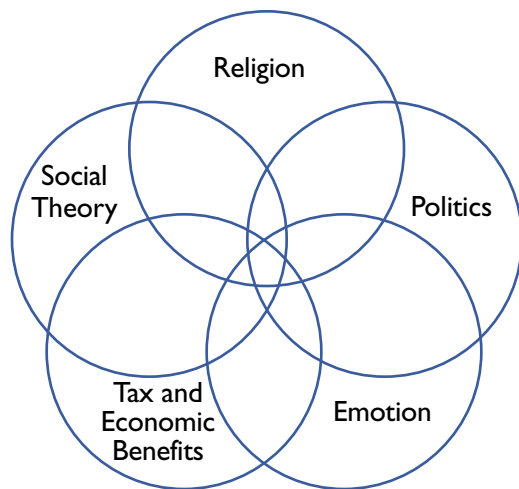


Why Don't People Give More?

by Robert F. Sharpe, Jr.

In last month's issue of *Give & Take* we examined the underlying factors that motivate people to **make** charitable gifts: religion, social theory, political orientation, emotions, and economics and other factors. In reality, gifts are rarely motivated by just one of these concerns; they typically result from the complex interaction of several of these factors, changing with each donor and his or her particular circumstances.



But it is not enough simply to explore why donors **make** gifts. In today's environment, it is becoming more and more important to examine why people sometimes **don't make** gifts they would otherwise like to complete. Understanding the financial concerns that can stop people from making gifts is the key to making sense of what is commonly referred to as "planned giving" or "gift planning."

Experience shows that the financial concerns that can act as "demotivators" of charitable gifts fall into four broad categories:

- Dying too soon
- Living too long
- Unexpected illness and other economic emergency
- Mental and physical disability.

Successful gift planners understand these fears and know how to use gift planning vehicles to create solutions.

Dying too soon

Many persons who would like to make a substantial gift worry that they could pass away without fulfilling their financial responsibilities to loved ones. It seems no one is immune from these anxieties, regardless of age. Younger persons may be anxious about providing for dependent children. Those in their middle years feel a responsibility to care for aging parents, and an older donor's need to care for a surviving spouse often eclipses the desire to make charitable gifts.

Living too long

About the time that people begin to worry less about dying too soon, they can become anxious about outliving their resources, especially in times of lower interest rates and fluctuations in equity markets. Fundraisers enjoyed a reprieve from this problem during the past two decades, when rapid economic growth and relatively high interest rates made many donors feel a greater sense of financial invulnerability. Now, however, more and more persons are beginning to contemplate how they will support themselves over the long term in times of single digit returns on both equities and income-producing investments.

Illness and economic emergency

As the cost of healthcare continues to rise, the need to preserve funds for a potential illness is becoming increasingly pressing. Many also worry about the health of the economy and are wondering if their jobs are secure.

Mental and/or physical disability

As life expectancies increase, persons of all ages are beginning to realize the importance of preparing

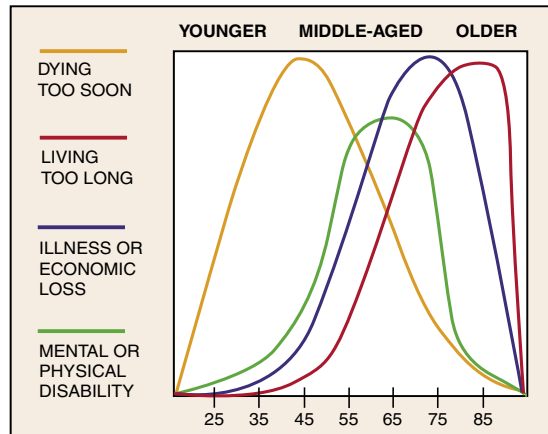
Inside:

- New study reveals success of planned giving programs p. 3
- See when a Sharpe seminar will be coming to your area p. 7

Why Don't People Give More? ...Continued from page 1

for the possibility of long-term mental or physical disability.

The mixture of one or more of the above concerns is at the heart of most persons' decisions *not* to make a larger gift they



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would otherwise like to make. These fears do not remain constant throughout life but rather vary with age and economic capability, as seen in the chart above.

The role of gift planning

To raise significant funds in today's environment, development officers must acknowledge the concerns outlined above and determine if and how a gift planning tool can help alleviate these anxieties and fulfill a donor's desire to give. When the donor's best interests are kept at the forefront, the process of gift planning can and does make perfect sense.

Two primary categories

There are two basic categories of gift planning vehicles that can help a motivated, but anxious, donor make a gift. Many gift plans allow donors to make **revocable** gifts that give donors the freedom to change their minds if they need to access the funds at a later date. Because their revocability precludes tax benefits, these plans are also sometimes referred to as "non-qualified" plans. Development officers at times refer to these plans as "expectancies" because no gift is actually completed from a legal standpoint until someone's death. The primary plans that fall into the

revocable/non-qualified/expectancy category include the following:

- bequests via will and living trusts
- remainders of retirement plans
- life insurance beneficiary designations
- jointly owned investments with rights of survivorship.

On the other hand, **irrevocable** gifts involve a commitment to the permanent transfer of one or more interests in property. Because the donor has parted with something at the time of the gift, tax benefits are often available. These gifts are thus also sometimes referred to as "qualified" plans. And because the enjoyment of the gift is delayed to some later point in time, these gifts are often referred to as "deferred gifts."

Irrevocable/qualified/deferred gifts are built on an underlying "operating platform" that is a trust, contract, or deed. These plans include the following:

- gift annuities
- charitable remainder trusts
- pooled income funds
- charitable lead trusts
- life estates in real estate.

The revocable and irrevocable plans described above are often referred to collectively as "planned gifts," an umbrella term that actually includes both "expectancies" and "deferred gifts."

Prescribing the right plan

The process of deciding which plan is best for the donor starts with listening to both the donor's motivations and hesitations. If you have a prospective donor who clearly would make a gift but for one of these common fears, look below for some possible solutions.

Dying too soon

Bequests via will. The most common form of planned gift is the gift by will, with the largest bequests typically coming from the residue of an estate. Because this plan assures that a gift is made only at death and only after specifically providing for loved ones, bequest gifts appeal to persons who are afraid of depriving an heir of economic security. Leaving retirement plan proceeds or the remainder of a retirement plan or living trust to charity can accomplish the same result as a bequest with probate savings and possible other advantages.

Charitable lead trusts. Many planners place too much emphasis on the estate tax

Continued on page 4

Planned Gifts Reported as Most Successful Funding Method

A report recently released by The Center on Philanthropy at Indiana University indicates that planned giving is the most effective form of fundraising in today's environment. The "Philanthropic Giving Index" for December 2002 was sponsored in part by The Association of Fundraising Professionals (AFP) and The Association for Healthcare Philanthropy (AHP). The report summarizes the findings of a survey of a representative selection of nonprofits and consultants chosen to represent a cross section of the nonprofit sector.

Overall, respondents were less optimistic than in the past about prospects for success in fundraising in the current environment. The philanthropic giving index (PGI) was 77.7 in December 2002, the lowest level since the index was first published and down significantly from its peak of 94.6 in December 1999. Despite current pessimism, however, respondents were much more optimistic about prospects for the next six months with an Expectations Index (EI) of 85.8.

The survey sheds significant light on the impact of the events of September 11th and indicates that current economic conditions appear to be having a more negative impact on expectations for giving, as the PGI is now lower than it was in the wake of the events of the fall of 2001.

Importance of planned giving

Other findings of the report are important for those responsible for planned gift development efforts for their organizations and institutions. When asked what fundraising techniques were most successful in today's environment, more development executives surveyed rated planned giving and major gifts as the most successful methods, followed closely by direct mail and special events.

Percentage of Respondents Who Rated Techniques Successful or Somewhat Successful

Planned Giving	69
Major Gifts	68
Direct Mail	64
Special Events	60
Foundations	52
Telephone	43
Corporate Gifts	38
Internet	18
E-mail	13

The findings varied somewhat depending on the type of organization, its size, and the scope of its activities. Those sectors that reported the most reliance on the success of planned and major gift efforts were education, religion, healthcare, human services, and public benefit/environmental causes.

National and regionally based organizations reported the most success with planned giving as a source of funding, while those more locally based were somewhat less optimistic about this funding methodology.

Overall, organizations in the under \$1 million revenue range, the \$1 million to \$10 million range, and the over \$10 million group all reported that planned giving was among the most successful fundraising techniques they currently employ.

There are a number of reasons why planned giving is a resilient source of income during difficult economic periods:

1. In times of economic dislocation, concerns about outliving resources and other economic risks referred to in the article on page one are increased.
2. The gift planning tools that help deal with economic concerns may thus be of greater interest.
3. Older donors who utilize planned gifts in larger numbers are normally retired and thus not concerned about losing their jobs.
4. Retirees are, however, more interested in gifts that feature retained income in times of lower interest rates and dividends.
5. Major donors who would make outright gifts during times of greater affluence or optimism may be more likely to consider certain types of planned gifts such as term of years trusts and lead trusts that allow them to make significant gifts over a longer period than might otherwise be the case.
6. Planned gifts offer those who still have significant amounts of appreciated assets to lock in their gains in a way that does not require further losses in the form of capital gains taxes.

Carefully managing the increased interest in planned gifts among donors can help assure that the maximum possible benefits accrue to your organization in the shortest period of time.

Why Don't People Give More?...Continued from page 2

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"The key for gift planners is to view the process of gift planning as a way to help donors overcome their fears and make the gift they feel inspired to make."

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benefits a lead trust can offer. There are much more effective ways to pass property to family members. As a result, lead trusts are typically entered into by people who want to make significant charitable gifts over time but do not wish to disinherit their heirs or die without providing for their future economic security. The lead trust is one answer in this situation, as it allows persons to make the gift they wish to make while dealing with the fear they will "die too soon." To such persons, the tax savings are important but not necessarily the primary motivator.

Living too long

Bequests via will, trusts, retirement plans, and life insurance. Like those worried about dying too soon, donors concerned about living too long will often delay a substantial gift until their death so they are assured access to all of their funds. The gift is usually "deferred" until death, but charitable remainder trusts for a term of years offer the option of keeping income for a limited period of time.

Gift annuities. Ironically, the fear of outliving funds can lead others to transfer funds irrevocably to charity in exchange for a lifetime of fixed payments. Deferred gift annuities offer a solution for someone who has adequate income now but worries about needing income in the future.

Charitable remainder trusts and pooled income funds. These plans offer many of the same advantages as bequests and gift annuities for those concerned with long-term economic security.

Life estate agreements. Transferring the ownership of a home at death while retaining the right to occupy and enjoy the home for life offers current tax benefits while helping maintain financial security.

Charitable lead trusts. A donor who does not need income today but wants to be able to access principal in the future may be interested in a variation of the charitable lead trust where the ownership of the funds reverts to the donor at the end of a period of time.

Illness and economic misfortune

Charitable bequests at death. As discussed above, bequests allow retention of funds if necessary in case of a temporary illness or economic reversal.

Gift annuities. Gift annuities assure a steady flow of income for medications and other illness-related expenses in later life.

Charitable remainder trusts. When a donor transfers assets to a charitable remainder trust, the transfer must be irrevocable, largely because of the tax savings involved. These trusts existed prior to tax savings, however. Why? One reason is that when you create such a trust the bad news is you cannot access your principal if needed. The good news is that no one else, including creditors, can either. For this reason, some persons who would not otherwise make a large charitable gift may do so in a way that assures that no matter what happens, they will always have the income from the trust.

Mental and/or physical disability

Gift annuities. Gift annuities provide an income source that will continue regardless of the donor's mental or physical health. This is especially important for those who worry about being able to manage their assets in later life in case of permanent mental and/or physical disability.

Charitable remainder trusts. Charitable trusts offer more flexibility than gift annuities. They are often used by persons who would like to make large gifts but want to ensure that an income is retained in case of disability. Unlike a gift annuity, a charitable trust allows the donor to create a structure that can provide future increases in the amount of income received and to select the trustee of the funds.

Taxing issues

Any gift, revocable or irrevocable, in which funds are transferred at death can offer estate tax savings. But as over 90% of charitable bequests come from nontaxable estates, tax avoidance is obviously not the only motivation for such gifts.

Tax savings are more of a factor for irrevocable gifts that involve transfers of assets during lifetime with a retained interest for the donor or another person. The charitable benefits generally amount to what the donor gave minus what the donor retained, but far too much energy is expended in the process of determining these benefits, maximizing them, and then pretending they are the prime motivator for the gift. In fact, they are only one of many benefits of the gift and almost always total only a fraction of the assets transferred.

The motivation to make a gift clearly comes from somewhere else. The key for gift planners is to view the process of gift planning as a way to help donors overcome their fears and make the gift they feel inspired to make.



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.

Footnotes

BOOKLET OF THE MONTH

“Giving Through Charitable Remainder Trusts”

Many donors would like to make larger gifts today but feel they simply cannot spare the funds on account of other financial priorities. Whether they are planning for upcoming retirement, are facing educational expenses, or are coping with one or more of the other financial concerns noted in the article on page one,

many donors feel they should not voluntarily deprive themselves of assets they may need to meet other needs now or in the future.

What many of these donors do not realize is that there is a gift planning vehicle that will allow them to make a charitable gift now—with the sense of fulfillment that entails—and provide for a fixed or variable income for life or another period of time. The charitable remainder trust is designed to fill just such a need, but many donors are

unaware of the benefits this gift plan has to offer.

It's up to you to inform your donors of this gift planning tool. Sharpe's "Giving Through Charitable Remainder Trusts" booklet is designed to help.

Through clear and easily understandable examples, this 20-page booklet shows donors how a charitable remainder trust can provide them with supplementary income and tax deductions while they make a substantial charitable gift. Also included are a summary of benefits, highlighting the remainder trust's flexible income and timing options, and a technical advisory section for professionals working to complete the gift.

Consider making "Giving Through Charitable Remainder Trusts" the centerpiece of a

special mailing. Or include it as part of campaign information materials for those who may not be able to make a large outright commitment. This booklet may also be effective as a "leave behind" piece for donor visits or may serve as a follow-up piece for marketing efforts geared to life income gifts.

For more information, visit our Web site at www.sharpenet.com or call 1-800-238-3253 to speak to a customer service representative.

“Giving Through Living Memorials”

One of the most common ways people try to gain meaning out of the loss of a friend or loved one is through donations to a favorite charity. Gifts to charitable organizations help donors convey sympathy in ways that words alone may not be adequate to express.

Has your organization received memorial gifts? If so, you may be wondering how to create gift acknowledgments that express sympathy for the donor's loss and encourage a long lasting and mutually fulfilling relationship with the donor.

Sharpe's "Giving Through Living Memorials" brochures may be the solution. When included as an insert in gift acknowledgment mailings, these six-panel brochures help donors who already have a desire to give learn about ways they can create a lasting memorial with your organization. Attached to these brochures is a tear-off reply card that can be personalized with your organization's contact information, so requesting more information is easy to do.

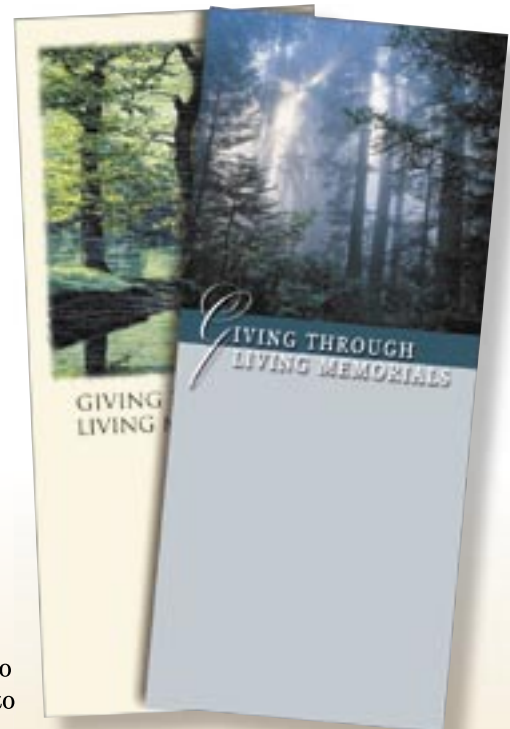
While memorial gifts occur throughout the year, the majority of such donations take place in the spring. Is your organization ready to capture the opportunity memorial gifts can offer?

Please call 1-800-238-3253 to speak to a Sharpe representative about our line of memorial giving materials. **G&T**



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

**GIVING
THROUGH
CHARITABLE
REMAINDER
TRUSTS**




Most Successful...

Continued from page 3

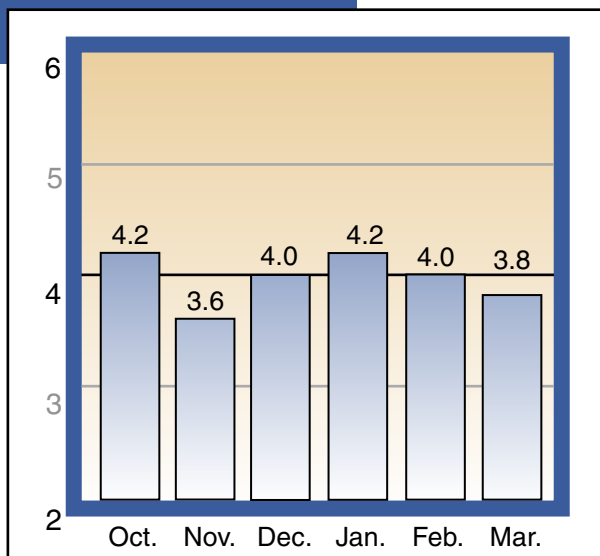
It is vital to make certain that the right gift opportunities are exposed to the right segment of donors at the appropriate point in their natural lifecycle of giving. There are many ways to give where the gift is not completed immediately, but where benefits are not necessarily deferred until the death of relatively young persons.

The Indiana University Center for Philanthropy giving index is a valuable tool that can serve to guide nonprofit executives in focusing their efforts where they may be most effective at a given point in time. The Philanthropic Giving Index now indicates that it may be especially prudent to make sure that efforts to encourage planned gifts are in place and positioned to provide maximum funding for your institution in an efficient and cost-effective manner.

This report is the latest information that indicates that planned giving is to some extent countercyclical and may hold greater importance during challenging economic periods. See "Philanthropy in Uncertain Times," published in *Trusts & Estates* magazine in March 2002 and available in full at www.sharpenet.com/current.

For more information and a link to the complete Center of Philanthropy at Indiana University report, visit our Web site at www.sharpenet.com/current. 

Discount Rates



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

Why Don't People Give More? ...Continued from page 4

Communicating benefits of plans


There are two ways to approach gift planning. You can begin with a "who"—a prospective donor—and then find a "why," "what," "when," and "how" to finalize the gift. Or you can start with the solution and work backwards to the challenge facing the donor.

The first scenario occurs naturally when an experienced development officer is working directly with donors. When focusing on the "who" and "why" of the gift, the development officer will naturally be led to the "what," "when," and "how" and can often arrive at an agreeable situation for both parties.

But what about the majority of donors you never have an opportunity to talk with face to face? This is where the mass communications aspect of gift planning comes into play. Through targeting information based on the age and wealth of donors, information can be conveyed that is designed to anticipate the reasons people may not make larger gifts. Various gift planning concepts can be exposed along with examples of persons who have made use of them. Donors are then given an opportunity to self-identify themselves as having an interest in making a gift in a particular way.

At that point, a potential donor has provided you with the what, when, and how of the gift. It is tempting to try to complete a gift at that point, but unless you discover who the donor is, and why the donor wants to give, you may proceed with a gift that is not the best fit for that donor.

Being a successful gift planner always requires patience and a genuine concern for donors' well-being. As long as you keep their wishes and needs at the forefront, you can use your experience and expertise to help them make what may be their gift of a lifetime.

Editor's note: This article completes a two-part series begun in the February 2003 issue with "Why Do People Give?" Both articles are based on material covered in more depth in the Sharpe seminar series. This article is excerpted from Session 3 of Major Gift Planning I. See page 7 for information about future seminar offerings. 

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**

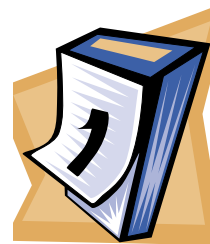
Multiple registration discounts are available. For more information or to register, please contact the Sharpe company.

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

Boston

March 10-11

Cleveland

May 19-20

Washington, D.C.

September 4-5

Managing Planned Giving Relationships

Boston

March 12-13

Cleveland

May 21-22

Orlando

November 19-20

Major Gift Planning I

Chicago/Oak Brook

April 23-24

Boston

May 15-16

New York

August 14-15

Phoenix

September 8-9

Where Solutions Begin

Now is a time when many Americans are reevaluating their personal, financial, and charitable priorities. This includes their charitable gift commitments. Are you prepared to help them make their gifts in today's environment in the most effective ways?

Sharpe seminars are designed to provide useful ideas and practical advice geared to help organizations and institutions assist donors, and in so doing reach their full potential in today's competitive environment.

Make plans today to attend "An Introduction to Planned Giving" and "Managing Planned Giving Relationships."

An Introduction to Planned Giving	Managing Planned Giving Relationships
Boston March 10-11	Boston March 12-13
Cleveland May 19-20	Cleveland May 21-22
Washington, D.C. September 4-5	Orlando November 19-20

In these complementary seminars, a team of experienced presenters will focus on the fundamentals of gift planning. Topics will include making initial contact with donors, helping to plan the gift, and maintaining relationships with donors, advisors, and other heirs after the gift is made. See page 7 for more information.

Enrollment is limited. Please call 1-800-238-3253 or visit us online at www.sharpenet.com/seminars for more information or to reserve your place.



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