

# Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

## The Sharpe Group: The Past Forty Years

As 2003 draws to a close, Robert F. Sharpe and Company is concluding its fortieth year and entering its fifth decade of service to America’s philanthropic community.

In 1963, when Robert F. Sharpe, Sr., established the company, many of today’s well-known industry associations, such as the Council for Advancement and Support of Education (CASE), the National Committee on Planned Giving (NCPG), and the National Catholic Development Conference (NCDC), did not exist. There were few other resources available for organizations trying to expand beyond the traditional fund-raising methods of direct mail, annual funds, special events, and campaigns for capital needs. Those seeking to achieve long-range financial security and provide for solid future support were largely left to their own resources.

Since the Tax Reform Act of 1969 had yet to be enacted into law, there were also few guidelines for the creation of what are now known as planned gifts. Only a small handful of persons nationwide were engaged in sophisticated charitable gift planning, and they communicated with each other only through networks developed as they worked with donors, advisors, and other institutions.

### *The birth of the company: consulting*

With a background in estate and financial planning and major gift fund raising, Robert F. Sharpe, Sr., believed he could use his experience to help charities develop stable, ongoing funding programs. Beginning in St. Louis with a handful of clients, much of the company’s early work involved one-on-one training of staff members. The company also assisted in the creation of communications materials designed to motivate and educate potential benefactors.

Many of the nation’s most successful planned and major gift development efforts can trace their roots to efforts begun in the early 1960s under the tutelage and guidance of Sharpe consultants. Sharpe’s relationships with many of those organizations and institutions continue to thrive today.

### *Training*

As the number of the company’s clients grew, it became clear that it would be more cost effective and beneficial for everyone involved to train clients in groups. The new seminar setting gave clients the opportunity to share their experiences and develop relationships with others in their chosen field. The first Sharpe seminars were held in 1967. Since that time, over 20,000 nonprofit executives have attended one or more Sharpe-led training programs.

Seminar topics over the years have included ways to plan, implement, and market major and planned gift development programs. Content is intentionally balanced among the who, why, what, when, and how of gifts. Sharpe has from its earliest days stressed the fact that the tax and financial benefits of gifts are the same for a donor regardless of the charitable recipient. As a consequence, it is vital that institutions learn how to successfully meld the right “plan” with the donor’s true underlying motivation for the gift, whatever that may be.

### *Creative services*

From its inception, Sharpe has endeavored to meet the need for accurate, timely, and effective means of communicating the benefits of various gift planning opportunities to donors and advisors. The original “Chartered Giving Plans,” an overview brochure, was developed as a training and communications tool in January of 1963. Today it remains a popular publication along with dozens of other titles produced in a number of formats.

Sharpe continues to assist its clients in the creation and production of publications that are not only motivational and educational but accurate in light of tax laws and the insurance, securities, and banking regulations that serve as the technical underpinning of today’s most popular gift planning vehicles.

### Inside:

- How best to communicate with potential donors p. 2
- Back to basics with charitable gift annuities p. 4

## Planning Matters



Connecting  
with donors

Modern communications technology offers a tremendously powerful way to communicate gift planning concepts to prospective donors. But it is also a growing curse for individuals. As in the business world, some development staffers successfully employ broadcast e-mail and telemarketing in the service of the causes and institutions in which they deeply believe, but others succeed only in making a nuisance of themselves and, by extension, the institutions they represent.

Is it possible to legitimately employ communications tools to help build awareness of gift planning opportunities and keep in touch with committed supporters without adding to the problems of an over-communicated society?

### *Just because we can*

Just because we are able to place thousands of telemarketing calls does not necessarily mean that we should. The hotly debated federal "Do Not Call List," activated on October 1 despite legal challenges, provides exceptions for charitable and political fund-raising calls. But as these exclusions have not been widely publicized, unsolicited calls from charitable organizations may be quite unwelcome and may be perceived as a violation of the "do not call" rules.

**Marketing Tip:** In this environment, it may be wise to call only those donors who have explicitly or implicitly given their consent by providing you with their telephone numbers. Consider adding a line for telephone numbers and e-mail addresses to response cards and other reply devices, but make sure that donors know that providing such information is optional. Only those who want to be called will include their phone numbers, making it more likely that your call will receive a favorable reception.

### *To spam or not to spam*

The "CAN-SPAM Act of 2003" and other legislation now in Congress seek to limit certain unsolicited e-mail messages. For a sense of the scale of this issue, consider that America Online (AOL) is presently filtering out two bil-

lion e-mail messages every day that it considers spam, and those are the ones that AOL users never see. Estimates on the cost of spam messages to U.S. businesses range from \$10 billion to \$87 billion annually.

**Marketing Tip:** Despite costs of only fractions of a penny per message, all marketers should exercise restraint in the use of e-mail communications, especially to private home users. As with telephone numbers, e-mail will be much more welcomed by those who have voluntarily provided their addresses for a specific communications purpose.

### *Annoying or appreciated?*

Planned gift development is all about relationships. Take your cue on how and when to use certain communications tools from the person you seek to reach. Just as you would ask a personal friend if he or she prefers to be called or e-mailed, consider asking the friends of your organization or institution how they would like to be contacted. Despite all the negative press about spam, for instance, a growing number of people prefer to use e-mail for all kinds of commercial and charitable communications. So as we use more care and limit the use of e-mail we must be sure not to eliminate a communications tool that is welcomed by and very effective for certain people.

### *One size does not fit all*

Younger people seem to be more frequent users of e-mail and other newer means of communication such as cell phones and voice mail, but the primary communications device for older people remains the fixed home telephone. In fact, many gift planning officers report seeing old rotary dial phones when visiting with donors in their homes.

In a variation on the millionaire next door, the sense of frugality that finds no reason to replace a functioning rotary phone is the same frugality that leads to wealth accumulation on the part of a person of relatively modest means. In this light, "low-tech" donors may be among your best prospects for an estate gift!

### *E-mail: chat or formal letter?*

Today's older donors and prospective donors were raised in an era when people still wrote formal letters and long-distance telephone calls were considered an expensive luxury. Consequently, when you are able to determine

## Give & Take:

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E-mail [info@rfsco.com](mailto:info@rfsco.com) or through our Web site at <http://www.sharpenet.com>.

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SHARPE  GROUP

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# Sharpe Seminar Series

## Featured Seminar: 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 are explored in a 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," this one and one-half day session follows that seminar in selected cities. Special tuition rates are available for concurrent or previous attendees of "An Introduction to Planned Giving." [G&T](#)



## Upcoming Seminar Training Dates

**Major Gift Planning**  
Seattle  
February 9-10  
Washington, D.C.  
April 1-2

**An Introduction to Planned Giving**  
Washington, D.C.  
January 26-27  
Chicago  
April 13-14

**Managing Planned Giving Relationships**  
Washington, D.C.  
January 28-29  
Chicago  
April 15-16

**Strategic Gift Planning**  
New York  
January 12-13  
Chicago  
February 19-20  
Washington, D.C.  
February 26-27

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

## On the Agenda for 'Managing Planned Giving Relationships'

### Day One

- The Nature of Planned Giving Relationships
- Preparing for Donor Contact: Getting to Know Your Donors
- Effective Use of Written Communication
- Effective Use of the Telephone
- Evaluation of Donor Contacts

### Day Two

- The Personal Visit
- Ongoing Cultivation and Stewardship
- Managing Important Relationships AFTER the Gift

See [www.sharpenet.com/seminars](http://www.sharpenet.com/seminars) for a complete agenda and dates for this and other Sharpe seminars.

## What Attendees Are Saying About 'Managing Planned Giving Relationships'

"All presentations were excellent . . . touched on areas that are very high on our interest level at this time. I look forward to having all of our development staff have this learning experience."

--Roger Bouchard, President, Florida Boys Youth Ranches, Boys Ranch, FL

"Excellent—wonderful interactive seminar. I'll definitely recommend this to others!"

--Kerri Melley, University of Rochester, Eastman School of Music, Rochester, NY

"This seminar is a wonderful way to combine the 'nuts and bolts' of planned giving with the reality of actually visiting with the donor about their goals."

--Sandi Tuttle, Mercy Foundation, Des Moines, IA

# Back to Basics: Charitable Gift Annuities

by Christine Sturm Kirk



Christine Sturm Kirk

The charitable gift annuity has become an increasingly popular tool for charitable giving. A gift annuity is a simple contract that allows a donor to make a substantial gift to your charitable organization while receiving regular, fixed payments for the rest of his or her life and/or the life of a loved one.

Charitable gift annuities offer many benefits to donors, including:

- Lifetime payments to them, and/or to someone they designate, guaranteed by the available assets of the charitable organization.
- In most cases, partially tax-free income, since a portion of their annuity payment is treated as a return of principal.
- An immediate income tax deduction for the portion of the annuity amount that is a charitable contribution.
- A partial bypass of capital gain taxes when they donate appreciated securities for an annuity on their life and/or that of a spouse. The remaining capital gain is generally reported ratably over the donor's life expectancy.
- Possible estate tax savings, as assets used to fund the charitable gift annuity may be removed from their taxable estate.
- The satisfaction of knowing that their chosen charitable organization receives a significant gift to help further its mission.

## What is a charitable gift annuity, and what are its tax advantages?

A charitable gift annuity is similar in many respects to a traditional commercial annuity. In a commercial annuity, individuals pay a lump sum to an insurance company and the company, in turn, promises to make regular payments to them for as long as they live or in some cases another period of time. In a charitable annuity transaction, however, donors transfer funds for an annuity contract from a charitable organization for more than its fair market value. The difference between what they receive for the property they transferred and what they could have received in the commercial annuity market represents their charitable contribution and is tax deductible in the year they fund the annuity.

If a donor uses cash to fund the gift annuity, he or she may claim a deduction of up to 50% of his or her adjusted gross income

(AGI). If the annuity is funded with gifts of appreciated securities, the donor may deduct up to 30% of AGI. Any unutilized deduction may be carried forward for five years. If the donor transferred appreciated property in exchange for a charitable gift annuity, any capital gains arising from the transaction may qualify to be reported by the annuitant on the installment basis over his or her lifetime. This special capital gains treatment is generally not available if a gift annuity is established for another person.

Gift annuities may be a particularly good choice to augment retirement income because they help assure that a donor won't run out of income late in life. What's more, one of the great advantages of a gift annuity is that a portion of the payments the annuitants receive (for a period of years based on government life expectancy tables) will be considered a tax-free return of a portion of their investment; the remainder of the payment is taxed as capital gains or as ordinary income. This increases the amount they will have after taxes to spend during their retirement years. The amount of tax-free payments is reduced if the annuity is funded with appreciated securities, such as publicly traded stock.

## What can be used to fund a charitable gift annuity?

While most charitable gift annuities are funded with cash, many donors instead choose to donate other assets, most often appreciated, low-yielding securities. As noted above, when donors give appreciated property in this way, capital gain taxes may be avoided or delayed.

## When will the donor's annuity payments begin?

Donors may choose for their annuity payments to begin immediately, or the payments can be deferred until a later date that they designate (for example, in the year they expect to retire). In addition, the payment period can be measured solely by the donor's life, or by the lives of the donor and a loved one (often a husband and wife or siblings) or for the lives of one or two persons other than the donor. The payments are fixed when the donor enters into the gift annuity contract, and remain unchanged for the term of the contract. These

## The Past Forty Years...Continued from page 1

### *A period of growth*

The Sharpe company relocated from St. Louis to Memphis in the mid-1960s. During this period the company continued to develop its reputation as the leading consulting firm specializing in the creation of what over time became known as “deferred giving programs” for charitable organizations and institutions.

The company expanded its creative services division during this period and continued to conduct training programs nationwide. In 1968 Sharpe began publishing the monthly *Give & Take* newsletter for its clients and others who wished to receive it. Designed to be a source of helpful information for development executives, *Give & Take* includes tips, ideas, and case histories of interest to fundraisers as well as information about the company’s services.

The lead article of *Give & Take*’s inaugural issue addressed the risk associated with waiting on tax law revision. At the time there was a great deal of controversy surrounding what many perceived as the abuse of deferred gift vehicles. Leaders in Congress at the time believed that the purpose of charitable remainder trusts and certain other gift planning tools had been distorted by those who were utilizing these plans as the basis of tax shelters that drained potential tax resources and provided little economic benefit to the ultimate charitable recipients.

After President Nixon signed the 1969 Tax Act into law, Sharpe immediately conducted workshops in New York, Chicago, and Los Angeles on how the tax changes affected charitable giving plans. From that point forward, Sharpe played a central role in helping to educate nonprofits in the nuances of the 1969 Tax Act and how to plan gifts that were beneficial to both donors and charities under the provisions of that law.

The complexities brought on by 1969 tax reform legislation provided a catalyst for the company’s continued growth. As charitable organizations geared up to respond to the changes, they needed consulting advice, staff training, and marketing assistance. The company responded by growing to meet this demand.

### *From “deferred gifts” to “gift planning”*

In 1972, Sharpe served to popularize the term “planned giving” through articles in *Give & Take* and elsewhere. The term “planned giving” spotlights the fact that virtually all “deferred gifts” are planned, but not all “planned gifts” are, in fact, deferred. Note the following quote from the August 1972 issue of *Give & Take*:

“A donor usually considers a *current* gift to your institution as a cash outlay now. To make a deferred gift, a person decides to give at some future date, either a number of years from now or at death. A deferred gift is a present decision to make a future gift, evidenced by a legal contract.

“While the name, ‘deferred giving,’ is the best known to professionals in the field, it is not a term that communicates very much to the average donor. Therefore, we suggest the term ‘planned giving.’ When a person makes a planned gift, it suggests forethought.”

In 1987, Robert F. Sharpe, Jr., suggested in a *Give & Take* article entitled “A Rose by Any Other Name” that the term “gift planning” might better describe the activity the company endeavored to support, based on the fact that the company’s philosophy was to put the “gift” before the “plan.” Today that term is used in the titles of hundreds of nonprofit executives.

### *Changing times*

By 1981, when Robert F. Sharpe, Jr., joined the firm, the Sharpe company had grown to a staff of nine persons. In that year the enactment of another piece of major tax legislation, The Economic Recovery Tax Act of 1981 (ERTA), served to greatly reduce estate taxes for most Americans, while creating an unlimited marital deduction that served over time to shift tremendous amounts of resources to surviving spouses.

As asset values grew in the 1980s, the 1986 Tax Act brought increased taxes on capital gains while reducing the tax on other income. Interest in planned giving grew dramatically. By the late 1980s, much as in the early 1960s, a segment of planners had discovered the potential for using planned giving vehicles to avoid capital gains tax and to create a “shelter” for tax-free growth of assets. Limits on retirement plan contributions also helped fuel this interest.

In 1987, the National Committee on Planned Giving (NCPG) came into existence and served to greatly reduce abuses of planned gifts by allied professionals and charities that in some cases were marketing gifts as tax shelter “products” and paying commissions to those who “sold” them. A group of leading charitable institutions that composed the CANARAS Group helped develop an industry response to this activity, which in turn helped form the basis of the Model Standards of Practice for

## Footnotes



### "A Guide to Giving in 2004"

December marks the end of 2003, and January will usher in not only a new year but numerous tax changes as well. The estate tax exemption amount is scheduled to increase by 50% from \$1 million per person to \$1.5 million, and provisions of the CARE Act, if passed, are set to begin on January 1 as well.

These tax law changes will leave many Americans with more questions than answers as they rethink their financial and estate plans. Let your organization be the one to supply your donors with the answers they need. Send them Sharpe's newly updated "A Guide to Giving in 2004."

This 16-page booklet provides an overview of gifts of cash, securities, and bequests as well as gifts that are often overlooked and underutilized, including gifts of life insurance, retirement assets, living trusts, lead trusts, and other gifts that provide income for life. Also included are a series of planning tips and a checklist of tax benefits, both of which offer your donors quick and easily understood advice on a number of planning issues.

Help your donors start the new year off right with "A Guide to Giving in 2004." Look for your complimentary copy of this booklet in this month's *Give & Take*. For more information or to place an order, please call 1-800-238-3253 or visit [www.sharpenet.com/aguide](http://www.sharpenet.com/aguide).

### *Take advantage of flexible billing*

If your organization's fiscal year ends on December 31, don't forget about Sharpe's flexible billing policy:

- Divide billing over two budget years.
- Prepay for services when budget funds are available.
- Postpone billing until a new fiscal year begins and budgeted funds become available.

Please call a Sharpe representative at 1-800-238-3253 for more information.

## Planning Matters

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that you have permission to use e-mail with an older gift planning prospect, think about adjusting the formatting and appearance of your message.

**Marketing Tip:** Consider an e-mail message to an older person to be a replacement for a letter rather than for a quick phone call or chat. You may wish to format your e-mail with a date line, inside address, and salutation line and use formal paragraph structure and an appropriate closing before the sender's name and title.

Avoid the temptation to format your letter in a word processing program and send it as an e-mail attachment. Attachments require more experience to download and open, and they may take too much time to transfer on the dial-up systems still used by most older persons. Also, some recipients may worry about downloading a virus along with an attached file, regardless of the file type.

### *The more things change*

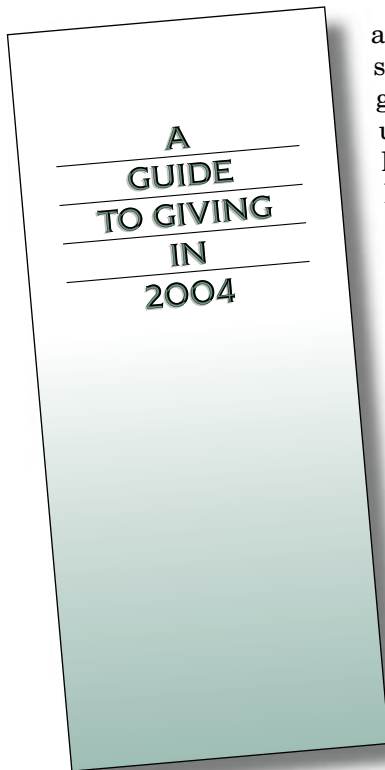
We are living in an exciting world of constant change, particularly in the ways we communicate personally and professionally. Nevertheless, it is becoming a growing part of our responsibility to decide how and when to change the ways we communicate with donors and prospects.

Tried and true methods of communication may continue to prove best for older donors. A study recently reported in *American Demographics* magazine (October 2003, page 14), for example, finds that the most effective medium for reaching persons age 58-74 is still direct mail.

As you consider how to allocate your marketing resources, today's environment calls for a mix of approaches. Mail combined with very selective and careful use of telemarketing and e-mail will continue to be appropriate for those persons composing the primary market for planned giving.

*Editor's note: We are interested in your experiences (both positive and negative) as you seek to navigate the uncharted waters of changing communications media. If you would like to share your stories and experiences with other readers, please contact the editor of Give & Take at [elaine@rfsco.com](mailto:elaine@rfsco.com).*

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



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Charitable Gift Planners adopted by NCPG in 1991. Sharpe was active in promoting the CANARAS statement and the NCPG Model Standards in *Give & Take* and elsewhere.

In 1995, Congress enacted the Philanthropy Protection Act of 1995 (PPA), which served to codify the prior Securities and Exchange Commission staff position regarding the status of planned gifts under securities law and made it clear that gift annuities, pooled income funds, and certain other planned gifts were, in fact, securities that were exempt from registration only if they were marketed as gifts with no commissions. During that time, Sharpe was a leading source of training on the ramifications of securities law regulation and helped guide the field back to its philanthropic roots in the late 1990s.

### Approaching the present

The 1990s also marked a period of change at Sharpe. In 1993, Robert Sharpe, Sr., retired from Sharpe, and the company contributed the National Planned Giving Institute to the College of William and Mary. Robert Sharpe, Sr., continued as the director of the Institute after his retirement from the company until his death in 2000.

Between 1981 and 2000, the Sharpe company grew to nearly 50 employees. Ongoing growth in the field of planned giving and a vibrant economy contributed to record levels of interest in its services. Over the past decade Sharpe has served nonprofits in virtually every

city in America. Teams of Sharpe consultants and marketing and technical experts continue to be matched to meet the unique needs of clients.

Sharpe clients continue to lead the field to record levels of success, with many of their greatest results occurring in the challenging period since September 11 and the subsequent economic and political turbulence as interest rates reached 40-year lows and the war on terrorism began.

### A new look for the future

As the company begins its fifth decade, the field of gift planning clearly faces both challenges and remarkable opportunities. The company continues its commitment to its clients to help them create and maintain the optimal level of services necessary to secure a firm base of current and future financial support. This normally involves a “group” from Sharpe working with a “group” from the client. In recognition of this approach, the company will next month unveil a new logo and look, The Sharpe Group.

The company’s new name and look represent the next stage in Sharpe’s continuing evolution in response to the changing needs of the nonprofit community and our society as a whole. Look for more information about further ways The Sharpe Group will help its clients achieve new levels of success in programs designed to assure their long-range financial security.

G&T

## Back to Basics...Continued from page 4

payments are guaranteed by all of the available assets of the charitable organization.

### What annuity rate can a donor expect to receive?

Gift annuity rates are determined by the age of the person or persons who receive the income payments. Because they are based on life expectancy, rates are higher for older annuitants and lower for younger annuitants. Many charities use the “uniform gift annuity rates” that are recommended by the American Council on Gift Annuities (ACGA). The ACGA is a private not-for-profit organization that deals with matters pertaining to charitable gift annuities and establishes suggested annuity rates designed to result in the issuing charities realizing approximately 50% of the amount originally transferred by the donor (the actuarial residuum). (See [www.acga-web.org](http://www.acga-web.org) for current rates and the assumptions underlying them.)

### What if donors’ financial circumstances change? Can they change their minds later?

You should remember to tell your donors that a charitable gift annuity is irrevocable. This means that they can never withdraw the funds used to establish the gift annuity. For this reason, a donor should always retain other assets to be used in case of an emergency.

*Editor’s note: This is the first in a series of “Back to Basics” articles dealing with the workings of various charitable gift plans. With over ten years of experience in the gift planning field, Christine Sturm Kirk is a third-year law student and a staff member of The Sharpe Group.* G&T

# *Season's Greetings*



From The Sharpe Group

*W*ishing you all the  
joys of this  
holiday season.

