

Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

Improving Economy Brings Increased Optimism

Fundraisers have long known that the health of the economy can have a direct impact on charitable giving. Now, thanks in large part to the economic recovery that began in the latter part of 2003, fund raising is reportedly on the upswing as the number of large gifts, the ranks of the superwealthy, and the confidence among America's fundraisers have enjoyed a noticeable lift.

The million-dollar club

One of the more effective barometers for the overall health of fund raising is the number of large gifts received in a given period of time. As part of its extensive research on philanthropy in America, the Center on Philanthropy at Indiana University maintains the "Million Dollar List," a list of gifts of at least \$1 million received by American nonprofits each quarter as reported in various publications or forwarded to the Center. The compilation is a continuation of the original Million Dollar List begun by veteran fundraiser Arthur C. Frantzreb, who estimated that the quarterly compilation identified only 25% to 50% of such gifts. Nevertheless, as the list has maintained the same criteria and compilation methods since its inception, it can be a useful way to compare the number of large gifts received from year to year or quarter to quarter. See www.philanthropy.iupui.edu for more details.

For instance, the number of gifts reported for the second quarter of 2004 totaled 351, a 35% increase from the first quarter of 2004 (260 gifts) and an increase of 33% from one year ago (264 gifts). Over 50% of these gifts were directed to higher education, with colleges and universities receiving 191 of the 351 gifts reported.

Gifts from all sectors (individual, corporate, and foundation grants) increased over the first quarter of 2004 and from one year ago. Of particular interest is the fact that gifts from individual donors rose 13.8% from earlier this year and a remarkable 30.7% from the second quarter of 2003.

The number of very large gifts has increased as well. In the first half of 2004 alone, 23 charitable gifts in the \$50 million and up range have been received, compared with a total of 30 in the entire year of 2003, hinting at a growth in confidence among the superwealthy.

Impact of wealth concentration

Fund development executives may wish to pay particular attention to the increasing concentration of the nation's wealth among a smaller number of individuals. In *World Wealth 2004*, a study commissioned by Merrill Lynch and Capgemini, it is reported that the number of those whose financial assets (excluding home equity) exceed \$1 million has increased by 14% since last year. In a similar vein, *Forbes* magazine's recently published list of the 400 wealthiest Americans reveals that the total net worth of these individuals has increased by \$41 billion in one year (see page 4 for more in this topic).

Those charged with raising funds may want to rethink their marketing strategies in light of this growing demographic change among their donors and potential donors. As much of this wealth is held in the form of real estate and securities, it may be wise to step up efforts to encourage gifts of non-cash property. Donors should be reminded that it may be best from a tax planning standpoint to make gifts in this manner as well.

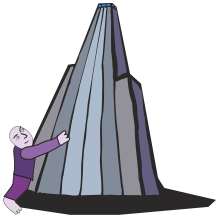
Rise in confidence

It would appear that the increase in major gift activity reported above is in response to the ongoing economic recovery, and fundraisers have noticed the change. The Center on Philanthropy's recently released Philanthropic Giving Index (PGI) reveals a rise in confidence among fundraisers of over 25% from one year ago. In fact, the current PGI is at its highest level since before the September 11, 2001, terrorist attacks.

Inside:

- Ethical concerns in planned giving p. 2
- Looking ahead to the final quarter p. 4

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The legal and ethical maze of planned giving

Planning Matters

Editor's note: This month Give & Take asked Jonathan Tidd, a noted attorney who specializes in advising nonprofits on legal matters related to charitable gifts, to comment on common legal and ethical issues that can arise when charities are asked to help donors in completing their gifts.

Ethics and charitable giving: It's like trying to put your arms around a building. The subject is much too large and complex to be encompassed simply.

Consider, for example, these commonplace actions of gift officers and charities:

- Issuing a gift receipt for a gift of stock made via DTC (depository trust company) transfer—a receipt that states a single value for the stock
 - Issuing to a gift annuity donor a letter telling her what her charitable deduction will be
 - Advising a prospective charitable remainder trust donor in writing as to the tax consequences of the proposed trust

Consider the DTC stock gift

There is, despite what many think, no clear rule here as to when the gift is complete for tax purposes. Is it the date the donee organization receives the stock? Or is it the date the stock is wired out of the donor's account? In today's volatile equity markets, the value may be very different depending on which is the correct date.

There is, unfortunately, no court case, Treasury regulation, or ruling on this point. So to place a value (i.e., a single value) on a gift receipt for a gift of DTC stock is in effect to give legal advice to the donor, because the donor will surely take that value and run with it (unless the donor wants to argue about the right value, in which case the development officer at the other end of the argument is in a losing position no matter what, because arguing the law with donors is *always* a losing proposition, even if the development officer is right).

So in this case we've got a complex mix of law and ethics. But there is a way out. It's to put on the gift receipt a statement that the value shown is not necessarily the amount of the donor's

tax deduction for the gift, and that the donor needs to check with his or her own tax advisor as to how to claim the gift for tax purposes.

Please note, however, that according to IRS regulations, a gift receipt for a non-cash gift need not state a value and donors can be advised to determine the gift's value for tax purposes in consultation with their accountant, financial services provider, and/or other advisors.

The charitable deduction problem

Let's consider sending the gift annuity donor a letter telling her what her charitable deduction will be for setting up the annuity. What's wrong with this? The computer software provides the correct deduction figure, doesn't it?

Well, maybe. But then again, maybe not. After all, the donor's overall federal income tax charitable deduction for the year is subject to various limitations. In addition, there's the matter of the IRS discount rate used by the software. Keep in mind that the donor can elect to use the discount rate for one of the two months preceding the gift month if he or she then makes the proper election on the tax return.

So giving the gift annuity donor a charitable deduction figure without also providing some carefully worded caveats is not the right thing to do, legally or ethically.

What about advising the CRT donor as to tax consequences?

No matter what the situation, it is not legally or ethically appropriate for a development officer, no matter how knowledgeable he or she is, even if he or she is a lawyer, to *advise* donors or prospective donors as to anything, other than as to the donee organization's policies, such as its willingness to serve as a trustee or gift crediting.

Providing information is one thing. Advising—that is, giving tax or other legal advice—is quite another. Many donors want advice from their donee organizations. Gift officers must resist this pull while still being helpful. There is a fine line here.

Anticipating problems

What emerges so far are two important points: 1) In the gift planning arena, it is better by far to anticipate and thereby avoid problems rather than to try to solve problems that have arisen. 2) Part of avoiding problems is

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Sharpe Seminar Series

Featured Seminar: An Introduction to Planned Giving

This information-packed seminar offers an in-depth introduction to the process of charitable gift planning in today's complex environment. It is designed for those who are assuming responsibility for planned giving for the first time as well as those who have multiple duties and are looking for guidance in the best ways to spend what may be limited time and budgetary resources on planned giving.

Beginning with an overview of various types of fund development efforts and the role of gift planning in achieving greater success, this seminar examines the personal priorities of donors at different stages in life

and explains how gift planning vehicles can help remove obstacles to larger gifts from donors of all age and wealth levels. Practical guidance on gift acceptance and valuation policies, program planning, budgeting, and implementation of effective gift planning efforts in programs of various sizes will be presented.

This seminar will prove useful to senior development managers and those responsible for other funding efforts, in addition to those who wish to expand their duties to concentrate more effort in charitable gift planning now or in the future. [G&T](#)



Upcoming Seminar Training Dates

An Introduction to Planned Giving

Washington, D.C.
October 21-22
Tampa
November 8-9
Memphis
December 2-3
New York NEW
January 24-25

Strategic Gift Planning

Memphis
December 13-14

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
Web site: www.sharpenet.com
E-mail: seminars@sharpenet.com

On the Agenda for 'An Introduction to Planned Giving'

Day One

- Introduction to the Planned Giving Process
- Understanding the Life Cycle of Donors
- Basic Planning Considerations
- The Charitable Tool Box—Part One
- The Charitable Tool Box—Part Two
- The Gift Planning Matrix

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

Day Two

- Introduction to Property Gifts
- What Is the Gift Worth?
- Gift Acceptance Policies
- Marketing Planned Gifts
- Cost-Effective Planned Giving
- Putting It All Together

What Attendees Are Saying About 'An Introduction to Planned Giving'

"RFSCO and their professionals have opened my eyes to the complete 'big picture' of how to, what to do, and what to expect in planned giving."
—H.C. "Buzz" Dixon, Family Connection, Inc., Anderson, IN

"The speakers knew their subjects and had good examples based on their experiences; content material was well integrated and reinforced from speaker to speaker."
—Karen Crenshaw, University of Pittsburgh, School of Dental Medicine, Pittsburgh, PA

"This is the most worthwhile professional conference I can remember attending."
—Mr. Chandler Battaile, Assoc. for the Preservation of Virginia Antiquities, Richmond, VA

"The personal experience of the presenters is invaluable. Their ease and confidence make it very easy to pay attention."
—Kate Hoffman, Foundation for LSU Health Sciences, New Orleans, LA

How Will Your Year End?

by Barlow T. Mann

Even though the environment in which we raise funds still contains much uncertainty, 2004 is shaping up to be one of the strongest years ever for philanthropy in America. See page 1 for more information on current trends.



Barlow T. Mann is an attorney and chief operating officer of the Sharpe company. He designs planned giving programs for a number of America's nonprofits, presents seminars, and authors many articles on gift planning.

After several challenging years, charitable giving is reported to have topped \$240 billion in 2003—and there are strong indications that 2004 will be even better. How the year ends for your organization is up to you. Read on for tips on making the most from the last quarter of 2004.

Happy days are here again?

A number of recent reports include findings that bode well for charitable giving this year. Consider the two from the Center on Philanthropy at Indiana University discussed on page 1. The most recent Philanthropic Giving Index (PGI) survey had the greatest one-year increase since the survey began.

According to a second report from the Center, the number of million dollar gifts from individuals rose over 30% in the second quarter of 2004, compared to the same period in 2003. As this rise is most likely due to the improving economy, it is reasonable to assume that the latter half of 2004 will bring a similar number of gifts of this size.

In a similar vein, *Forbes* magazine has just released its list of the 400 wealthiest Americans. According to these findings, there are now 51 more billionaires than at the same time last year, and the total net worth of these 400 individuals topped the \$1 trillion mark for the first time since 2000.

Earlier this year the Association of Fundraising Professionals released another report that holds good news for fund raising. The annual report, entitled "State of Fundraising Survey" and based on 3,000 surveys, found that nearly 3 out of 4 charities raised the same amount of money or more in 2003 than they did in 2002. Overall the results reflected a much stronger fund-raising performance than in the prior two years. Over half of the respondents reported that their organization raised more money in 2003 than in 2002. Only about a quarter of respondents reported raising less money. Overall, charities raising more than \$1 million did better than those raising less than that amount.

Full steam ahead

In light of this generally positive news, many fundraisers may be tempted to relax their efforts. But 2004 is not yet over. We are now in the very critical final

quarter of the year. Deadlines for fundraising goals set earlier in the year lurk just around the corner. Now is the time to carefully look at your fund raising plans for the remainder of the year and consider strategies that may add that extra margin of excellence to your gift development efforts.

Pay particular attention to major donors and those with the capability of making larger gifts. For most organizations, this group will be small in number—perhaps a hundred or less or the top few percent of a larger donor file. Success with this group requires strategies different from those used with the masses of your donors. Invest the time required to create individualized proposals where appropriate, personal visits, invitations to special events, and other initiatives. The extra time and other resources invested in these efforts should be returned many times over.

Additionally, do not overlook the year-end deadline for tax deductions. In recent years the number of persons who itemize their income tax deductions has risen to over 30%. The majority of your major donors will be itemizers, and charitable gifts made before December 31 provide one last chance to reduce their 2004 tax bill. See page 7 for ideas on how to help reap the most from the final months of the year.

Sooner rather than later

Some of your best donors may provide you with special challenges that require more time to ensure that they receive the maximum benefits allowed. For instance, a handful of donors may hit the maximum that they can deduct for charitable gifts this year. Gifts from this group should be structured in installments to allow the maximum in tax savings. Other individuals who sold a business or a large amount of assets and thus have an unusually high income for 2004 may find that the limits on high-income earners should affect the timing of their gifts. Other donors who are subject to the alternative minimum tax may be surprised and pleased to learn that charitable gifts can reduce their tax bill. Additionally, prospects for gifts of real estate should be contacted sooner rather than later in order to allow time to consider environmental and title issues.

If you identify donors with the capability of making larger gifts early enough to help them plan their gifts most effectively you may be able to salvage a gift that would otherwise be lost for lack of time to work through the details.

Maintaining relationships

For the very top end of your donor constituency, it is important to provide information to assist them in

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making immediate gifts this year-end. But make it clear that their support is important to you in the future as well. To maintain relationships over time and encourage planning for the future, consider providing an additional acknowledgment for tax reporting purposes in January or providing information to assist them with gifts that may be appropriate in the new year. For example, the Sharpe booklet “A Guide to Giving in 2005” might be sent to a select group of donors to assist them with all of their giving plans. Such a mailing moves beyond transactional fundraising and helps develop personal and long-lasting relationships.

Similarly, contact existing planned gift donors regardless of their current level of giving. A legacy society mailing or recognition event may be appropriate in many instances, but do not forget the impact of a personal note, seasonal greeting card, or telephone call, especially during the holiday season. Careful time management can provide surprising results. For instance, if you were to plan two extra phone calls each morning and afternoon, you could personally contact your organization’s top 100 current donors over just a five-week period.

Practical ideas

Those with mature planned gift development efforts may be interested in the fact that in recent years there

appears to have been significant growth in the number of donors who have funded multiple gift annuities. Capitalize on this trend by sending your gift annuity and charitable remainder trust donors updated proposals based on their current ages.

As pointed out on page 1, trends in charitable giving are closely tied to the economy. If the stock market edges higher at year-end, be prepared to promote gifts of appreciated securities for both current and deferred gift purposes. Take time now to determine your best prospects for these gifts so you will be prepared to act quickly if the market moves upward.

Time spent during the next few weeks to carefully consider your plans for the year’s final quarter can make the difference between a good year and a great one. Make sure that every member of your fund-raising team is on board. Discuss changes or additions to your plans at staff and management meetings. Involve other offices that can help you. For example, the legal or finance office may be able to facilitate estate and trust distributions prior to the calendar year-end. Senior members of the management team or board may be able to assist you with key calls.

For the past several years many organizations have felt as if they were running as fast as they could simply to stay even. Now that the fund-raising conditions are improving, higher levels of success are likely for those who work for it. [G&T](#)

Planning Matters...Continued from page 2

being careful, disciplined, and precise in the use of language, both spoken and written.

The moral component

So far, we’ve looked at problems we can think of as being ethical in nature but which are actually rooted in the law. Some ethical problems in the gift planning environment, while having a legal dimension, also have a very strong moral component.

For example, a development officer is working with an elderly individual who places absolute trust in the development officer and who is looking to the development officer to guide her in making the best decision as to how to make a sizable “life income” gift. The development officer is convinced the gift annuity is the best gift plan from the donor’s standpoint. The development officer’s CEO and business officer want the development officer to heavily promote the use of a charitable remainder annuity trust (CRAT), which puts the donee organization at less risk while placing the donor at a higher risk of corpus exhaustion that could result in cessation of payments to her.

This is a difficult situation for the development officer, because after all, he or she does owe a duty of loyalty to his or her employer. It is a clear conflict-of-interest situation. The only good way to play this one ethically is to try to bring a competent advisor (attorney or accountant, for example) into the picture on the donor’s side of the fence, so that the development officer can do his or her job while being assured the donor’s interests are adequately and independently represented.

Are there any gift situations free of ethical considerations?

There are, but they are few and far between. So how should a gift officer deal with this fact? We know good intentions are important, but we also know the road to perdition is paved with such intentions. The best approach is a reflective, mindful approach, in which acting in rote fashion is set aside always in favor of asking oneself the right questions. To grow as a development officer is to keep getting better at asking those questions—and learning where to go for answers. [G&T](#)

Increased Optimism...Continued from page 1

Fundraisers are optimistic about the near term as well, with almost two-thirds reporting that they expect the economy to have a positive impact on their efforts in the next six months. See the Center on Philanthropy's Web site at www.philanthropy.iupui.edu/pgi-summer2004.pdf for the complete report.

How it works

The Center on Philanthropy has been conducting these periodic surveys of the nation's fundraisers since 1998. Intended to gauge confidence among those engaged in nonprofit fund development, the survey samples a cross-section of the nation's fund-raising executives and consultants representing a broad range of charities of various sizes, geographical locations, and levels of revenue.

The survey asks respondents not only to comment on the present fund-raising environment but also to predict the climate for fund-raising success in the upcoming six months. The average of these two is then reported as the overall PGI. Higher numbers indicate increased confidence. As was mentioned previously, the Summer 2004 survey reported notable improvements in fundraisers' opinions about the present fund-raising situation, their expectations for the next six months, and the overall PGI. These most recent results revealed especially significant increases from the Summer 2003 report: a 25.3% increase in the overall PGI, a 38.7% increase in the Present Situation Index, and an 15% increase in the Expectations Index.

What a difference a year makes

The Center on Philanthropy attributes this increase in confidence to the continually improving economy. The S&P 500 Index has risen about 17% in the last year. Additionally, the nation saw an increase of about 3.5% in the level of personal income.

While only 7.5% of respondents one year ago felt that the current economy was having a positive or very positive effect on fund raising, now almost half (45%) believe that it is. And while the Summer 2003 survey showed that 85.2% of those surveyed held a negative opinion about the impact of the economy on fund raising, the Summer 2004 survey shows that only 35.7% currently hold that opinion.

In looking to the near future, 42.5% of respondents one year ago saw a negative outlook for the next six months. Now that number has fallen to just 18.5%. Well over half of those surveyed in the Summer 2004 report (62%) predict that the economy over the next six months will have a positive or very positive impact on the future of fund raising.

With no indication of an imminent decline, nonprofits have good reason to feel confident that a solid economy will translate into increased gifts, both current and deferred, in the near future.

How planned giving fared

As has been the case in the past, fundraisers once again listed planned giving among the most successful fund-raising techniques, along with major gifts. Almost 60% of respondents currently listed planned giving as a successful or somewhat successful way to raise funds, and 76.7% feel that it will continue to be so in the next six months.

New to the Summer 2004 survey were several questions aimed at determining the success of different planned giving methods, such as trusts, annuities, and bequest commitments. Bequests and annuities were seen as the most successful, with trusts following close behind.

Organizations with annual revenues exceeding \$10 million found the most success with planned giving, as did those with either a regional or a national donor base.

What does it all mean?

The Summer 2004 Philanthropic Giving Index bodes well for the immediate future of fund raising in general and planned and major gifts in particular. The dramatic increase from the Summer 2003 report and the number of large gifts received to date in 2004 indicate that fundraisers have good reason to feel increased confidence—both now and for the future.

All indicators point to increased success in the next six months. Almost two-thirds of those surveyed feel that the economy will encourage donors to give, and present economic indicators point to a stable economy in the near future.

Wise fundraisers will see an opportunity this year-end to take advantage of a favorable economy and the general optimism to help ensure their organization's future stability. Sharpe offers a wide range of consulting, training, and creative services that can help fundraisers capture the unique fund-raising opportunities presented this year. Visit www.sharpenet.com for details. G&T

Footnotes

Booklet of the Month

"A Guide to Giving in 2005"

As year-end gifts to your organization arrive this fall, take time to remember this: The best prospects for future gifts are those who have given in the past. Your year-end donors are giving you more than a financial gift—they are giving you an opportunity to build a relationship with them for the future.

Make the most of this chance to open a productive and mutually fulfilling dialogue with your donors. Depending on the size of the gift, respond with an acknowledgment letter and/or phone call from one or more staff members. And along with your thank-you letter and gift receipt, consider sending Sharpe's booklet "A Guide to Giving in 2005."

Designed with a broad range of donors in mind, this booklet provides an overview of giving options from gifts of cash, securities, and bequests to other gift plans that are often overlooked and underutilized, such as gifts of life insurance and retirement assets,

charitable remainder trusts, lead trusts, and other gifts that provide special benefits for life or other period of time. "A Guide" also explores important factors that can affect the size of gifts, including how to choose the best assets and timing for gifts.

Newly updated to reflect current economic conditions and applicable tax law changes, this 20-page booklet includes a number of specific planning tips along with a tax planning checklist to help your donors maximize the benefits of their gifts for both themselves and your organization.

Let Sharpe help you help your donors incorporate charitable giving in their financial plans year-round. For more information on how you can include "A Guide to Giving in 2005" in your

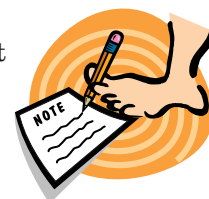
marketing strategy for the coming year, contact a Sharpe representative at 1-800-238-3253 or visit www.sharpenet.com/aguide.

Make the most of the giving season

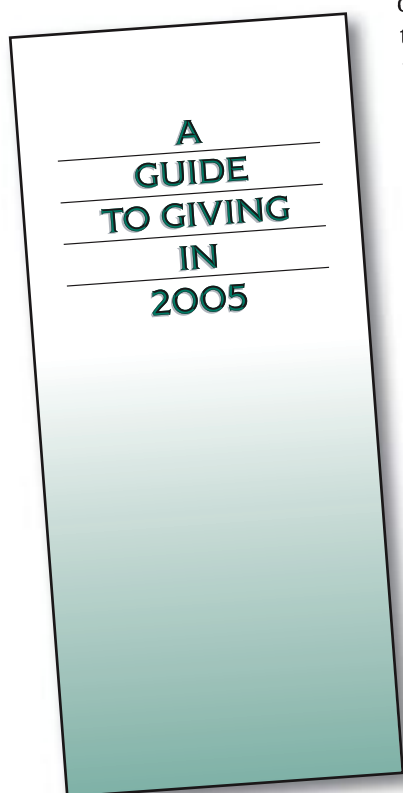
October marks the beginning of the busy year-end giving season. Maximize your organization's potential this fall by sending your donors one of Sharpe's three year-end brochures.

These simple yet effective brochures are designed to give the busy reader just what he or she needs—a reminder of the important tax benefits year-end giving can provide and ideas on how best to make a gift before December 31.

Choose the theme and cover that best suit your institution:



News and ideas about The Sharpe Group's services.



- Available in two cover designs appropriate to the season, "Giving at Year-End" is designed to inspire year-end gifts by highlighting the tax benefits various gift plans can provide.
- "Giving Thanks at Year-End" is especially appropriate for those organizations that wish to feature the theme of stewardship inherent in charitable giving.
- "Giving Before December 31" emphasizes the important December 31 deadline for making gifts to ease the 2004 tax burden.

As with all Sharpe publications, these brochures can be imprinted with your institution's name, logo, and contact information. Look for complimentary copies with this issue of *Give & Take*. For additional information, contact a Sharpe representative at 1-800-238-3253 or visit www.sharpenet.com/yearend. **G&T**



THE SHARPE SEMINAR SERIES

An Introduction to Planned Giving

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June 27-28, 2005

New York
January 24-25, 2005



Managing Planned Giving Relationships

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March 23-24, 2005



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Strategic Gift Planning

Memphis
December 13-14, 2004

Chicago
April 2005 date TBA

