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Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

Discovering the Major Donors Next Door

by Barlow T. Mann

Most experienced fundraisers are familiar with the classic “funding pyramid,” which indicates that the majority of gift totals will typically come from a relatively small number of contributions. This tends to be true regardless of the scale of the fund development effort. It has also been well established that most charitable gifts each year come from individuals, or their estates.

Despite this wisdom, the planned and major gift development environment today is much different than it was even just a few years ago. During the late 1990s, many individuals were enjoying the “wealth effect” of a booming economy and were willing to share a portion of their new-found wealth with a favorite cause or organization. Likewise, estate gifts grew with rising real estate and stock values.

Today, much of the wealth that was created in the 1990s still exists, but the prospect for future growth is uncertain, and many Americans feel less wealthy than they did in the past. A number of donors who surfaced with new fortunes who could easily make transformational gifts in the 1990s have now significantly reduced their level of philanthropic activity.

As a result, increasing numbers of nonprofit organizations are now beginning to restructure their efforts along the lines of more traditional fundraising models. Among other changes, many charities are making renewed efforts to effectively communicate their message to their constituents in the hopes of uncovering those donors who have untapped capacity and are not making gifts in keeping with their full potential. Unfortunately, many of these persons are hidden in existing donor bases and are not easily



Plan to spend August 19-22 with us in New York. See page 7 for details.

identifiable through behavior or electronic screening methods that have gained popularity in recent years.

Revisiting the millionaire next door

The 1996 bestseller by Thomas J. Stanley, Ph.D., and William D. Danko, Ph.D., is as instructive today as it was six years ago. Stanley and Danko surprised many readers with their characterization of America’s millionaires. Instead of being high profile big spenders, most millionaires in this country are low profile individuals who accumulated wealth as a result of hard work, diligent saving, and living below their means. According to *The Millionaire Next Door*, these persons are more likely to wear a Timex than a Rolex; drive a used Mercury than a new Mercedes; and prefer JC Penney to Brooks Brothers. They are seven times more likely to have a Sears Card than an American Express Platinum Card. Approximately 80% of American millionaires have accumulated their wealth in one generation.

While there are millions of millionaires and others with high incomes, the process of locating them in your donor base can be akin to looking for a needle in a haystack. Because of their thrifty habits, many wealthy donors simply do not show up in popular databases comprised of persons who have demon-

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- Gift planner profile: Russ Kost and Kurt Struver p.3

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Planning Matters

At the 25th Conference on Gift Annuities held this spring in Seattle, Washington, the American Council on Gift Annuities announced its recommendation for rates to take effect July 1, 2002.

While there were changes to the various assumptions underlying charitable gift annuity rates, the recommended rates remain basically unchanged.

The ACGA board voted not to change the recommended payment rates for immediate gift annuities except for single-life annuitants younger than 39 and two-life annuitants younger than 57. As the majority of gift annuitants each year are age 70 and beyond, these changes should have little or no impact on most organizations and institutions that issue charitable gift annuities.

This year's recommendations are based upon extensive review and analysis that included expert assistance from actuaries and representatives of financial institutions. Their findings resulted in changes in both assumed mortality rates and expense assumptions.

It has long been assumed that planned giving donors live longer than the general population. For this reason, female life expectancies (used to calculate rates for all gift annuitants) in the past have been set back one year from the life expectancy of the average American woman. As part of this year's review, the ACGA authorized a mortality study to examine data from 26 organizations, covering approximately 25,000 gift annuities over a five-year span ending December 31, 2000. Based upon this analysis the age setback determined by the female life expectancies under the Annuity 2000 Table was increased by six months.

In addition, annual assumed expenses for investment and administration were increased .75% to 1.0%. The assumed total annual return on investments was also increased .25% to 6.75%.

Practically speaking, the increases in the expense factors and life expectancies were offset by the increase in the assumed total investment return on gift annuity reserves. The net effect is that there is no change in the recommended rates for most annuitants.

For more information

Additional information about charitable gift annuities and the recommended rates may be obtained from:

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How the ACGA rates are determined

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Gift Annuity Payment Rates

Age	Rate	Age	Rate
60	6.4%	76	8.0%
61	6.5	77	8.2
62	6.6	78	8.4
63	6.6	79	8.6
64	6.7	80	8.9
65	6.7	81	9.1
66	6.8	82	9.4
67	6.9	83	9.7
68	7.0	84	10.1
69	7.1	85	10.4
70	7.2	86	10.8
71	7.3	87	11.1
72	7.4	88	11.4
73	7.6	89	11.7
74	7.7	90+	12.0
75	7.9		

Notes:

1. The gift annuity rates above are for ages at the nearest birthday.

2. These annuity rates, for both immediate and deferred annuities and for both single life and two lives, should not be used if the gift portion, based on IRS tables and the applicable discount rate, is not more than 10% of the amount paid for the annuity. The current recommended rates will result in a charitable deduction of at least 10% if the IRS discount rate (CMFR) is 5% or higher. If the CMFR falls below 5%, rates at certain young ages may have to be reduced to meet the 10% deduction requirement. Popular gift calculation software will typically include automatic warnings should an adjustment be required to meet the 10% minimum requirement. G&T

Gift Planners Share Their Keys to Success

In this month's "Gift Planner Profile," two experienced development officers from very different organizations, Russel Kost of the University of Nevada, Las Vegas (UNLV), and Kurt Struver of Happiness Is Camping, share with Give & Take what led them to the field of gift planning and what keeps them there.

Russ Kost, Director of Gift Planning with the University of Nevada, Las Vegas, has worked in development at UNLV for 17 years.

Give & Take: How did you become involved in the field of development, and what roles have you played?

Russ Kost: I graduated from UNLV in 1983 and two years later was offered a job as assistant to the Director of Development. I didn't know anything about fundraising! I then had the opportunity to work on the annual fund and eventually became Director of Major Giving, helping to start the major gift department here. In one of my first solicitations with a major gift donor, I got an introduction to planned giving. I was asking a gentleman for an outright gift, and his reply intrigued me when he said, "I want to do that, Russ, but I've got to talk to my CPA to figure out the best way to make the gift." And that was my entrée to planned giving. Now I'm focusing solely on planned giving as Director of Gift Planning, which allows me to spend more time out in the field doing what I love to do—talking with friends of UNLV.

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

Kost: Having the opportunity to help somebody else through the generosity of other people. We have a program here called COHORT that was funded in part with gifts that we helped solicit. There is a huge shortage of teachers in Las Vegas, with a specific need for special education teachers. In 1996 we created a program in conjunction with UNLV's College of Education and the Clark County school district to identify people who wanted to be teachers—people who were already working in the school district as hall monitors, teacher's aides, etc.—and help them achieve the education and training they needed to become certified teachers. The program has enjoyed great success and has been responsible for helping the participants achieve their dreams of being teachers, and our office played a role in that success by giving people the opportunity to impact other people's lives. That is by far the greatest joy of this job.



Russel A. Kost III

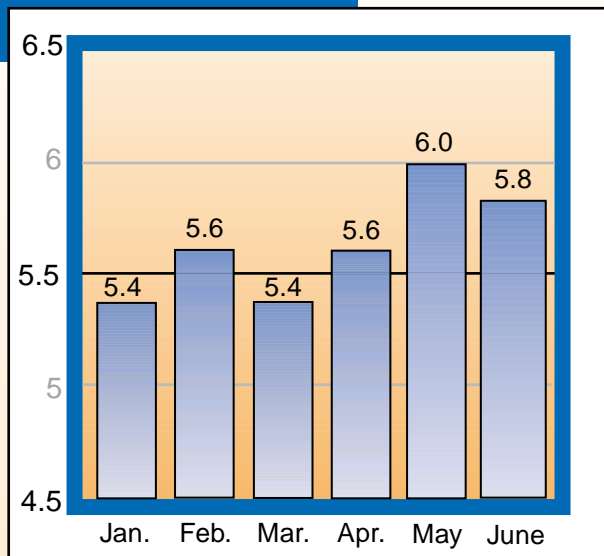
Give & Take: What strategies have you found to be most successful in communicating with your donors?

Kost: UNLV is only 44 years old. Our alumni base is relatively young, so we have traditionally relied on our friends in the community for gifts that normally appeal to older people. We spend a good bit of time cultivating relationships with our friends' advisors and getting those advisors to introduce our institution to members of the community who have the means to potentially support UNLV.

Now that our alumni base is growing, we also send out a number of mailings. We have a planned giving newsletter as well as a gift planning column in our alumni magazine. But the thing that's gotten us the most response is our year-end mailing that we send out every year in October. The Sharpe brochure "Giving Before December 31" is great because it makes it clear that there is some urgency to giving at the end of the year, and we have every year gotten our highest response from that brochure.

Give & Take: Since you've been involved in the field of development for 17 years, what advice would you give to someone just starting out?

Discount Rates



Trend in applicable federal mid-term rates (AFMR's), which are used in calculating tax benefits of planned gifts.

Major Donors Next Door...Continued from page 1

strated purchase and other behavior that indicates wealth. And it is rarely effective to merely rent lists of persons known to be wealthy and hope that you can interest them in a gift.

Plan for success

So, how do you find these millionaires next door? Begin by focusing on your existing constituency. Certainly continue to segment out your top contributors and prospective donors for individual cultivation and solicitation. Remember, however, that this method can only reach those persons that you have clearly identified as having the capability to make large gifts based on previous gifts, prospect research, or rating sessions. This is the easy part—you already know who these people are.

Once you've hit the high spots, it's time to develop a strategy for locating the other "needles in the haystack." After you have looked around in the haystack and found all the needles you can see, consider using some "magnets" to see if you can find others who will reveal themselves.

Think about adding a brochure on tax-wise methods of giving to your broad appeals this fall. The payoff may be tremendous—one gift of appreciated stock from a "millionaire next door" who is currently giving cash at modest levels may make the difference between a successful year and an outstanding one. Similar information may also be included with every gift acknowledgment between now and year's end.

Also, if you are planning to have a phone-a-thon this fall, consider adding a line to your script about the advantages of gifts of appreciated property. Insert a brochure or booklet on creative ways to give securities and other property with any follow-up materials you send to help surface new major donors from among the mass of regular contributors.

What about planned giving?

It is important to occasionally include subtle messages about planned giving as part of your regular gift appeals. A certain number of those among your constituency are making and updating estate plans each year. For this


reason, it is important to provide opportunities for donors to tell you of their plans on a regular basis.

It is also critical to emphasize bequests, the mainstay of many development programs. You may want to occasionally send a relatively broad-based bequest marketing mailing to all donors over the age of 50. While 50 may seem young, a recent NCPG study indicated that, on average, donors include charities in their wills for the first time at the age of 49. According to the study, charities were the donors' number one source of bequest information, so taking the time now to communicate with your donors may pay off in the long run.

Identifying younger bequest expectancies and prospects may yield surprising benefits in the form of additional major or planned gifts. During the follow-up process you may discover that these highly motivated individuals are in a position to make major outright gifts.

In some cases, other planned giving arrangements may be more appropriate. Consider, for example, the millions of older persons who have seen their income from investments shrink as dividend and interest rates fall. These donors may be interested in "accelerating" a bequest provision through a life income gift that results in increased current cash flow, generates income tax savings, and helps provide freedom from investment decisions, all while gaining the satisfaction of making a charitable gift.

Don't forget that many donors act on their own to create charitable trusts with the aid and encouragement of their financial advisors. Your remainder interest will often be revocable in these cases, so it is important to give these persons frequent opportunities to inform you that they have included you in their plans. Discovering and acknowledging these gifts can lead to deeper relationships and to more permanent gift provisions.

The plans that you make this summer may make a significant difference in the number of planned and major gifts that are completed between now and year's end. Finding the millionaires next door in your donor base may take some extra time and added effort on your part, but the benefits will likely be well worth the effort. 



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.

Keys to Success...Continued from page 3

Kost: First, your integrity is the important thing you have and the one and only thing you can keep for yourself. You should treasure it, protect it, and fight for it at all costs. And then, if you make a commitment, keep it. Never make a commitment you cannot keep. And don't commit more to donors than you can deliver.

Now Executive Director of Happiness Is Camping, Kurt Struver has also worked in the nonprofit world at the Guggenheim Museum and at the Smithsonian's Cooper-Hewlett National Design Museum in New York.

Give & Take: Can you tell us about your organization and your specific role?

Kurt Struver: We are the only full-summer camp specifically for kids with cancer. We got started 22 years ago and serve 300-400 campers each year. We have now seen literally thousands of kids come through our camp. They do everything and anything that any kid does at summer camp. At all times we have a doctor and two to three nurses from Memorial Sloan-Kettering who volunteer their time, as well as a staff nurse who is there for continuity.

My father played a big role in founding the camp, so I grew up going to the camp, working in the summers, and became more and more involved through the years. Now I serve as executive director of Happiness Is Camping, which is the kind of job that helps you keep your life in perspective.

Give & Take: I understand that your organization was particularly affected by the turmoil of last fall.

Struver: September 11 touched everyone in the country, of course, but for the last 11 or 12 years Julie McMann, a pediatric cancer nurse from Memorial Sloan-Kettering, has been coming to camp as a volunteer. About 10 years ago at the camp she met her husband, Bobby, a firefighter in New York who volunteered at the camp for a week each summer. He and Julie fell in love, got married, had a baby, and

then he was one of the first firefighters at the scene on September 11 and, sadly, did not survive. Julie now has their second son, who is about five months old, and will be at camp again this summer for a week as a volunteer.

Julie is unbelievable. At one point she called us up and said that since the camp meant the world to Bobby, she wanted whatever donations she gets in Bobby's name to go to the camp. As a result, we have seen a substantial amount of money donated to our camp. Bobby was a special guy. We miss him a lot.

Give & Take: I imagine you have a very devoted donor base.

Struver: We do. It's incredible. I don't even think of them as a donor base. They're more like a family.



Kurt Struver with his father and several campers

Give & Take: What have you found to be the most successful way to communicate with your donors?

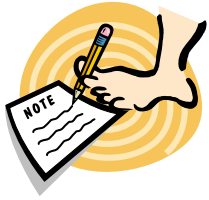
Struver: We're very small. We only solicit gifts from about 1,800 people, and each time we do a mailing we get about a 20% return. Our mailings are unlike any others you will see. Our letters are all anecdotal. We tell stories—about us, about the kids, about the camp—and people come to know us and respond to us in a generous way.

Each fall we make a year-end appeal using year-end brochures we get from Robert F. Sharpe and Company. We accompany those with a letter asking people to be generous in the season of giving, and we get a great response from our friends.

Give & Take: As someone who has been so successful in forming strong relationships with your donors, what advice would you give someone just starting out in the field of development?

Struver: Be passionate about what you do. I think my love for the kids and the camp comes across. I don't know how it couldn't. I don't think I've ever met anyone who has come to the camp or heard about what we do who hasn't fallen in love with the charity and tried to become part. If you really have a love for what you do, it's going to come across. **G&T**

Footnotes



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

2002 Year-End Giving Brochures

The fall is a time to take stock of the past year and look forward to the next. This year-end, your donors will be reviewing their plans as they remember those persons and organizations that are important to them. Will your organization be on their minds?

Now more than ever, it is important to maintain a close, positive, and service-based relationship with your constituents. Robert F. Sharpe and Company's year-end brochures can help you communicate the tax and other special benefits of year-end giving to your donor base in an informative and economical way.

This year Sharpe offers five year-end brochures, in three different titles.

"Giving at Year-End." Offered in two different designs, this brochure highlights the tax and other financial benefits of making a charitable gift before the end of the year. Gifts of cash, appreciated and depreciated property, life insurance, and more are explored in a format designed to impart key information to your constituents quickly and concisely.

"Giving Before December 31." Designed as a quick overview of different ways to give before the end of the year, this brochure offers a number of suggestions to help your donors maximize their gifts while minimizing their tax burden. This brochure is offered in two different designs.

"Giving Thanks at Year-End." In light of the events of the past year, many persons are reconnecting with their values and looking for ways to express

them in a meaningful way. This brochure emphasizes the theme of thankfulness while at the same time explaining the various ways of making tax-wise charitable gifts at year-end.

Samples of Sharpe's "Giving Thanks at Year-End" and "Giving at Year-End" are included with this issue of *Give & Take*. Look for "Giving Before December 31" in the July issue.

For more information or to place an order, call 1-800-238-3253, visit our web site at www.rfSCO.com/yearend, or fax or mail the enclosed order form.

Flexible billing provides more choices

For many organizations and institutions, now is the time for closing out the fiscal year and beginning the process of planning for a new fiscal year. If you are managing a transition from one budget to the next, we would like to remind you about Robert F. Sharpe and Company's flexible billing options.

Sharpe's flexible billing options allow you to:

- split your payments over two budget years
- make payments early while funds are still available in this fiscal year's budget
- delay billing for publications or other services you need now until funds become available in the new fiscal year

Don't let the fiscal year transitional period impede your gift planning efforts.

With flexible billing options, you can ensure that your organization will be able to secure professional products and services in a timely fashion. If you would like more information about flexible billing options, please call 1-800-238-3253 to talk with a Sharpe representative. 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 planned giving 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


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. 

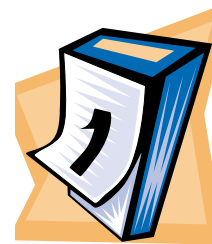
Multiple registration discounts are available. For more information or to register, please contact the Sharpe company.

Phone 1-800-238-3253, ext. 5360

Fax 901-761-4268

Web site: www.rfSCO.com

E-mail: seminars@rfSCO.com



Seminar Training Dates

An Introduction to Planned Giving

Washington, D.C.

June 17-19

New York

August 19-21

Chicago

September 9-11

Managing Planned Giving Relationships

New York

August 21-22

Chicago

September 11-12

Major Gift Planning I

Phoenix

September 5-6

St. Petersburg, FL

October 21-22

Memphis

December 9-10

Major Gift Planning II

Chicago

June 24-25

2002 Year-End Giving Brochures

Robert F. Sharpe and Company's year-end brochures can help your organization reach its full potential for gifts during the important year-end giving season. Designed with a broad audience in mind, Sharpe's year-end brochures enable you to give your donors the information they need to make informed, thoughtful gifts before the close of the year.

In this time of economic uncertainty, it is more important than ever to stay in touch with your donors. Let Sharpe's year-end brochures help you remain in your donors' thoughts as they review their plans this fall.

View brochures, including full text, at www.rfSCO.com/yearend



GIVING
at Year-End



GIVING
Before December 31



Giving
Before
December
31



Giving
at Year-End



Giving
Thanks
AT YEAR-END



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