

A Year of Opportunity

by Robert F. Sharpe, Jr.

As we move into the final quarter of 2003, many of those who raise funds for the nation's nonprofits are beginning to pay special attention to planning for their programs for the coming year. And with good reason: 2004 may usher in a period of change in major and planned gift development of a magnitude not seen for some time.

The most important change to affect gift planning activities next year is actually something that was put in place over two years ago. In May 2001, Congress passed historic tax legislation that promised to phase out the federal estate tax over a number of years. This phase-out was to be accomplished through a gradual increase in the amount exempt from estate tax combined with ongoing reductions in the maximum estate tax rate. See the chart below for a summary of the phase-out schedule:

Maximum Tax-Free Amount			
Year	Estate Tax	Gift Tax	Maximum Rate
2002	\$1,000,000	\$1,000,000	50%
2003	\$1,000,000	\$1,000,000	49%
2004	\$1,500,000	\$1,000,000	48%
2005	\$1,500,000	\$1,000,000	47%
2006	\$2,000,000	\$1,000,000	46%
2007	\$2,000,000	\$1,000,000	45%
2008	\$2,000,000	\$1,000,000	45%
2009	\$3,500,000	\$1,000,000	45%
2010	No Tax	\$1,000,000	35%

Note that on January 1, 2004, the amount exempt from estate tax increases by 50% from \$1 million to

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\$1.5 million per person. A married couple will then be able to pass up to \$3 million to heirs free of federal estate tax.

This new threshold will free the vast majority of Americans from worries about the impact of estate taxes. Based on statistics published by the IRS for estate tax returns in 1998, beginning next year only the very wealthy—reportedly less than 1% of all Americans—will need to plan for the impact of federal estate taxes.

Estates	Value of Estates	Cumulative Exempt	Cumulative Percentage
49,705	\$650,000-1,000,000	49,705	50.79%
36,419	\$1,000,000-2,500,000	86,124	88.00%
7,689	\$2,500,000-5,000,000	93,813	95.86%
2,665	\$5,000,000-10,000,000	96,478	98.58%
944	\$10,000,000-20,000,000	97,422	99.54%
446	over \$20,000,000	97,868	.46%
97,868		97,868	100%

These changes hold far-reaching implications for those responsible for encouraging charitable bequests and other gifts that are part of the long-range estate and financial planning process.

The wait is over

The wide repercussions of the 2001 Tax Act, coupled with prolonged debate among lawmakers over the fate of the estate tax, has caused an estate planning "log jam" over the past two years as many planners and their clients adopted a "wait and see" attitude. Though some predicted that Congress would act to accelerate the estate tax repeal, ballooning federal deficits now make that seem unlikely.

Despite that fact, the amount exempt from estate taxes has risen from \$675,000 in 2001 to the current level of \$1 million, and there is no reason to believe the \$1.5 million figure will not become effective on January 1 of next year. As a result, in the early months of 2004 we can expect to see a flood of information in the popular press announcing the effective repeal of the estate tax for another large group of Americans. And as the 2004 presidential campaigns gain momentum, the estate tax issue may emerge as a significant campaign



Should you
CARE?

Planning Matters

In September Congress went back to work on previously proposed bills designed to encourage charitable giving. The two key pieces of legislation, each featuring different provisions, are the CARE Act of 2003, passed by the Senate earlier this year, and its companion bill, the Charitable Giving Act, H.R.7, passed by the House on September 17.

While not identical in content, both bills contain the following provisions:

- A limited non-itemized charitable deduction.
- An enhanced deduction for gifts of food inventory.
- Provisions for outright and deferred charitable gifts from retirement plans.
- Miscellaneous provisions affecting a variety of individual, corporate, and foundation gifts.


Despite these important parallels, there are significant differences between the two bills. (See below for a comparison of major provisions of the two bills.)

As we go to press, plans are underway for a conference between

representatives of the House and Senate in which attempts will be made to reconcile the various provisions of the two pieces of legislation.

Don't play the waiting game

It is important to remember that many of the key changes proposed in both bills, including the ability to use distributions from IRAs to fund deferred gifts, are not scheduled under the terms of either the House or Senate versions to take effect before January 1, 2004. This means that it may be wise for fundraisers to proceed with gift development efforts in 2003, including efforts to capitalize on the important year-end giving season, regardless of the status of the CARE Act or the Charitable Giving Act. (See page 1 for more on the possible role of this legislation on gift planning efforts in 2004.)

For additional information about these bills and how you might support the legislative efforts underway, visit Thomas.loc.gov, www.ncpg.org, and www.afpnet.org. 

Give & Take:

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Provision	CARE Act of 2003 (S.476)	Charitable Giving Act H.R.7
Charitable Deduction for Non-itemizers	Would allow non-itemizers to claim up to \$250 (\$500 for joint return) in effect for tax years 2003 and 2004 only.	Deduction would be in effect for tax years 2004 and 2005 only.
IRA Charitable Rollover	Would provide for an exclusion from income for amounts transferred from an IRA to a charitable entity. Applies to donors over 59½ who fund a gift annuity or other deferred gift and for donors over 70½ who wish to make an outright transfer of funds to charity. The provision allowing transfers to split-interest trusts is effective January 1, 2004, and an outright transfer may be made at any time after the date of enactment.	Similar to the CARE Act but with an effective age of 70½ for donors who wish either to establish a split-interest trust or to make an outright transfer of IRA funds to a charity. The provision would go into effect on January 1, 2004.
Donations of Food Inventory	Enhanced deductions for contributions of food for the care of the needy, ill, or infants.	Expansion of the deduction is narrower and is effective on January 1, 2004.

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theme for both parties, drawing further attention to this subject. Democrats will likely tout the fact that the estate tax has already been eliminated for almost all Americans and will argue that further reductions should be scaled back in light of fiscal realities.

In advance of the 2004 changes in the estate tax laws, now may be the right time to begin repositioning the role of estate tax considerations in charitable gift planning, a move that may result in tremendous opportunities for those who are prepared to assist their donors with the charitable dimension of their planning during the coming year.

More discretionary capital

As the estate tax is eliminated for many, the assets that would otherwise have been earmarked for the payment of estate taxes will be available for other uses. While some may opt to give those funds to their children or other loved ones, many may consciously decide on a certain amount to leave to non-charitable beneficiaries. They can then provide that the remainder of their estate be devoted to charitable uses. Donors who find themselves with an unexpected and as yet undesignated "surplus" in their estates may benefit from a reminder that those funds can be used to increase charitable gifts, if they are so inclined.

A bird in the hand

When communicating with donors and their advisors, also consider placing greater emphasis on gifts that feature near-term financial benefits. It will be more important than ever to communicate the benefits of gift annuities, charitable remainder trusts, gifts of real estate with a retained life estate, charitable lead trusts, and other plans that offer donors immediate income and gift tax savings in lieu of estate tax savings that may no longer apply.

For example, a 75-year-old donor planning a \$100,000 bequest from a non-taxable estate will enjoy no tax savings as a result of this gift. If that donor instead used cash that was earning 2% to fund a \$100,000 charitable gift annuity, she would receive tax-favored payments of 7.1% and would be entitled to an immediate income tax deduction of over \$41,000, resulting in tax savings of \$14,000 or more.

In a situation such as this, the absence of estate taxes can be used as a way to draw attention to the benefits of acting today. With low interest rates causing many seniors to begin spending from their principal, a charity may actually receive more funds from the residuum of a gift annuity than it would from a bequest from what may be a smaller residuary estate.

Someone in this situation may also wish to donate a home and retain the right to live in and enjoy the property for life. In the case of a 75-year-old who donated a \$250,000 home in this way, an income tax deduction of over \$164,000 would be allowed.

Gift tax will remain

Recall as well that there are no plans to eliminate the federal gift tax. The exemption from gift taxes increased to \$1 million on January 1, 2002, but no further increases in this exemption are scheduled. The gift tax rate will gradually fall to what is expected to be a maximum of 35% in 2010.

If your wealthier constituents believe that the estate tax will eventually be totally repealed, they may prefer to transfer funds to loved ones tax free during their lifetime. The charitable lead trust offers an excellent way to accomplish this goal while creating a fund from which to make charitable gifts over time.

If your wealthy donors believe the estate tax will not be repealed over time, the lead trust and certain other charitable planning options offer the added benefit of sheltering funds from both estate and gift taxes while making meaningful charitable gifts over time.

The CARE Act

As we go to press, many commentators believe the long-awaited CARE Act may finally become law. The House and Senate have now both passed versions of this legislation that would allow donors to make gifts using funds from their individual retirement accounts (IRAs). Such gifts could be made directly to charities or completed in the form of split-interest transfers through gift annuities, charitable remainder trusts, or pooled income funds. All current versions of the bill call for an effective date of IRA rollovers to charitable gift annuities and trusts of



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.

Leaving No Stone Unturned

As pastor of Union Mission of Fairmont, West Virginia, Rev. Bob Thompson devotes his life to aiding the homeless, those addicted to drugs and alcohol, and others in desperate need of help. The last thing he expected was to receive a call informing him that one of the residents of his mission had left a \$25,000 estate upon his death. Unfortunately, even though he had lived and died at the mission, because he left no instructions for the disposition of his property and had no living relatives, the state of West Virginia became his final beneficiary.

Though most of us would not consider a resident of a rescue mission to be a likely prospect for a planned gift, Rev. Thompson's story serves as a reminder that it is impossible to predict who is capable of such a gift. You never know who will be the next millionaire (or "thou-sandaire") next door.

Give & Take: What is the Union Mission of Fairmont?

Rev. Bob Thompson: Union Mission of Fairmont is a nondenominational, community-based nonprofit, a division of West Virginia Rescue Ministries. As part of our mission we provide emergency shelter for men, women, and families; three meals a day, 365 days a year; chapel services three nights a week; morning devotions five days a week; a jail ministry; a thrift store; a 110-acre camp; and a drop-in center in Morgantown that provides pastoral and addiction counseling services to the homeless in that city.

One of our strongest programs is our drug and alcohol addiction recovery program, with a heavy emphasis on relapse prevention. We focus on the root issues of alcoholism and drug abuse—in other words, how these people got to be where they are today and how to help them continue on their road to recovery. Our goal is to identify and treat the root causes and consequences of homelessness.

Give & Take: It must make you feel good to have such an obvious impact on people's lives.

Thompson: That's what we are here for. We are called into this type of ministry to reach a segment of society that most of the rest of the world has given up on. People come here because they need a place to stay, a meal, or whatever it may be, and we do our best to help them.

We strongly believe in the importance of stabilizing the spiritual life as well as the physical. When that happens, we begin to see a transition from hopelessness to hope. That's the most important transition that can take place in a person's life. It doesn't make any difference whether the life in question is that of a successful businessperson or someone off the street.

Give & Take: How do you raise funds?

Thompson: With the help of our director of development and our planned giving consultant, we mail a newsletter and an appeal letter to our donor base each month. Our newsletter includes a general overview of current activities at the mission and is designed to help our donors stay connected. In it we offer our supporters planned giving information and assistance upon request, and we include a return envelope and a response device as a "soft ask." The appeal letter directly asks our donors for support and includes stories of individuals the mission has helped.

We also implement efforts to acquire new donors every fall. We target persons in our surrounding area in Marion County. Our outreach is to the entire north central region of West Virginia. In our acquisition efforts, we alternate areas of the region every year so that we can specially target one particular area each year. This enables us to stay within our budget while contacting over time a greater number of people than we could otherwise reach.

Give & Take: I understand that one of the former residents of your rescue mission passed away leaving a \$25,000 estate. Was that a complete surprise?

Thompson: Yes, it was. Someone from the state treasurer's office called me one day to tell me that a person who had lived in our personal care facility had left a \$25,000 estate but no will. Apparently this former resident had worked for Coca-Cola and had acquired \$25,000 worth of Coca-Cola stock. Because he had no estate plans in place, the state treasurer's office was trying to give the stock under the laws that come into play when someone dies without a will in our state.

The treasurer's representative called me because he thought that since the deceased was a resident at the mission it would be appropriate if we received the stock. Unfortunately, under West Virginia state law, even though he lived here and very possibly wanted his estate

Sharpe Seminar Series

Featured Seminar: Major Gift Planning

One of the more popular seminars in the Sharpe seminar series, Major Gift Planning will be offered in New York, Tampa, and Seattle in the coming months.



Join us for Major Gift Planning this December in Tampa, Florida.

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. [G&T](#)



Upcoming Seminar Training Dates

Major Gift Planning
New York
November 6-7
St. Petersburg, FL
December 4-5
Seattle
February 9-10

An Introduction to
Planned Giving
Orlando
November 17-18
Memphis
December 15-16
Washington, D.C.
January 26-27
Chicago
April 13-14

Managing Planned
Giving Relationships
Orlando
November 19-20
Washington, D.C.
January 28-29
Chicago
April 15-16

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

On the Agenda for Major Gift Planning

Day One

- The Role of Effective Gift Planning in a Comprehensive Fund Development Program
- An Overview of Current and Deferred Gift Planning Techniques
- The Role of Tax and Other Financial Considerations in Planning Major Gifts
- Understanding the Gift Potential in Properties Donors Own
- Maximizing Income From Bequests, Life Insurance, and Retirement Plans
- Integrating Charitable Gifts Into the Overall Estate Plan

See www.sharpenet.com/seminars for a complete agenda and dates for this and other Sharpe seminars.

Day Two

- Examining the Role of Deferred Gifts in Capital Campaigns
- Case Studies: How Gift Plans Can Help Donors Meet Personal Planning Obligations
- Deferred Gifts with Near-Term Benefits
- Understanding Planned Gift Marketing Regulation
- A Targeted Approach to Communicating Benefits of Gift Planning to Donors
- How to Work Successfully with Donors' Professional Advisors

What Attendees Are Saying About Major Gift Planning

"Sitting for two days (a near biological impossibility) was a breeze with the zest of the presenters. Many thanks!"

–Betty Wolf, St. John's Health Center Foundation, Santa Monica, CA

"Great seminar. Very helpful, well organized, and easy to follow. I really enjoyed it!"

–Martha Allen, Catholic Medical Mission Board, New York, NY

"You both are an outstanding team! I've enjoyed, appreciated, and gained good new ideas from this seminar and found the review of basics most helpful."

–John C. Thompson, The Principia School and College, St. Louis, MO

Footnotes



“Your Guide to Effective Giving in 2003”

In the hectic days at the end of the year, it is easy for things to fall through the cracks. As your donors' lives get busier this fall, they may forget to make a promised gift or may not have the time to decide which giving option best suits their needs.

This fall, why not simplify your donors' lives by making a gift of your expertise? Send your donors a letter offering your assistance and include Sharpe's helpful booklet “Your Guide to Effective Giving in 2003.”

Like all Sharpe booklets, “Your Guide” is professionally written to be both technically accurate and easy to read. And, in keeping with good fund-raising philosophy, it puts the donor's needs first. By helping your donors decide how to give cash or other appropriate property at the right time in the right way, this booklet guides your donors through the basic steps of the giving process.

Though cash is the most popular gift, “Your Guide” encourages your donors to discover other giving options by exploring the various advantages of gifts of securities, real estate, tangible property, retirement plans, and life insurance. Donors then learn

how they may structure gifts now that will be received over time—information that may appeal to donors who would like to make a gift now but first need to take care of other financial obligations.

“Your Guide” also includes a helpful summary of the tax benefits associated with making a charitable gift and provides seven quick “Planning Tips” that your donors will find useful. It is designed to be especially helpful to those who may no longer be subject to estate taxes and are reconsidering their financial and estate plans in light of that change (see page 1).

Like all Sharpe booklets, “Your Guide” can enhance your gift planning program in a number of ways. Consider these uses:

- Send “Your Guide” with a cover letter to your top donors and those you believe could make larger gifts. They may appreciate the reminder about the importance of giving at year-end.
- Enclose “Your Guide” with gift acknowledgments. The likeliest prospect for a future gift is someone who has already shown an interest.
- Use “Your Guide” as a follow-up piece for those requesting more information about the best ways to make gifts. The booklet's broad appeal makes it especially appropriate at year-end.
- Include “Your Guide” in your library of gift planning materials to furnish donors at events or during donor visits.

To learn more about how you can make “Your Guide to Effective Giving in 2003” a part of your efforts to encourage larger gifts this fall, please visit www.sharpenet.com/yourguide, call 1-800-238-3253, or complete and fax the enclosed order form.

Year-end brochures for broader audiences

To reach a broader segment of your donor file, consider Sharpe's year-end brochures. Offered in three attractive designs, these easy-to-read, 6-panel brochures are the perfect way to communicate the benefits of making charitable gifts before the end of the year. Choose “Giving Thanks at Year-End,” “Giving at Year-End,” or “Giving Before December 31,” or send out a combination of all three. Visit www.sharpenet.com/yearend to download a copy, or call the number listed above. G&T

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

What People Are Saying About Sharpe's Year-End Brochures

“For the first time in three years, we ordered ‘Giving Thanks at Year-End’ brochures from Sharpe. Within two days of mailing the first group of brochures to our major donor recognition society members, I received two inquiries about making year-end stock gifts, and two bequest inclusion notifications from attorneys. The donors told me that it was the ‘nudge’ they needed to consider making a more substantial year-end gift than they have made in recent years. They indicated that now that the stock market has regained some ground they were looking at making gifts of stock again. I can't wait to see what those donors who receive this brochure as an inclusion in our thank-you letters during September and October do!” G&T

**Carrie Kinnear, Development Director
St. Mary's Food Bank
Phoenix, AZ**

A Year of Opportunity...Continued from page 3

January 1, 2004, and it appears highly unlikely at this point that any legislation would be retroactive to gifts completed in 2003.

If the CARE Act comes into play on January 1, 2004, at the same time as the next installment of the estate tax repeal described above, this represents another important reason we can expect 2004 to truly be a watershed year for charitable gift planning.

What to do

Many of the changes discussed in this article will take place in 2004. So what should be done between now and the end of 2003?

Obviously, if the CARE Act is not passed this year, or if it is passed but is not scheduled to take effect until next year, gift planners should prepare now to capitalize on this opportunity after the first of the year.

In the meantime, now may also be an excellent time to begin to encourage donors to think about how the

coming changes in estate tax laws may affect their plans. Donors who have outstanding proposals for charitable trusts and gift annuities may appreciate a reminder that by completing their gifts before the end of the year, they can enjoy tax deductions this year.

If current upturns in stock values continue, encourage donors to fund income-producing gifts with assets that have recaptured value that was lost in weak markets over the past three years and are now re-appreciated. This may give donors a window of opportunity to “give their way out of the market” this fall.

The time is now

Congress moves at its own pace. Wise fundraisers will not let its pace dictate their own.

The makings are there for 2004 to be a banner year. Take steps now to assure it will be so for your program. [G&T](#)

No Stone Unturned...Continued from page 4

to pass to us, that could not happen without specific instructions in his will. Because he died without a will (intestate), the state was obliged to search for his next of kin. Even after an extensive search, the state was unable to find any living relatives, and the funds reverted to the state of West Virginia.

This story illustrates once again how important it is for everyone to have an estate plan, even those who appear to have no property. Here is a man who had lived at our mission. Had someone talked to him before his death about the importance of estate planning, perhaps the story would have turned out differently.

Unfortunately, there are many like this man who don't have large estates and believe they don't really need a will.

Give & Take: So do you now try to talk about estate planning to everyone related to your mission—employees, donors, and those you service?

Thompson: Yes, we offer them all the opportunities of planned giving help, and hopefully they take advantage of that. Some do, and others I assume have already made other arrangements. But we try not to leave any stone unturned. [G&T](#)



“With or without electricity, Sharpe seminars are dependable for content. I came home with information to share. Thank you.”

–Georgina West, Monmouth University,
West Long Branch, NJ

New York Seminar Rescheduled

The power outage that blacked out the north-east also turned the lights out at the midpoint of Sharpe's Major Gift Planning seminar held in New York August 14-15. To accommodate seminar participants who were unable to attend the second day of the seminar, we have rescheduled Major Gift Planning for November 6-7 in New York.

It is anticipated that space will be available for others who would like to attend. For more information or to register, please call 1-800-238-3253 or visit www.sharpenet.com/seminars. [G&T](#)

Your Move

In today's complex environment, leaders of America's nonprofits must make vital decisions about how to meet current needs while building for a stable future. Every move counts.

Increase your awareness of gift planning opportunities available to you and your donors.

Attend the two-day workshop "Major Gift Planning—Options and Opportunities" in:

New York, November 6-7
St. Petersburg, December 4-5
Seattle, February 9-10

Robert F. Sharpe, Jr., and Jonathan G. Tidd, Esq., will lead this fast-paced seminar on charitable gift planning, with emphasis on plans that produce benefits for your organization in the near term and the impact of recent and proposed tax legislation and regulations.

"Major Gift Planning" will equip you to cost-effectively help donors plan their gifts to help ensure your organization's future.

Enrollment is limited. Call 1-800-238-3253, ext. 5360, or visit www.sharpenet.com for more information or to reserve your place.



Robert F. Sharpe & Company, Inc.