

Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

When It All Works: Pointers from West Point

As Director of Planned Giving for the Association of Graduates of the United States Military Academy at West Point, Nancy Mathiasen faces unique challenges and opportunities. Here she shares with Give & Take how she has been able to give a special place to women at an institution that has been coeducational for less than 30 years.

Give & Take: What led you to a career in fund raising?

Nancy Mathiasen: After years of volunteer fund raising for my alma mater, Mount Holyoke, and other volunteer groups, I decided to try my hand at fund raising as a career. Early on, I worked with a number of organizations, hoping to find the right fit for me, and finally realized that I am best suited to working in an educational setting. About six or seven years ago, it became obvious to me that much of the future of fund raising lies in planned giving, and I decided to focus my efforts there. I assumed my current position at West Point and have enjoyed the opportunity to be of service there for the past four years.

Give & Take: What about working in higher education appeals to you?

Mathiasen: I like the idea that our work directly impacts the future. Everyone here feels that we're taking something that's good—a West Point education—and making it even better. The alumni I work with are passionate about West Point and feel a lifelong commitment to making the college even better for the next generation.

Give & Take: What is unique about working at West Point?

Mathiasen: West Pointers are trained to be leaders and see themselves as problem solvers, so whenever I have an idea, the graduates, staff, and I work together to figure out a way to make it happen.

But it's not just the positive attitudes that make West Point special. Because of the nature of a service academy, the alumni I work with all had very similar experiences during their time at West Point and after they graduated. They share a deep common bond, and they are very proud of what they've accomplished as a group and as individuals.

Give & Take: Although your older alumni are all male, many of your older donors are widows of those alumni. How do you handle communicating with the wives of West Pointers?

Mathiasen: In dealing with West Point widows, I've found that, in general, there are two situations. There are those who remained at home while their husbands were away on active duty elsewhere. These women learned to manage all of the family's business—finances, children, and most major decision-making—and as a result became very savvy and self-sufficient. On the other hand, there are those women whose husbands handled the details. These women are much more likely to feel overwhelmed after the deaths of their husbands and are in need of more financial guidance.

Give & Take: It must then be difficult to use a universal approach with the women in your constituency.

Mathiasen: It is interesting to watch their reactions to the mailings they receive from our office. Some widows know so much about their family's financial affairs that they feel our more basic material is irrelevant. Others have a lot to learn. Often, these women are finding after their husbands' deaths that they are left with a substantial amount of money and no idea how to manage it. Their husbands' attorneys and financial advisors often give them conflicting advice, and they don't know where to turn or whom to trust.

Part of my role is to provide guidance and assistance that is needed and wanted, especially to those who need the most help. I try to let them know that just because their husbands have passed on, their relationship with West Point can still be an important part of their lives. They know, as I do, that the Association of Graduates has their best interests at heart.

Inside:

- Tips for counting bequests p. 2
- The future of estate tax returns p. 4



Counting on bequests?

Planning Matters

In the past, nonprofits typically counted bequests as “expectancies” or “maturities.” These expectancies usually included the amount of the expected bequest (when the details were known) or a conservative estimate (when the amount was not). Estimates were sometimes made using an average amount based on an organization’s experience.

Upon the death of the donor the bequest was moved from the expectancy list to what was often called the “maturity list” and was eventually reported for accounting purposes in the year the distributions were received.

Because of the fact that the largest number of bequests come from smaller, non-taxable estates, the majority of bequests were never reported in IRS figures. Only charitable bequests from estates that fell over the federal exemption limit (\$675,000 as recently as 2001) were reported on federal estate tax returns.

Many charities did not have a standard practice for counting the bequest for accounting purposes. Known bequest expectancies may or may not have been counted in campaigns or for other recognition purposes, whereas matured bequests were generally acknowledged in annual reports and other appropriate means only after they were received.

More than was expected

With no standard guidelines in place, it was not unusual for a single bequest to be counted several times for a variety of different purposes. For this reason, a decade ago the Financial Accounting Standards Board (FASB) attempted to standardize reporting of charitable bequests. (See www.fasb.org for details.) Under these guidelines, unconditional promises to give are to be booked for accounting purposes. These include certain types of pledges, deferred gifts, and bequests where the donor has passed away (As they are unconditional following death, the charity has a right to receive them under state law.).

Yet some charities have continued to book charitable trusts and bequests for accounting purposes when not appropriate. For example, while quali-

fied charitable remainder trusts are irrevocable, the majority of such trusts drafted today allow the donor to change the charitable beneficiary and therefore are not unconditional. Like a bequest, such charitable remainder trusts should not be reported under FASB rules until the trust terminates and the donor no longer has the right to change a particular charity’s interest in the trust remainder.

Similarly, charitable bequests by their very nature are conditional gifts because the donor may change his or her mind about the gift at any point until death. Occasionally, a donor may attempt to make a bequest unconditional by entering into a contract to make a bequest. This is most likely done in the setting of a capital campaign where the charity is relying upon the gift for a specific purpose. In such cases, some charities have included and reported bequest expectancies for campaign or recognition purposes even if they could not be counted for accounting purposes. While this practice may be desirable in the context of a campaign, when bequests are reported while still in the expectancy stage, care should be taken to assure that staff and volunteer leadership understand that bequests that are subsequently reported for accounting purposes upon receipt are not confused as “new” bequests if they have already been factored into the institution’s financial planning.

What FASB means for you

So how should you be counting bequests? The answer depends on the purposes for which they are being reported. See chart below.

If Bequest Is Being Reported for...	Then Charity Should Count Bequest...
Tax purposes	According to IRS guidelines for reporting on Form 990 or other appropriate forms.
Accounting purposes	According FASB guidelines.
Recognition purposes	Charities are free to set policies for when they announce bequests for campaign and other recognition purposes.
Peer group reporting	Depends upon policies promulgated by trade associations and the extent to which leadership has decided to follow such guidelines. See list below for more information.

Give & Take:

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Sharpe Seminar Series

Featured Seminar: Strategic Gift Planning

This seminar addresses the latest trends and topics of current interest to those with a number of years of gift planning experience who need guidance on how to fine tune their efforts in light of economic conditions, proposed tax legislation, and other challenges and opportunities.

Presenters will address issues surrounding gift administration and investment, including the pros and cons of serving as trustee and/or administrator of trusts and other irrevocable gifts. Included will be an analysis of recent trends toward the use of private foundations by the wealthy and other plans that result in "fencing off" funds that would otherwise be given outright or left to the endowments of charitable recipients through a donor's estate.

Attendees will benefit from an in-depth analysis of the planning techniques that are most attractive to donors and charitable recipients in today's environment, with special attention given to ways to plan gifts in light of lower interest rates and uncertainties in investment markets. The possible effects of the much-anticipated CARE Act will be included in addition to the ongoing impact of the 2001 and 2003 Tax Acts on charitable gift planning.

The latest techniques for valuation of deferred gifts will be explored with special attention on how to maximize the value of gifts that are completed in the context of capital gift and other efforts to produce gifts with near-term benefits. [G&T](#)



Upcoming Seminar Training Dates

An Introduction to Planned Giving
Philadelphia
June 24-25
New York
August 2-3

Managing Planned Giving Relationships
New York
August 4-5

Major Gift Planning
New York
September 9-10

Strategic Gift Planning
New York
August 16-17
Memphis
December 13-14

On the Agenda for 'Strategic Gift Planning'

Day One

- Planned and Major Gift Development: Succeeding in Today's Environment
- Legal and Regulatory Update
- Issues in Gift Administration and Asset Management
- Private Foundations, Advised Funds, and Other "Fenced Off" Assets
- Open Forum Discussion

Day Two

- Model Valuation and Other Standards—What Is the Gift Worth?
- Understanding the Best Gift Vehicles in Today's Environment
- Challenges in Estate Settlement
- Are Your Gift Acceptance Policies Up to Date?
- Open Forum Discussion

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

What Attendees Are Saying About 'Strategic Gift Planning'

"This is the best of all the programs, and I have attended five."

—Virginia Kelly, Morris Hospital Foundation, Morris, IL

"This was very well done...really worth the two days that the BSO invested."

—Judi T. Cantor, Boston Symphony Orchestra, Boston, MA

"Very worthwhile. Well done!"

—Susan M. Bradlau, Lafayette College, Easton, PA

"This was one of the most useful and productive programs that I have attended in years!"

—Ed Allenby, Chesapeake Bay Foundation, Annapolis, MD

Multiple registration discounts are available. For more information or to register, please contact The Sharpe Group.
Phone: 1-800-238-3253, ext. 5360
Fax: 901-761-4268
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Declining Returns?

According to recent IRS figures, the Economic Growth and Tax Relief Reconciliation Act of 2001 is beginning to have a significant impact on the number of federal estate tax returns that are being filed.

The number of estate tax returns projected to be filed for 2004 is 74,800, a 13.82% decline from 2003. The IRS projects the average annual percentage decline between 2004 and 2010 to be 18.20% per year. These decreases are primarily a result of the increases in the amount scheduled to be exempted from federal estate tax between 2002 and 2010.

Under the provisions of the 2001 Tax Act, the estate tax will be repealed in 2010 but will be reinstated the following year. At that time, the estate tax exemption equivalent reverts to \$1 million, as provided for under the 1997 Tax Act.

Listed below are the number of estate tax returns filed, estimated, or projected to be filed between 2002 and 2009, based on IRS figures.

Year	Number of Estate Tax Returns	Percentage Change From Previous Year
2002	113,959	
2003	86,800	-23.83%
2004	74,800	-13.82%
2005	59,900	-19.92%
2006	55,900	-6.68%
2007	43,200	-22.71%
2008	38,300	-11.34%
2009	38,000	-0.78%

Source: "Projections of Returns That Will Be Filed in Calendar Years 2004-2010" by Terry Manzi. Article available at <http://www.irs.gov/pub/irs-soi/04proj.pdf>.

Putting it in perspective

Historically, estate tax returns have been an important source of information about the segment of the decedent population that makes charitable bequests. For example, we know from these returns that from 16% to 20% of estate tax returns filed each year report charitable provisions. The incidence of charitable bequests increases with such factors as the size of the estate, age, sex, and marital status.

According to other sources, such as the NCPG, about 8% of the general decedent population includes charities in their estate plans. If, as data suggests, only half of the decedent population has a valid will or other estate plans in place, the 8% must come from the 50% with a will, meaning that some 16% of those who die with wills leave something to charity. These figures comport with the percentages reported in federal estate tax returns, indicating that the wealthy may not leave funds to charity in any higher percent-

age overall than the general population. Thus, it is possible to conservatively estimate the total number of charitable estates to have been in the range of 200,000 in recent years, some 8% of an average of 2,500,000 decedents in recent years, with a large percentage of charitable bequest dollars coming from the larger estates required to file estate tax returns.

In order to understand why the 2001 Tax Act was deemed necessary by Congress, it is helpful to examine the growth of estate tax returns and charitable bequests throughout the 1990s:

Estate Tax Returns, 1990-2000		
Year	Number of Returns	Amount of Charitable Bequests in Billions
1990	50,367	\$10.52
1991	53,576	\$10.28
1992	59,176	\$10.45
1993	60,207	\$10.63
1994	68,595	\$12.15
1995	69,755	\$12.67
1996	79,321	\$13.16
1997	90,006	\$14.16
1998	97,856	\$15.03
1999	103,979	\$16.86
2000	108,322	\$18.63

The 2001 Tax Act serves to gradually reduce the number of estates subject to estate tax back to the smaller numbers and percentage of the population affected prior to the significant increase in the value of estates during the 1990s. Of course, if the estate tax is completely eliminated in 2010 as planned, we will experience an estate-tax-free environment not seen in America since 1916.

What it all means

What impact will the projected decrease in estate taxes have on charitable giving? While no one can know for sure, some experts are predicting a major decrease in charitable giving through estates. One article predicts that recent tax reforms will lead to a \$10 billion annual reduction in charitable gifts.

Others point out that in reality it was not the 2001 Tax Act that had the greatest impact on the estate tax but rather the Economic Recovery Tax Act of 1981, which served to eliminate the tax for over 95% of the decedent population. Since that time, estate taxes have only applied to, at most, 5% of the population.

One might wonder, then, what happened to charitable bequests after the landmark 1981 legisla-

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Give & Take: So you must find yourself doing a lot of one-on-one visits and phone calls.

Mathiasen: I do. And I'm really careful with the materials I send out. If I do mail a brochure or other form of mass mailing, I make sure that the brochure is filled with helpful information. And I attach a cover letter that says, "Quite likely you are already very sophisticated with your finances and know what you're doing. If so, why don't you come talk to me and I'll use you as my poster girl." And that strategy works really well. I've found that women who otherwise may not have responded love the idea of being able to help other West Point widows. They are willing to write letters to others for me or talk to other women on the phone, doing what they can to be helpful. As a result, my office has been able to strengthen West Point's relationships with a wide range of West Point widows.

Give & Take: Do you see a difference in the gifts you receive from graduates and those you receive from their widows?

Mathiasen: Yes. The graduates are more likely to establish life income gifts with West Point to ensure that both West Point and their wives and families are well taken care of. These gifts generally come in the form of gift annuities, charitable remainder trusts, pooled income funds, and gifts of life insurance.

If the widow makes an outright gift during her lifetime, it is usually in the form of a one-

time gift in honor or memory of her husband. Substantial gifts more often come in the form of a bequest because these women want to do something in their husbands' memory but are not quite sure they should give up those funds while they may still need them.

Give & Take: When dealing with the men in your constituency, do you send out information on gift annuities and other life income gifts to a younger audience and information on bequests to the older group?

Mathiasen: Several months ago Robert Sharpe helped me design a matrix of West Point's donor base, which we then used to determine age, gender, and wealth appropriate marketing strategies. We learned a lot by analyzing years of data on who writes a will, when they write it, when they let us know about it, the size of the bequest, and how soon after the will is written that West Point receives the bequest. We found, for example, that if younger alumni put West Point in their wills, the bequests tend to be relatively small. It is not until they are older—when they redo their wills at retirement age—that they tend to make more significant gifts.

I think it is more effective for me to market bequests solely to older donors. With the younger group, I typically suggest other gifts such as gift annuities that benefit their mothers or another loved one. They can then enjoy the tax

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Nancy Mathiasen

Women and Bequests

At West Point, Nancy Mathiasen understands one of the fundamentals of fund raising: longer life expectancies mean that much of the wealth in America is controlled by women 70 and older. Taking the right approach with this key demographic can lead to dramatic rewards (see below).

Benefactor	Amount of Bequest	Beneficiary(ies)	Year
Lucille Stewart Beeson	\$161 million	Samford University & other Birmingham-area charities	2001
Lee Edwards Candler	\$140 million	Several nonprofit organizations in Atlanta, including \$50.5 million to Georgia Institute of Technology	1999
Enid Smith Goodrich	\$160 million	Three Indianapolis cultural institutions	1997
Joan Kroc	\$1.5 billion	Salvation Army	2003
Maude Woods Wodehouse	\$122 million	16 charitable organizations & schools in Hawaii	2003

Source: The Women in Philanthropy Web site, www.women-philanthropy.umich.edu.

Planning Matters...Continued from page 2

Depending on the circumstances, it can thus be appropriate for the same bequest or trust remainder gift to be counted in a variety of ways. As bequests and other deferred gifts assume greater importance as a component of gift income, now may be the time for charities to review their gift counting and recognition policies to ensure they are consistent and in keeping with latest government and trade association guidelines. [G&T](#)

Useful Sources for Gift-Counting and Valuation Information

American Association of Fund-Raising Counsel • www.aafrc.org
 Association for Healthcare Philanthropy • www.ahp.org
 Association of Fundraising Professionals • www.afpnet.org
 Council for Advancement and Support of Education • www.case.org
 Council for Aid to Education • www.cae.org
 Financial Accounting Standards Board • www.fasb.org
 Internal Revenue Service • www.irs.gov
 National Catholic Development Conference • www.ncdcusa.org
 National Committee on Planned Giving • www.ncpg.org

Declining Returns?

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tion. Based upon *Giving USA* estimates and annual reports on voluntary support of education, charitable bequests have continued to show significant growth over the past twenty years. Additionally, recent pronouncements from researchers concerning the impending intergenerational wealth transfer affirm earlier predictions about the benefits to the non-profit sector as a result of estate transfers and outright gifts.

Regardless, one thing is certain—charities that overemphasize estate tax benefits of planned giving to the exclusion of other motivations will find the number of donors interested in giving to their institution for that reason alone steadily shrinking. Meanwhile, those who clearly communicate their mission to their constituents and have valid reasons to ask for their support, both today and as part of their long-range financial plans, will continue to thrive. [G&T](#)

When It All Works...Continued from page 5

deduction and the knowledge that they have provided a steady income for the rest of the life of someone for whom they feel responsible.

Give & Take: Do you have a high percentage of memorial gifts?

Mathiasen: West Point classes remain extremely close. The graduates spent four years here and then five, ten, or twenty years in the service taking care of one another. They feel a strong responsibility for each other and their families.

As a result, we see an extraordinary number of gifts that are given in memory of classmates. Some of them are fairly substantial, especially when they honor someone who died at a relatively young age.

Most widows make gifts strictly in honor of their husbands. Many have created a sort of shrine to their husband, and they want to walk with me through old photographs, medals, and yearbooks so that I can fully understand who their husband was and why he was so special.

Often these are the women who are feeling the most lost at the death of their husbands. I've had widows tell me that they spent 60 years "in the Army." Most of them refer to their husband's class at West

Point as "our class." While their husbands were alive and on active duty, their entire social world centered around West Point and the military, so it's only natural that it still does after their husbands have passed away. I do my best to listen to their stories and to let them know that there is still a place for them at West Point.

Give & Take: Do you have any advice for those just starting out in fund raising?

Mathiasen: The most important thing any fundraiser can do is to listen carefully to a donor's perspective. They each have a very different story and an idea about what they want to accomplish through their gifts. Too often, development officers go into a meeting with a donor thinking only about their own goals instead of the donor's. When that happens, the donor can get lost in the shuffle.

Listen to donors. Find out what is important to them. Those are the things that inspire a donor to make a gift—not an agenda imposed by us.

Give & Take: What is your favorite part of your job?

Mathiasen: My favorite part of my job is when it all works—when a donor wants to accomplish something and I help make it happen. [G&T](#)

Footnotes

Fund-raising advantages in an election-year market?

Since the close of World War II, analysts have observed that the stock market tends to revolve around the four-year presidential election cycle. In a typical cycle, a bear market clouds the first two years of a president's term as investors adjust to a new president's economic policies. In the third year, the market typically makes a recovery, which slowly strengthens until the next president is inaugurated. One need look back only as far as the sluggish economy of 2001 and 2002 followed by the steadily improving economy of 2003 and early 2004 to find evidence of this continuing cycle.

Later this year, Americans will elect a president and, if history repeats itself, will also reap the benefits of an election-year stock market surge. Wise fundraisers will do what they can to help their donors and the organizations they represent make maximum use of stock market gains that this fall may bring.

Consider making year-end giving with extra emphasis on gifts of securities a centerpiece of your communication efforts this fall. A Sharpe year-end brochure can be just the timely and tasteful reminder your donors need to inspire them to make a gift before December 31.

This year Sharpe offers three year-end brochures. Designed to be informative but not overwhelming during the busy year-end season, these brochures can be a critical part of your organization's fund-raising efforts this year.

"Giving at Year-End," offered in two seasonal designs, illustrates the benefits of various types of gifts, including gifts of cash and securities as well as gifts of retirement plans and life insurance.

"Giving Thanks at Year-End" is especially appropriate for those organizations that wish to emphasize the stewardship opportunities that a year-end gift can offer.

"Giving Before December 31" is designed to be sent closer to the end of the year to remind your donors of the crucial tax deadline.

All Sharpe year-end brochures include a helpful chart outlining the advantages of various gifts and can easily be personalized with your institution's name and logo on the front cover.

The time to plan for the busy year-end season is now. Call 1-800-238-3253 to speak to a

Sharpe representative about how Sharpe's year-end brochures can be the centerpiece of your mailings this fall.

More information is also available on our Web site at www.sharpenet.com/yearend.

Don't forget about the other year-end

June 30 marks the end of the fiscal year in many of the nation's nonprofits. Some fund raisers are facing a budget surplus that, if left unused, may lead to a smaller budget next year. Others have already reached their limit in this fiscal year and must wait until July 1 to access additional funds.

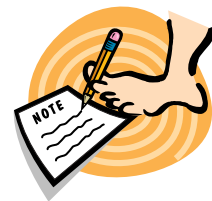
Sharpe has a solution for both of these problems. For years, Sharpe's flexible billing options have allowed fundraisers the flexibility they need to make the most of their fiscal years.

Contact a Sharpe representative at 1-800-238-3253 to learn how you can:

- Pay for next year's mailings, including year-end brochures, out of this year's budget.
- Postpone billing of services you order now until next year's funds become available.
- Split payments over two fiscal years.

These flexible billing options apply to a range of Sharpe services. Call today to learn more about how Sharpe can help you make a smooth transition to the new fiscal year and achieve your goals both this year and next.

G&T



News and ideas about The Sharpe Group's services.



2004

Year-End Brochures

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

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

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



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