly be. If you presented that option bluntly to a client, there are very few clients who would select that as a goal for their children. When people have significant wealth, their objectives are much more balanced between providing for their children and doing other kinds of good in the community. This is evidenced by the degree to which people volunteer or the degree to which they give during life. I think people’s estate plans generally mirror the values that they live by during life. I can say that all of the clients that I work with would direct the most substantial part of any estate tax savings to charity and not their children.

I think the more pressing near-term challenge is confronted by that group of people who are not ultra-affluent who find them-

New Report Shows How Super-Wealthy Give...Continued from page 1

shows how the respondents expect their assets to be distributed as well as how they would allocate their money if given total freedom to decide:

	Expected distribution	Desired distribution
Children and grandchildren	42%	58%
Other heirs	5%	6%
Taxes	37%	9%
Charity	16%	26%
Other	0%	1%

Expected and desired distribution of assets

Though not all of the respondents advocated eliminating taxes altogether, if given the opportunity, most would allocate less of their estate to taxes and distribute more money to their heirs and to charity in their estate plan. Distribution to charity would increase by 10% (a 62% increase in terms of percentage to charity) if wealth holders had their way, while children and grandchildren would receive 16% more (a 38% increase in terms of percentage).

These are very interesting findings, especially in relation to the current debate over what would happen to charitable contributions if estate taxes were reduced or repealed. The ultra-rich respondents of this survey make up the high-end segment of Americans that would be most significantly affected by elimination of the estate tax. (See the March 2001 issue of *Give & Take* at www.rfsc.com for more on this subject.) Responses in this survey show that, unlike the predictions that estate tax repeal would quickly lead to the super-wealthy leaving everything to heirs and eliminating or drastically scaling back charitable distributions, wealth holders would likely give more to both their heirs and charitable causes. Tax relief, according to this survey, would benefit everyone named in the estate plans of the wealthy, not just heirs.

Note from the chart above that the wealthy have already achieved a “balance” between family, charity, and taxes. The charitable provisions in the estates of wealthy today are

coming to some extent at the expense of heirs. When people, wealthy or not, include a charity in their estate plans, they are elevating charity to the status of a family member. If elimination of estate taxes makes more available for distribution, then one might expect distributions to increase to all participants in the estate. The Bankers Trust study seems to buttress the argument that as the “cost” to family members of charitable gifts via the estate goes down with reduced estate taxes, the “demand” for such gifts among the wealthy may, in fact, rise.

Big picture

What do these statistics of high-net-worth individuals mean for gift planners today? We should certainly be encouraged by the high percentage of those surveyed who are active in philanthropic pursuits. With tax reform under discussion, and debates surrounding the impact of change, do not assume that high-asset donors are only interested in making planned gifts or bequests to reduce their tax bill. Gift planners should not forget that donors—regardless of the level of their wealth—give for a variety of reasons. As noted above, 93% of the wealth holders surveyed said that they would increase their charitable giving if they found a cause they felt passionate about.

As you acknowledge wealthy donors who are making significant gifts, consider taking more time to discover *why* they are giving. Listen carefully and then take the time to try to involve them in your mission in ways that excite the passion that they say will lead them to make larger gifts. Naming opportunities, other recognition, and tax benefits are important factors, but this survey, and the experience of many veteran fundraisers, shows that the wealthy are increasingly careful and thoughtful about their giving. Those that understand that fact stand to reap substantial rewards as the coming transfer of wealth in America continues to unfold.

For more information on “Wealth With Responsibility Study 2000,” contact Bankers Trust Private Banking, 280 Park Avenue, New York, NY 10017. [G&T](#)

Footnotes



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

Flexible billing presents more options

At Robert F. Sharpe and Company, we understand the importance of fiscal years in nonprofit budget planning and we provide options that address the budget challenges they may bring.

Sharpe's flexible billing options can help you transition smoothly and effectively from one budget cycle to the next. With flexible billing you can:

- divide your payments between two budget years
- delay billing for publications or services you need now until funds become available in the new fiscal year
- prepay for services or products you may need in the future while funds from this year's budget are still available.

There is no need for your fund development program to suffer during a fiscal year transition. Let Sharpe's flexible billing options help you ensure that your organization will have the products and services it needs when it needs them. For more information about flexible billing options, please call 1-800-238-3253 to talk with a Sharpe representative.

Bridging current and deferred giving while saying "thanks"

If you are like many gift planners, you are always looking for new ways to acknowledge and thank those donors who have made cur-

rent gifts. With Robert F. Sharpe and Company's "Thanks for Giving" brochures, you can let your donors know how much you appreciate their gifts, and remind them about other giving opportunities they may want to consider as they make their long-range financial plans.

Available in two attractive cover designs, the six-panel brochure is professionally written and contains a perforated panel with a personalized response device. This allows donors to inform you about giving plans that may interest them.

"Thanks for Giving" can be used in a variety of ways to enhance your fund development efforts. For example, you may want to insert the brochure in gift acknowledgment letters or gift receipts you send to donors. This publication can help plant the seeds about planned gift opportunities with those who are current givers—a prime group to educate because they already have expressed interest in your mission through their gifts. Many have found "Thanks for Giving" to be a perfect "bridge" between their current and deferred gift development efforts.

A sample of "Thanks for Giving" is enclosed with this issue of *Give & Take*. For more information or to place your order, please call 1-800-238-3253 or fax (901) 761-4268. [G&T](#)

Gift Planner...Continued from page 4

selves significantly less wealthy than they were a year ago. Gift planners must now meet the challenge of helping these people see that they do still have enough to take care of themselves and their children as well as give to charity. This presents a ripe opportunity for marketing planned gift vehicles which can help people who are in that middle ground and really don't know if they can be philanthropic.

Give & Take: What is the primary way significant wealth holders leave assets to charity?

Goodwin: In my experience, wealthy families and individuals turn to the whole toolbox of charitable techniques over the course of their lifetime. Very often, the first vehicle

that they turn to is a private foundation or a charitable remainder trust, or some combination of the two vehicles because they are confronted by the potential benefits of diversification of a concentrated stock position through these vehicles. The charitable trust, similarly, can be a source of cash flow for lifetime giving for annual, capital, and endowment needs, and in certain cases corpus of the trust can be available for accelerated lifetime gifting. As the wealth position becomes more secure you see more frequent and larger lifetime gifts for operating, endowment, or capital purposes. And, of course, as we know, for many people the most significant gifts they make will be made at death under the provision of their will or revocable trust. [G&T](#)

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 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

Planning Matters...Continued from page 2

return on CDs, money market and savings accounts. While yields have generally been declining over the past year, gift annuity rates have remained high and, therefore, should be increasingly appealing. Organizations and institutions with sound gift annuity programs may find that older donors may be particularly responsive to gift annuity promotions made at this time, especially in light of lower recommended gift annuity rates set to go into effect on July 1. While some may have indicated they are waiting for stock values to go back up before funding an annuity, at some point, fear of further declines may outweigh hope for recovery of losses and that is time many will move to

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.

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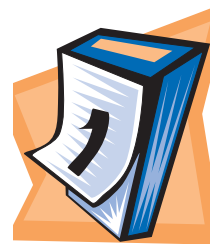
Web site: www.rfSCO.com

E-mail: seminars@rfSCO.com

complete their gift annuity. It is important to keep this option in front of donors to as great an extent as possible as one never knows when the "decision point" will come for a potential donor.

Additional benefits of such gifts may include current income tax savings, plus payments that may be largely taxed at rates less than other income, depending upon the circumstances.

The key for successful gift planners will be to identify arrangements that best match potential donors' needs in light of ever changing economic conditions and personal circumstances. [G&T](#)



Seminar Training Dates

An Introduction to Planned Giving

Washington, D.C.
August 21-23

Chicago
October 29-31

Orlando
December 10-12

Major Gift Planning I

Charlotte
May 30-31

San Francisco
June 18-19

New York
August 23-24

Major Gift Planning II

Chicago
September 6-7

New Gift Annuity Rates Announced

At a meeting held earlier this month, the board of the American Council on Gift Annuities voted to lower the rates it recommends for charitable gift annuity payments. The rates listed below are recommended to go into effect on July 1, 2001. Full rate schedules are available at www.acga-web.org.

Note that the rates are reduced by a few tenths of a percent for persons most ages with rates remaining the same for those over age 85.

MATERIALS REFLECT NEW RATES

As soon as the new rates were announced, Sharpe editors began the process of modifying all rate-specific content in Sharpe publications. They have all been updated to reflect the new rates, while materials utilizing the existing rates are still available for those who wish to implement special marketing efforts that give donors one more opportunity to give for gift annuities before the new rates go into effect. Pricing is based on total quantities ordered, so you may combine quantities of materials with old and new rates if desired.

For more information or to replenish your supply of gift annuity marketing and communications materials, call 1-800-238-3253 and press 1, or e-mail info@rfsco.com.

Age	Current Rate	New Rate	Age	Current Rate	New Rate
55	6.1%	6.0%	71	7.6%	7.3%
56	6.2	6.1	72	7.7	7.4
57	6.3	6.2	73	7.8	7.6
58	6.4	6.3	74	8.0	7.7
59	6.5	6.4	75	8.2	7.9
60	6.6	6.4	76	8.3	8.0
61	6.7	6.5	77	8.5	8.2
62	6.8	6.6	78	8.7	8.4
63	6.9	6.6	79	9.0	8.6
64	6.9	6.7	80	9.2	8.9
65	7.0	6.7	81	9.4	9.1
66	7.1	6.8	82	9.6	9.4
67	7.2	6.9	83	9.9	9.7
68	7.3	7.0	84	10.2	10.1
69	7.4	7.1	85	10.5	10.4
70	7.5	7.2	86+		No change



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