

## Maximizing Major Gifts This Year-End

by Robert F. Sharpe, Jr.

The final weeks of the year normally prove to be among the most critical time periods for nonprofit organizations and institutions. The fall months have traditionally been a time when a large percentage of the year's contributions are received. This year, however, the events of September 11, combined with ongoing investment market fluctuations, present an environment that may be unprecedented. Some organizations are now wondering whether traditional patterns of giving will be repeated this year.

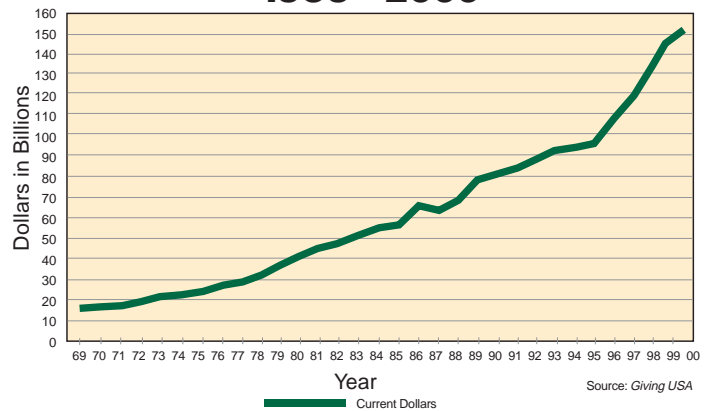
### *Are you prepared?*

We believe that nonprofits that are proactive at this point and take the lead in helping their donors decide how to best make their gifts before the end of this year may find that their results could actually equal, or possibly exceed, those of prior years!

Never in recent memory has greater attention been focused on the important role the nonprofit sector plays in our society. The outpouring of generosity in the wake of September 11 has been a source of inspiration heralded as evidence of a reawakening of the American spirit. History reveals that Americans have traditionally been more generous in the wake of catastrophic challenges. For example, giving increased some 46% in America in the year following the attack on Pearl Harbor (Source: *The Chronicle of Philanthropy*, October 4, 2001).

On the other hand, economic uncertainty and investment market fluctuations continue to present a challenge to charitable giving for 2001. As in the case of war, records show that in times of recession Americans do not stop their charitable giving. See the chart below for a depiction of charitable giving in America since 1969. Note that there have been periods of slow growth. Yet, only in 1987, a year that featured the worst stock market crash since 1929, did giving by living individuals drop, and then only 4.5%.

**Giving By Individuals In America  
1969 - 2000**



### *Act now to facilitate giving*

The key to assuring that giving in 2001 equals or exceeds 2000 gift totals is to act now to make sure that donors are given the opportunity, information, and assistance necessary to make their gifts. Resist the temptation to take a “wait and see” attitude. If donors are asked, they may choose not to give. But if they are not asked, the odds are much greater they will not give!

When making your plans, remember there are five components to a gift. *Who* makes it, *why* do

### Inside:

- How will lower interest rates affect gift planning? p. 2
- Explore the concept of being near, dear, and clear to donors p. 3

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The trend toward lower interest rates means new opportunities.

## Planning Matters

In recent months interest rates have dropped to levels not seen in recent years. Some interest rates are approaching the lowest level in 40 years, with the discount rate for planned gifts completed in November dropping to an unprecedented 5%. Many gift planners are familiar with the general effect of lower interest rates on the discount rate that is an integral part of calculations that determine the tax benefits of charitable remainder trusts, gift annuities, life estate contracts, and other gift planning vehicles. Basically speaking, low interest rates tend to increase the relative attractiveness of life estate agreements and charitable lead trusts, while higher interest rates lead to larger income tax deductions for charitable gift annuities and charitable remainder trusts. (See the April 1998 issue of *Give & Take* for more information at [www.rfSCO.com](http://www.rfSCO.com).)

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### Looking beyond the AFMR

Now may be a good time to further explore the impact of low interest rates on charitable giving.

Lower interest rates represent a "two-edged sword" that can affect middle-aged and older donors in very different ways. Many members of the baby boom generation are now benefiting greatly from lower interest rates. With homeownership at record high levels, many persons have, or plan to, refinance their home mortgages. A significant number of these persons have also been able to tap a portion of their equity to retire a portion of their consumer debt without increasing their total monthly outlay for interest payments. This technique may save significant amounts in future interest and increase discretionary income today.

Meanwhile interest rates on certificates of deposit, savings accounts, bonds, and many other interest-bearing instruments have continued to fall. Retirees on "fixed" incomes have seen their cash flow fall along with these rates.

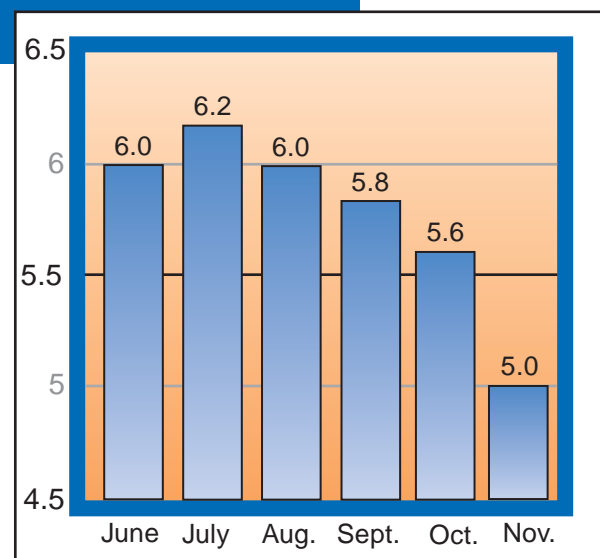
Let's examine the impact of this phenomenon on two gift situations. First, suppose an older donor has

responded to a recent appeal with a personal note stating that on account of lower interest rates she can simply not afford to contribute any more. Based on her comments, you mention that a charitable gift annuity will pay approximately twice what she is earning on her CDs, and that only about half of each year's payment will be taxable to her. The result: a six-figure charitable gift annuity and a resumption of her current gifts.

In a very different case, a middle-aged couple have just completed payment of college tuitions and recently refinanced their mortgage, significantly lowering their monthly payments. As a result, for the first time in their lives they feel they are able to become "major" donors by writing \$1,000 checks to their two favorite charities. They derive great satisfaction from their personal, professional, and charitable commitments.

As we can see, the rise and fall of interest rates not only affect the charitable deduction amounts of various planned giving arrangements, but also the ability of different donors to give, depending on the circumstances in which they find themselves. The key will be to reach the right donors at the right time in their lives for different types of gifts that fit their current or future circumstances. [G&T](#)

### Discount Rates



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



## Year-End...Continued from page 1

they give, *what* do they give, *when*, and *how*. This year, perhaps more than ever, it is important that we carefully address all five factors, especially when communicating with those who traditionally make larger gifts.

### WHO will give?

Each year, the bulk of charitable contributions comes from individuals in the form of outright gifts and bequests. Early indications are that giving from corporations and foundations may be affected by economic conditions, but as noted earlier, history indicates that gifts from individuals remain constant or grow, even during all recessions since 1969. When seeking gifts this fall, therefore, focus special efforts on individuals who have made gifts in the past and those you have reason to believe may choose to begin supporting you now.

### WHY will they give?

Surveys have shown that the desire to support a well-articulated mission is the primary reason people give. While recognition, peer pressure, and other factors may influence giving, now may not be the time to overly rely on those motivators. In your appeals this fall, focus on your mission and why it continues to be relevant in today's environment, perhaps more than ever.

Don't worry about "competing" for relief dollars. Americans have been generous in supporting relief organizations since September 11, and rightfully so, but totals donated in support of relief efforts as of late October are still well less than 1% of the \$204 billion Americans donated to charity in 2000. Therefore, giving to relief organizations should have only a minimal impact on other giving.



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.

### WHAT should be given?

While focusing your appeal primarily around the mission that motivates gifts, also give your donors information that is designed to help them decide what may be best for them to give. Many donors will choose to give

cash this year rather than appreciated securities. Donors give what they have, and this year there are trillions of dollars "sitting on the sidelines" in the form of cash. Others will continue to give securities that have increased in value. Many own securities that have fluctuated or declined in value over the past year, but are still worth far more than they paid for them. This is particularly true of older donors who have pursued a "buy and hold" strategy over the past decade or longer.

There are very effective strategies that can be employed when giving non-cash assets in the midst of the current environment. Some may wish to sell securities, take a loss, and give the cash proceeds. Others may choose to donate securities that still have an appreciation element and use cash to diversify their market holdings. For those over the age of 59½, it may make sense to take a withdrawal from a qualified retirement plan to fund their gifts this fall. See the enclosed copy of "Your Guide to Effective Giving in 2001" which outlines these and other strategies, especially in light of the recent tax act.

### WHEN should they give?

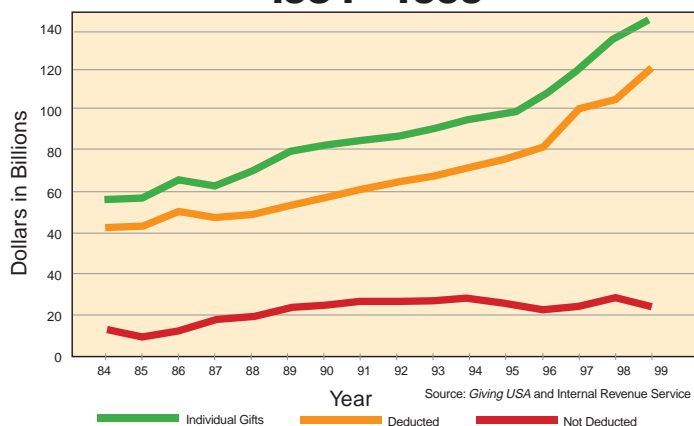
This year it will be important for many persons to complete their gifts before December 31. This is because tax rates are scheduled to fall next year, resulting in a larger after-tax cost of making charitable gifts. Discussions of accelerating future tax rate reductions into next year may make it even more critical that gifts be completed this year for maximum tax benefits. Evidence is that tax savings from current gifts are increasingly important in influencing the *amount* of gifts as well. More donors than ever before are now itemizing their income tax deductions, including their charitable gifts. Note the chart on page 5, for example, that indicates that virtually all of the increase in charitable giving since 1984 has apparently come from those who take tax deductions for their charitable gifts.

In light of current events, the lower after-tax cost of gifts this year and the "deadline" of December 31 to qualify for these greater tax savings may give a needed boost to appeals for gifts this fall. This will allow you to construct a more forceful message that augments your appeal based on mission with

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## Year-End...Continued from page 4

### Giving In America 1984 - 1999



important and time sensitive financial considerations of a gift. Of course very careful consideration should be given to balance all of the elements of an appeal. An appeal letter may best be focused on the mission elements, while a P.S. and ancillary materials may be used to convey information aimed at helping donors make gifts most effectively.

### HOW should they give?

As noted above, today's turbulent environment may result in greater receptivity to communications built around the various financial considerations that donors are currently facing. Some gifts will be outright and others may be through some type of planned gift arrangement.

### Conclusion

To maximize gifts this year-end, you must be prepared to ask for gifts in person, by telephone, by direct mail, and all other appropriate avenues. Remember that the majority of your gifts from individuals will come from a relatively small group. Some fundraisers have referred to this as the 80/20 or 90/10 rule, meaning that 10% to 20% of your contributions account for 80% to 90% of your giving totals. This November and December consider providing special attention and information to this critical group. While some major donors may understandably delay their gifts this fall, failure to reach this important group quickly may result in some organizations' being skipped in major contributors' annual giving cycle. In that case it may be Fall 2002 before many of these donors will again be receptive to appeals for significant sums.

As what may be a subdued holiday season approaches, and the events of September 11 recede in time, many donors may decide that significant gifts in the final weeks of the year are an appropriate way to end 2001 on a positive and proactive note. Be there for them, and be prepared to facilitate and/or accept gifts during the final weeks of the year. Steps taken in the next few weeks can and will make the difference between a good year and a great year for charitable giving. [G&T](#)

## Near, Dear, and Clear...Continued from page 3

endowment in memory of her son. This is just one of the many examples of how an organization can become "dear" to those it serves.

Donors to health-care providers were often patients themselves or had a family member who was treated there or benefited from research conducted, and they want to do all they can to help a cause they believe saved their life or that of a loved one. In these cases, "deariness" also comes from deep emotional attachment to an organization and its mission. Rising costs of healthcare may compete against other motivations, so it is imperative that charities continue to make their case, even with those who appear to be most dedicated.

Those involved in charitable gift planning quickly learn that, in most cases, a prerequisite for the completion of bequests and similar gifts is an emotional attachment that will sustain the donative intent necessary to elevate a charity to the status of a close friend or family member. This will be even more likely to be true as estate tax motivations become less of a factor for the vast majority of Americans next year.

### Clear mission

Would you feel comfortable giving to an organization if you weren't quite sure what it did, whom it served, or what its mission was? Probably not. That is why it is imperative that, no matter what your mission, you must make sure it is clear to your donors and potential donors. *Continued on page 6*

## Footnotes



### *Give donors indispensable tool*

This year may be an unusual year-end for charitable organizations. The events of September 11 and ongoing economic uncertainty have affected most Americans in a variety of ways. Many donors may have “postponed” their giving this year as they wait for events to stabilize. For this reason, more gifts may be made in November and December this year than ever before.

Be prepared to assist your donors with their giving plans before the close of the year with **“Your Guide to Effective Giving in 2001.”** The 20-page “Your Guide” shows readers how to determine which giving plans best suit their needs and those of their loved ones. The booklet has been completely updated in light of the 2001 Tax Act. It features a number of helpful planning tips interspersed in the text that offer brief ideas for donors to consider about specific giving strategies.

Consider sending “Your Guide” to your key donors before the end of the year as part of a final appeal for 2001. It will be more important than ever to help donors make their gifts in ways that are best for their specific situation. Your logo and address information can be imprinted on the front cover. Or, since time is of the essence, you may choose to order copies of “Your Guide” unimprinted to assure the quickest delivery time. Unimprinted copies may be shipped in as few as three days from the receipt of order information.

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

A copy of “Your Guide to Effective Giving in 2001” is enclosed with this issue of *Give & Take*. To order, call 1-800-238-3253 or fax to (901) 761-4268. You may also view a copy at [www.rfSCO.com/yourguide](http://www.rfSCO.com/yourguide).

### *Not just for Thanksgiving*

While Thanksgiving and the end of the year may be a traditional time for reflection and giving thanks, successful gift planners know that donors must be thanked all year long. Let Robert F. Sharpe and Company's **“Thanks for Giving”** brochure help you thank your donors for their current gifts and inform them about other forms of giving they may want to consider.

“Thanks for Giving” is available in two unique cover designs and contains a tear-off response device that can be personalized for your organization or institution. The response device allows donors to request more information about giving topics that interest them.

Include “Thanks for Giving” in gift acknowledgments or receipts. The brochure lets donors know that you appreciate their gifts

and want them to be aware of other giving opportunities that are available to them.

For additional information or to place your order for “Thanks for Giving,” call 1-800-238-3253. [G&T](#)



## Near, Dear, and Clear...Continued from page 5

Just because your organization's mission is very specialized or unique doesn't mean that there aren't donors out there to support it. Every charitable organization in existence today exists because someone supported it and believed in its mission. So, from the most obscure to the most well known charity, the goal is to state your case clearly so that donors know what their gifts will be supporting.

Without a clear, understandable mission, an organization may find itself floundering due to confused donors, or worse, lack of them. This is especially challenging for organizations that have acquired older donors based on one mission focus and are now attempting to change that focus to acquire a younger base—without losing the clarity of mission that is required to maintain the existing donor base.

In light of the events on September 11, many Americans are reevaluating their core values and taking the steps to give more to charity as a material manifestation of those values. Now may be an especially opportune time to stop and return your focus to the basics of fund development—making sure you are as near to your support base as possible, you nurture and respect the relationships that keep your institution dear to donors, and make sure you are sending messages that make your mission clear to those who would choose to act through you to direct their monetary resources for the benefit of others. [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 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.

## *Managing Planned Giving Relationships*

**NEW**

Someone has asked for information about a planned gift. What is the next step? How do you use the telephone, written correspondence, personal visits, and other communications in ways that are appropriate, tasteful, and effective?

These and other topics will be explored in a new seminar devoted to the process of developing and managing effective planned gift relationships. Beginning with how to handle initial requests for information, this seminar will also focus on what to do before, during, and after a personal visit.

Also included is an exploration of various ways to work most effectively with donors' advisors to help complete planned gifts.

Special attention will also be given to the process of building and maintaining relationships with the heirs of benefactors after a legacy has been received.

Presenters with decades of combined experience will share their insights regarding ways to build meaningful relationships, including helpful case studies and demonstrations of successful techniques.

Designed to complement "An Introduction to Planned Giving" and "Major Gift Planning I," this one and one-half day session follows those seminars in selected cities. Special tuition rates are available for concurrent or previous attendees of Sharpe seminars. **G&T**

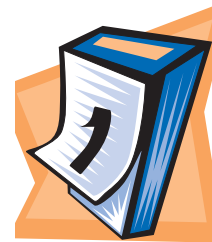
**Multiple registration discounts are available. For more information or to register, please contact the Sharpe company.**

**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**

Orlando

December 10-12

Memphis

January 28-30, 2002

Washington, D.C.

February 18-20, 2002

San Francisco

March 4-6, 2002

### **Major Gift Planning I**

Los Angeles

January 21-22, 2002

Chicago

March 11-12, 2002

### **Major Gift Planning II**

Washington, D.C.

December 10-11

Tampa

February 4-5, 2002

### **Managing Planned Giving Relationships**

Memphis

January 30-31, 2002

Washington, D.C.


February 20-21, 2002

Chicago

March 13-14, 2002

# Now is the Time.

Traditionally, the end of the year is a time when many donors consider making gifts to charities they believe in. And, even though this year-end comes during uncertain times, donors may still want and need your assistance to make the most effective gifts before the close of the year.



**YOUR  
GUIDE TO  
EFFECTIVE  
GIVING IN  
2001**

Let "Your Guide to Effective Giving in 2001" provide helpful information to your donors.

The 20-page booklet includes:

- An overview of gift planning opportunities in light of how recent tax law changes will affect the way donors may want to make their gifts.
- How to make the most effective gifts using non-cash assets to greatest advantage, whether investments have increased or decreased in value.
- New, helpful planning tips throughout that give brief suggestions about specific giving options.

Don't assume that your donors will not give this year-end because of the current economic and/or political conditions. History proves otherwise. But it is more important than ever to give donors the facts they need to make the most of their charitable gifts before the close of 2001. Let "Your Guide to Effective Giving in 2001" give them the answers they need.



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