

A World of Difference?

Despite limited tax incentives and relatively unsophisticated marketing efforts, large sums are being given worldwide to charitable institutions via bequests and other gift planning arrangements. In Holland, for example, a leading healthcare organization raised the equivalent of \$62 million in a recent year from bequests out of a total of \$128 million in private contributions. Yet if you ask most Europeans and others from around the world if they “do planned giving,” you will likely get a negative reply.

These were among the first impressions Robert and Timothy Sharpe gathered as they conducted a master class and two breakout sessions on planned giving at the 22nd annual International Fundraising Conference (IFC), held outside Amsterdam in October 2002. The 800 participants hailed from 62 countries. The Sharpes’ classes included participants from Holland, Germany, Sweden, England, Italy, Belgium, Egypt, France, Hong Kong, Thailand, the Philippines, the U.S., and other countries. Here, they share some of their experiences and impressions gained at the conference and in the course of experience they have gained assisting their U.S.-based clients in their gift planning efforts abroad.

More than meets the eye

“We were initially struck by the fact that there really is a great deal more gift planning activity occurring, particularly in western Europe, than most American fundraisers think or many Europeans recognize,” observes Robert Sharpe. “In other parts of the world, people don’t tend to connect what may be the common practice of leaving a charitable bequest via the will or similar vehicles with the term ‘planned giving,’ because outside the U.S. there may be few tax and other financial advantages associated with such gifts.

“Based on what they have learned about planned giving in this country, many outside the U.S. have come to link ‘planned giving’ largely with the tax planning aspects of major gift development. Many of those in our sessions were surprised to learn that studies by the NCPG and others have found that much of the planned gift activity in the States is, in reality, not motivated primarily by tax considerations.”

Uneven distribution of activity

The mission focus of the majority of the organizations at the conference was in the areas of medical research, environmental and political action, and international relief and development. There were relatively few persons representing the educational, cultural, local hospital, and social service organizations that have to a large extent been funded through state support.

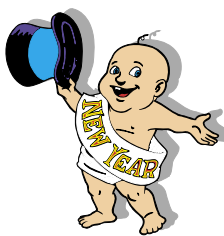
As in the U.S., older persons, particularly in continental Europe, tend to be conservative investors and frugal spenders, in part due to memories of very hard times in their youth. This cultural phenomenon has resulted in concentrations of wealth in the hands of older people that appears even more pronounced than similar trends in the U.S.

“In the near term, this concentration of wealth will continue to lead to European charities’ receiving a great deal of private support via charitable bequests, or ‘legacies,’ as they are known in Great Britain especially,” remarks Timothy Sharpe. “Today’s older generation of western Europeans, who continue to benefit from broadly available publicly supported health care and other benefits, may be in a better position to benefit charitable interests along with their families than their U.S. counterparts, because they may not have the same degree of fear of outliving their resources. For now, they believe the social safety net will continue to take care of them, leaving more to pass to family and charity alike.”

Looking ahead, however, many at the conference shared deep concerns about what most believed would be the inevitable downsizing of very generous public welfare programs that prevailed in many nations in the decades following World War II. “Like the U.S., they too have baby boomers who are growing older with

Inside:

- Tips for starting the new year off right p.2
- Is every gift a good gift? p.3



Planning Matters

New Year's resolutions are a time-honored tradition. Unfortunately, it is also a time-honored tradition to abandon resolutions soon after the new year begins!

But why are some people able to keep their resolutions when most of us are not? As a general rule, those who are successful have not only a goal but also a plan for achieving it.


As the new year begins, now may be the ideal time to make a fresh start. Take the time now to review your program goals and adjust your plans in ways that may help you to achieve them.

Where to start

The first step is to honestly appraise where your program is today in relation to where it has been in the past and where you and others expect it to be in the future. Are you on track or ahead of schedule? Or are you running behind expectations?

The next step is to evaluate your primary program activities. Rethink the strategies you have been using to achieve your goals. Examine areas that you may be responsible for, including annual, special, major, planned, and capital giving. Are there ways they could be better integrated to achieve greater results while perhaps reducing costs?

Tactics that were successful during the boom period of the late 1990s may have lost some of their luster. For example, campaign strategies involving major gifts of appreciated securities, founders' stock, or similar plans that benefited greatly from the wealth effect of the 1990s may not be as viable today as they once were. However, gifts of valuable tangible personal property or real estate may provide motivated donors with attractive options. And in today's economy, a bequest or other planned gift commitment may be more feasible for many than an outright pledge.

Your goal should be to determine what is working in today's environment so that you can focus your time and resources on areas that will yield the best return for your organization. Once you have both a goal and a plan for achieving that goal, adjust your plans in writing, share them with your staff, and provide the guidance and leadership necessary to carry them out. 

Solutions for New Year's resolutions

Give & Take:

A client service publication published monthly since 1968 by Robert F. Sharpe and Company, 6410 Poplar Avenue, Suite 700, Memphis, TN 38119, (901) 680-5300. Fax (901) 761-4268.

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

The publisher of *Give & Take* is not engaged in rendering legal or tax advisory service. For advice and assistance in specific cases, the services of your own counsel should be obtained.

Articles in *Give & Take* may generally be reprinted for distribution to board members and staff of nonprofit institutions and other non-donor groups. Proper credit must be given. Call for details.

© 2002 Robert F. Sharpe and Co., Inc.

Editor:
Elaine Gumbert

Design:
Amy Criswell

12 Tips for Starting the New Year Off Right

- Call your top individual donors to wish them a happy new year and personally thank them for their support.
- Send a written message to as many additional donors as is practical.
- Send a special acknowledgement letter early in the year outlining IRS substantiation requirements for gifts to all 2002 donors of \$250 or more. You may want to include Sharpe's booklet "Your Guide to Effective Giving in 2003" to assist with their planning for this year.
- Contact all life income gift donors to report on planned gifts that they may have in place and encourage repeat gifts.
- Consider what action, if any, should be taken on all pending proposals and proceed accordingly.
- Monitor all open estates and trusts and establish a tickler system to ensure that funds due from these sources are received in a timely fashion (typically 9-24 months). Consider other appropriate steps for distributions that are beyond acceptable time limits.
- Review your regular planned giving marketing plan and consider additions or deletions to it. For example, in addition to broad-based marketing, it may prove productive to send a small number of very targeted mailings on subjects such as charitable lead trusts to wealthier constituents who in the past have only made outright gifts. You may also want to consider providing information on gifts of appreciated securities to executives of companies that are outperforming the markets. Sending a broad bequest mailing may serve to round out your other efforts by discovering those among your constituency who may have the greatest, and perhaps unfulfilled, donative intent.
- Establish or reinvigorate a recognition group to honor donors who have established planned gifts.
- Set a goal to make a reasonable number of additional telephone and personal contacts over the course of the year.
- Review your current and deferred gift acceptance policies (see page 3).
- Update your list of commemoratives or memorial naming opportunities.
- Improve your fundraising skills through professional advancement activities, training, and/or mentoring.

Accepting Success

by Robert F. Sharpe, Jr.

Most charitable organizations and institutions that rely on charitable gifts for a substantial portion of their funding have guidelines in place for what types of donations will be accepted—and then for what purposes they may be restricted. But in order for such policies to be effective, they must be appropriate to both the particular organization and the current economic environment. Well-thought-out gift acceptance policies are especially important for programs that actively encourage bequests, deferred gifts, and gifts of real estate and other non-cash property. Many organizations find that the beginning of the year is an opportune time to review and adjust such policies.

Types of property accepted

In recent years, as investment markets have stagnated while real estate values have continued to rise, a number of programs have seen a marked increase in gifts that involve real estate. Many programs that have policies in place that severely restrict gifts of real estate are taking a fresh look at these guidelines in order to avoid rejecting what may, in fact, be very valuable gifts. Other programs with more lenient policies have learned from experience the need to tighten procedures governing real estate gifts in order to avoid repeating unfortunate mistakes.

How much is enough?

Lower interest rates and yields on other investments have led some programs to review their policies on the maximum payment rates allowed for charitable remainder trusts and lead trusts. These and other plans may suffer unacceptable levels of encroachment of principal if maximum payment rates are set in accordance with expectations that were commonplace in the 1990s.

It may also be necessary to alter default values in software used to project benefits for donors so that they reflect lower total return assumptions. More and more organizations are restricting who is authorized to set investment return assumptions in gift illustrations. Failure to do so can result in the embarrassing situation of a gift acceptance committee's rejection of a gift offered in response to a development officer's proposal!

Administrative expenses may also necessitate adjustments in the minimum amounts necessary to fund a particular gift. For example, assume that the average cost of administering a gift annuity for a particular organization is \$100 per annuity per year. For a \$10,000 gift annuity, that amounts to 1% of the initial gift annuity amount. If the organization pays the 7.3% rate recommended for a 75-year-old donor under the 2003 rates proposed by the American Council on Gift Annuities, then a \$10,000 gift annuity that costs \$100 per year to administer should result in a residuum amount of \$5,000, or 50% of the amount transferred, assuming the donor lives 12 years. The Council rates are designed to yield an average residuum of 50%, so this is in keeping with the desired outcome.

Suppose, however, that the organization accepts gift annuities of less than \$10,000. As we can see from the chart below, the \$100 per annuity expense is fixed and applies to gift annuities regardless of their amount. A 5.25% return assumption on the annuity funds may cause some organizations to decide that they do not wish to accept gift annuities in amounts that would yield an expected residuum lower than the recommended levels.

The chart below illustrates why larger gift annuities may yield much greater benefits as a percentage of funds initially transferred than smaller gift annuities.



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.

Continued on page 4

Gift Annuity Amount	Assumed Earnings	Administrative Expense	Residuum 12 Years	Residuum Percent	Years Fund Exhausted
\$5,000	5.25%	\$100	\$1,729	34%	16
\$7,500	5.25%	\$100	\$3,402	45%	19
\$10,000	5.25%	\$100	\$5,074	50%	20
\$12,500	5.25%	\$100	\$6,746	54%	21
\$15,000	5.25%	\$100	\$8,419	56%	22
\$20,000	5.25%	\$100	\$11,763	59%	22
\$25,000	5.25%	\$100	\$15,108	60%	23
\$50,000	5.25%	\$100	\$31,831	64%	24
\$100,000	5.25%	\$100	\$65,278	65%	25
\$500,000	5.25%	\$100	\$332,853	66%	25
\$1,000,000	5.25%	\$100	\$667,332	67%	25
\$10,000,000	5.25%	\$100	\$6,687,000	67%	25

Accepting Success...Continued from page 3

Future earnings assumptions must be taken into account as well when setting minimum **ages** for gift annuities and similar plans. Note that as long as earnings assumptions of 5.25% are met and administrative expense is maintained at \$100 per gift annuity, there is no problem achieving or exceeding a 50% residuum amount for older donors. If earnings fall to 4.25%, however, just 1% short of expectations, residuum percentages remain in acceptable ranges for older donors but may fall into negative territory for younger persons.

geographic emphasis, or other discreet “thought sectors,” such proposals can lead donors to a level of comfort regarding the use of their gifts without unduly restricting them.

Also, consider incorporating a statement that enables donors to approve language that would allow the chief executive officer or other appropriate party to alter the use of funds with the approval of the board or other governing body. This will cover instances where a particular program or service for which funds are restricted is either overfunded or no longer exists.

Gift Annuity Amount	Age of Donor	Payment Rate	Administrative Expense	Earnings Assumption	Residuum Percent	Earnings Assumption	Residuum Percent
\$20,000	85	9.7	\$100	5.25%	60%	4.25%	53%
\$20,000	75	7.3	\$100	5.25%	59%	4.25%	45%
\$20,000	65	6.3	\$100	5.25%	48%	4.25%	22%
\$20,000	55	5.8	\$100	5.25%	32%	4.25%	-13%

Gift acceptance policies should thus take into account a number of factors including earnings assumptions, administrative expense levels, the expected time period until receipt of the gift, and other factors when setting minimum gift amounts and ages for various gifts. Some programs may need to adjust policies that were set at a time when different assumptions were appropriate.

Examining restrictions

Experienced fundraisers know that donors will often give more when they feel they have involvement in deciding how the funds will be used. Organizations that do not allow donors any input in how their gifts are applied often find it especially difficult to raise large amounts from relatively sophisticated donors.

But just as the economic landscape changes over time, so do organizational needs. In times of steady increases in funding, it may be possible to impose a broader range of restrictions on gift dollars than is possible in times of more pressing needs. For this reason, sections of gift acceptance policies that address permissible restrictions and minimum amounts required to place restrictions on gifts may also need to be examined periodically.

It can be constructive to take a proactive approach. Rather than actively limiting restrictions on gifts, a better strategy may be to “carve out” a number of areas of interest. Based on various mission components, areas of

Keeping the peace

Besides controlling costs and helping to channel funds to appropriate areas of program emphasis, well-considered and current gift acceptance policies can also help maintain harmonious staff relations and foster better relationships between donors and those assigned to steward relationships with them.

By involving staff from development, finance, program administrations, and other areas of organizational management along with volunteer leadership from the board in the process of creating and reviewing gift acceptance policies, a spirit of teamwork and mutual understanding can be enhanced. Those who are not involved in the day-to-day activities of fundraising can gain a greater understanding of what drives the development process before the gift is completed. Likewise, those who work directly with donors can gain a greater understanding of the issues faced by those who must meet the expectations of donors *after* the funds are actually received.

Policies that are rooted in consensus of senior staff and reduced to written form can also be very beneficial in helping to preserve relationships with donors when a gift must for one reason or another be rejected. If the donor can be furnished written policies, it is much easier for the fundraiser “on the ground” to handle any negative reactions. Written policies remove focus or blame from the contact person

A World of Difference...Continued from page 1

fewer people behind them to pay retirement and healthcare costs. The same demographic crisis we will face here in the States in the second and third decades of this century will also be felt in Europe and elsewhere. But it may actually feel worse because of the possible reduction in the level of benefits that generations of Europeans have become accustomed to in their later years," says Robert Sharpe. "Representatives of a Swedish health care system indicated they were at the conference to learn how to provide the 'margin of excellence' through private funding in light of gradual reductions planned in government support of local hospitals."

Melding of the past and the future

For all of these reasons, more and more non-governmental organizations (NGO's) around the world are beginning to look to more structured and intentional encouragement of planned gifts as a growing source of future funding.

In discussions with Sharpe session participants a consensus emerged that it was not really a question of whether an organization "did planned giving," but rather whether it enjoyed support from voluntary giving. As larger gifts worldwide tend to come in forms other than cash, the real question becomes how to structure such gifts on an outright and deferred basis. "It then became clear that to a large extent, we were simply bringing back to Europe and elsewhere methods and traditions surrounding them that were originally brought to the U.S. from abroad many years ago," says Tim Sharpe.

Robert adds, "Many of the gift planning tools we commonly employ in the United States today have a long history and deep roots in Europe, the Middle East, and elsewhere. A participant from Egypt noted that vehicles very similar to charitable lead trusts had been used for centuries to facilitate a combination of wealth transfer and funding of social needs. Bequests, trusts, gift annuity equivalents, and more were all being actively used to promote the public good centuries before the founding of the United States and long before there were any federal income, gift, and/or estate tax benefits associated with them.

"In reality, the U.S. has had the privilege of preserving and building upon these ancient forms of giving during the twentieth century, while much of the rest of the world suffered the devastation of a depression sandwiched between two World Wars and their aftermath. During that time, there was little alternative to extensive reliance on tax-fueled social service systems. In recent years, however, we are seeing a return to more of a mix of public funding and private

philanthropy. We believe this trend will accelerate with the growing economic power of the European Economic Union and increased wealth in Asia."

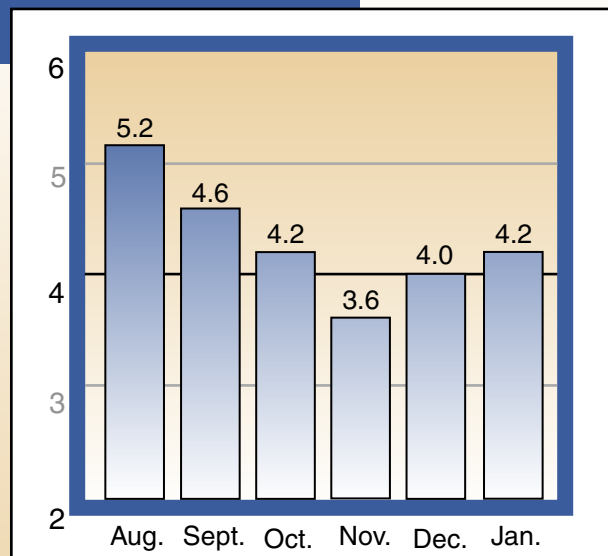
Robert Sharpe further observes that "the United States in effect served as a sort of cultural 'backup drive' as we preserved funding means developed elsewhere in the past. We are now simply reintroducing many of the same plans to the grandchildren and great-grandchildren of those for whom such plans were commonplace prior to World War I. As part of that process, we are also reinforcing in our own minds the non-tax motivations that originally gave rise to these plans."

In 2003, the Sharpe Group enters its fifth decade of service to America's not-for-profit community and those who provide its funding. As the world continues to grow smaller and more interdependent, the Sharpe Group will continue to adapt, innovate, and help facilitate the transfer of wealth from the most noble among us to those organizations and institutions that through their funding meet vital human needs. [G&T](#)

● ● ● ● ●
"...we were simply bringing back to Europe and elsewhere methods and traditions surrounding them that were originally brought to the U.S. from abroad many years ago."



Discount Rates



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

Footnotes



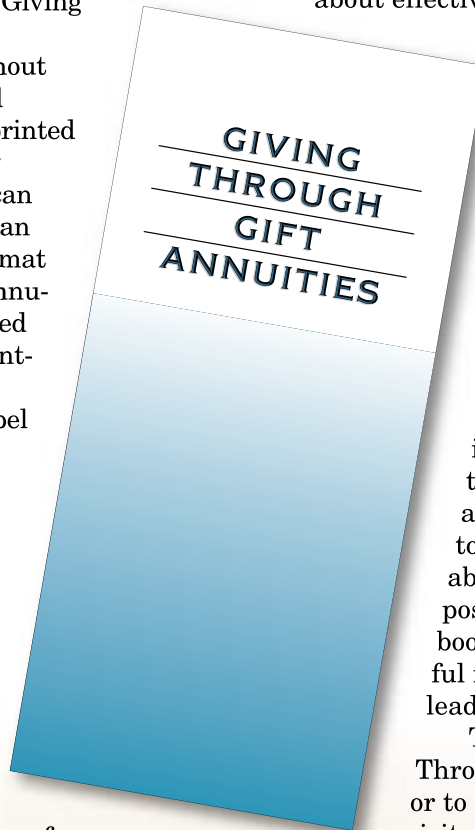
BOOKLET OF THE MONTH

“Giving Through Gift Annuities”

When the American Council on Gift Annuities announced in October its decision to lower recommended gift annuity rates, the Sharpe editorial team began the process of updating its line of gift annuity publications, including newsletters, brochures, and the 20-page booklet, “Giving Through Gift Annuities.”

Available with or without the ACGA’s recommended single-life annuity rates printed on the back cover, “Giving Through Gift Annuities” can help you communicate in an easily understandable format the special benefits gift annuities can provide. Organized around answers to frequently asked questions, this booklet is designed to dispel common misunderstandings about gift annuities while revealing the benefits your donors may not yet have realized.

The January 1, 2003, effective date for the newly adjusted rates makes now an opportune time to promote gift annuities to your constituents. Whether you make it the centerpiece of a special mailing or use it as a follow-up piece for those requesting more information, “Giving Through Gift Annuities” can become an integral part of your donor education program.



For more information about “Giving Through Gift Annuities,” see www.sharpenet.com/donor or call Sharpe at 1-800-238-3253.

Leading the way to more effective gifts

As discount rates remain at historically low levels, charitable lead trusts continue to be an exciting option for wealthy individuals. In the December issue of *Trusts & Estates*, Robert F. Sharpe, Jr., shares ideas about effective ways the lead trust can be used to satisfy both charitable and financial planning goals. “The Temporary Private Foundation: A Window of Opportunity” is available in its entirety at www.sharpenet.com/current.

Those who want to pass a portion of their wealth to the next generation while they support a favorite charity may decide to take advantage of the charitable lead trust—but only if they are aware of the possibilities it can afford. Sharpe offers a range of publications designed to help you educate your donors about various charitable giving possibilities, including a 20-page booklet developed to provide helpful information about the charitable lead trust.

To learn more about “Giving Through Charitable Lead Trusts” or to receive a sample copy, please visit www.sharpenet.com/donor or call 1-800-238-3253 to speak with a Sharpe customer service representative. **G&T**

• • • • •
News and ideas
about Robert
F. Sharpe and
Company’s
services.

Accepting Success...Continued from page 4

and make it clear that the rejection of their particular gift is the result of policies that had been considered and determined in the past. A donor may even gain a greater respect for the professionalism of an organization that is prepared to quickly respond to an offer to make an unusual gift.

Staff training

Finally, gift acceptance policies can be an excellent tool for training new and existing staff. After updating policies each year, consider holding a series of staff training sessions to explain any

changes. New staff will gain confidence, and veterans will feel reassured that their management is in tune with the times. All staff will feel that your organization has taken all steps possible to assure that they can relate to donors in a way that communicates a commitment to the highest levels of service and excellence.

*Editor’s note: This article is excerpted from material presented by Mr. Sharpe in Session VI of “Major Gift Planning II” entitled “The Economics of Major Gift Planning from the Charity’s Perspective.” See page seven for upcoming dates and locations. **G&T***

Training Update

An Introduction to Planned Giving

For a comprehensive, in-depth training experience, consider attending Sharpe's 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 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," this one and one-half day session follows that seminar in selected cities. Special tuition rates are available for concurrent attendance or for prior attendees of "An Introduction to Planned Giving." **G&T**

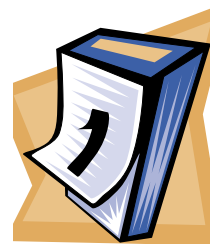
Multiple registration discounts are available. For more information or to register, please contact the Sharpe company.

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

Fax 901-761-4268

Web site: www.sharpenet.com

E-mail: seminars@rfsco.com



Seminar Training Dates

An Introduction to Planned Giving

Seattle
January 27-28
Chicago
February 10-11
Boston
March 10-11

Managing Planned Giving Relationships

Seattle
January 29-30
Chicago
February 12-13
Boston
March 12-13

Major Gift Planning I

San Francisco
February 20-21
Washington, D.C.
March 3-4
Chicago/Oak Brook
April 23-24

Major Gift Planning II

Memphis
January 16-17
Boston
June 23-24

Restock Your Library

BETTER
ESTATE
PLANNING

GIVING
THROUGH
CHARITABLE
LEAD
TRUSTS

GIVING
THROUGH
GIFT
ANNUITIES

REFLECTING
ON
TOMORROW

YOUR
GUIDE TO
EFFECTIVE
GIVING IN
2003

When donors and prospective donors ask for detailed gift planning information, it is important have a library of appropriate and accurate publications at your fingertips.

Replenishing your gift planning library can be as quick as a phone call. Sharpe's full line of informational booklets is available to help you give donors and their advisors the information they need when considering specific types of gifts.

All Sharpe publications have been updated for 2003 and reflect the most recent developments in tax laws and other important changes such as new recommended gift annuity rates.

Plan ahead and save

All booklets may be personalized on the front and/or back cover. Enjoy reduced unit and personalization costs when ordering multiple titles. Flexible billing arrangements are available to coincide with budget cycles. Call 1-800-238-3253 for more information about Sharpe's complete library of gift planning information.



Robert F. Sharpe & Company, Inc.

6410 Poplar Avenue • Memphis, TN 38119

1-800-238-3253 • Fax: (901)761-4268

www.sharpenet.com