

Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

Is Anybody Out There? by Robert F. Sharpe, Jr.

Over the years we have seen response rates from various gift planning mailing approaches that range from 10% (and more) to one-tenth of 1% or less. Ironically, some of the development executives receiving five responses in 5,000 are the most pleased. They often find that the results are much greater from a few highly interested respondents than from a multitude of “lookers.”

In today’s competitive and cost-conscious environment, we believe the prudent course of action in most instances is to emphasize quality of response over quantity. The goal is to find people who, while they might also be considering a planned gift to other organizations, can be convinced that your cause is the one that will make the most of their investment in the future.

That is, after all, what usually motivates the person making the planned gift. Few programs can afford to qualify large numbers of persons who are simply seeking free information. Resist the temptation to play the “numbers game.”

The response you want

Response to various planned gift development efforts can be “engineered” to almost any level. Any number of factors can influence the response one can expect. Among them:

1. The giving history of the recipients. Usually only long-term, frequent donors will respond to materials with a heavy emphasis on donative intent. The most casual donor, on the other hand, can be coaxed into responding to materials that primarily emphasize self-interest.

2. The age of the recipients. Mailing to all donors, regardless of age, can have a negative impact on response rates where the gift plan discussed is designed to best meet the needs of a certain age group.

3. The content of the cover letter, if any. A letter that emphasizes the cause to be supported rather than the self-interest of the donor will generally result in a smaller quantity, but much higher quality, response.

4. The person who signs the letter. A letter from a person who has already made a particular type of gift will often yield greater quality response than a letter from someone else.

5. The level of personalization of the cover letter. Highly personalized cover letters may not do as well as impersonal, printed letters. Where very personal information is concerned, an arm’s length approach may be more effective. Test various levels of personalization to determine which works best for you.

6. The level of personalization on the carrier envelope. It may be better to invest in higher quality envelopes and addressing rather than personalizing the cover letter. This will improve the “opening” rate in many cases.

7. Whether or not first class or bulk mail is used. A certain percentage of bulk mail may never be delivered.

8. If first class, the day of the week mailed. Mail timed to “land” in homes on a Friday or Saturday may be more widely read, especially if the content is geared toward younger people who may still be in the work force.

9. The content of the materials. The more directed the materials are toward the donor’s self-interest, the higher the quantity of response to be expected. But is your role really to dispense free information on estate and financial planning with only tangential references to the charitable dimension?

10. What is offered on the response device. For example, contrast the booklet title “How to Avoid Estate Taxes” with “Giving Through Your Will.” Would you rather have 50 respondents to the first title or 10 respondents to the latter? Does your response device ask whether a donor has already provided for your organization in his or her estate plan? This may depress

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Questions and answers about gifts of real estate

Planning Matters

Real estate gifts have recently grown in popularity as property values have steadily risen while those of many other popular assets have widely fluctuated. In many areas of the country, a broad array of real estate classes have enjoyed double-digit returns over the last few years, though some analysts fear that overvalued property has created a “bubble” in real estate prices that could burst at some point in the future.

Despite these gains in value, many fundraisers have relatively limited experience in dealing with gifts of real estate, and some charitable organizations’ gift acceptance policies actually discourage such gifts. Understanding the pros and cons of real estate gifts can help you determine whether a particular gift makes sense for your donors or your charity. This month’s “Planning Matters” column will address a few of the most commonly asked questions about gifts of real estate.

Question: What are the tax implications for gifts of real estate?

Answer: Generally speaking, gifts of appreciated real property held longer than one year will be deductible for income tax purposes at the full face value, up to 30% of the donor’s adjusted gross income. Any excess deduction amount may be carried over for use in up to five additional years. If the property has been subject to accelerated depreciation, the contribution must be reduced by the amount of that depreciation.

Question: Is it necessary to have the real estate appraised before its acceptance?

Answer: If the gifted property is valued at more than \$5,000, it is the donor’s responsibility to obtain a qualified appraisal to substantiate the gift. This information is summarized on Side B of Form 8282. If the property is valued at more than \$500,000, the full appraisal must be attached to the donor’s appraisal. In some cases, the charity may also wish to obtain its own appraisal.

Question: What about environmental issues?

Answer: Since the passage of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the potential liability associated with a polluted site has had a chilling effect on gifts of real estate. In the wake of this legislation, some charities even began at this time to discourage gifts of real estate. Exercising due diligence before accepting the gift is the best way to identify potential problems. A title search or abstract may identify troublesome uses of the property. A Phase I or Phase II environmental assessment is commonly used to screen properties before acceptance. In recent years, a number of other strategies have evolved to avoid being listed in the chain of title. For example, a foundation or specialty charity may be used as an intermediary owner prior to sale.

Question: Can real estate be used to fund a life income or split interest gift?

Answer: While real property may be used for these types of gifts, each situation must be considered carefully. A farm or personal residence may be used to establish a qualified “life estate arrangement” where a donor gives property while retaining its use for life, but commercial property cannot be used for that purpose. Until recently, New York state regulations prohibited the acceptance of real estate to fund a charitable gift annuity. Even though this is now permissible, a charity should still consider whether it makes sense to fund gift annuities in this way. In some cases, a deferred gift annuity can provide time to liquidate the property. In the case of charitable remainder trusts, either a net income or “flip” unitrust is usually preferable to an annuity trust.

Question: What about “buyers in the wings” where there is a purchaser waiting?

Answer: Under no circumstances should there be a contract or legal obligation for the sale of appreciated real estate before the gift. In such cases, the tax rules would say that the donor had given the proceeds of the sale and there could be a capital gains liability. It is not unusual, though, to accept marketable real estate where several potentially interested buyers have been identified. If a charitable trust is the recipient of the property, care should be taken to avoid potential self-dealing issues if the potential purchaser is a family member or other affiliated party.

Give & Take:

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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 Tampa and New York in the coming months.

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](#)



Join us for Major Gift Planning in Tampa in May.



Upcoming Seminar Training Dates

An Introduction to Planned Giving

Chicago
April 11-12
Boston
June 27-28
New York
August 29-30

Managing Planned Giving Relationships

New York
August 31-Sept. 1

Major Gift Planning

Tampa
May 23-24
New York
September 8-9
Washington, D.C.
November 7-8

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

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

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

What Attendees Are Saying About 'Major Gift Planning'

"Much more intriguing than I would have ever imagined. I'll be back."
—Martha Sullivan, Tulane University, New Orleans, LA

"I have been involved with many presentations both as a presenter and as an attendee. This is one of the best I have attended."
—Paul Seifert, St. Jude Children's Research Hospital, Memphis, TN

"Your seminars are always so informative and your personal anecdotes help make complicated material very interesting. I always learn something new and your printed materials are an excellent resource."
—Diana Dilg, Memorial Sloan-Kettering Cancer Center, New York, NY

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

Are You 'Missing' Your Best Donors?

Over the past decade many services have come on the scene that offer a variety of wealth, age, and other demographic enhancements for donor and prospective donor files. Nonprofit organizations and institutions of all shapes and sizes have found that electronic enhancement of their records helps form the basis for effective planning of marketing and communication efforts or round out information that has been accumulated over the years from other sources.

After acquiring information regarding age, wealth, and other indicators of the capability and inclination to make various types of gifts, selection criteria for mailings, seminar invitations, and other communications can be devised that are tailored to the type of gift involved. The nature of gift annuities would, for example, indicate a different selection criteria than a selection for persons who might be interested in completing a charitable lead trust.

What works for you?

Take a minute to tell us what steps you are taking to increase the quality and quantity of responses to your mailings. Let us know what works and what doesn't, and we'll share your responses in an upcoming issue of *Give & Take*. E-mail us at g-t@sharpenet.com.

Many types of planned gifts including bequests via will and charitable gift annuities typically come from older, childless persons. Research shows that upwards of 70% of such gifts are made by women. For this reason, gift planners often seek to create selection criteria that help assure that they are including as many older, childless persons as possible in gift planning communications efforts.

Age and gender can be readily determined in the case of many organizations. Where age is not available, it can often be inferred from number of years on file, graduation year, and other criteria that may be available. Whether or not a donor has children is a different story. Only if persons have volunteered this information or it has been otherwise obtained through research can one be certain a donor has no children. Some services purport to identify childless persons, but in many cases that information is simply the fact that no children are known to live in the household at that time. While this is a start, it is certainly not definitive.

Don't "Miss" the point

Fortunately there is one way to discover at least a portion of the older, childless women on your file. It is safe to say that in nearly all cases women who use the salutation "Miss" are childless. Due to sociological changes in recent decades, it is very rare for younger women to use the "Miss" salutation.

In our experience, persons with the salutation "Miss" are many times more likely to include charitable interests in their wills and enter into charitable gift annuities and other planned gifts.

Implications for marketing

For the reasons mentioned above, when selecting groups of persons for marketing initiatives involving bequests, gift annuities, and similar gifts, it is usually a good idea to make sure to add all persons with a "Miss" salutation whether or not there is age information on file. It may be a good idea to have a longevity factor of two years or more as well because sometimes there will be isolated gifts from children who are sometimes addressed as "Miss." Resist the temptation to eliminate persons with a history of small gifts, as older, childless persons are often very frugal and may remember when \$5 bought a week's supply of groceries or a night in a fine hotel.

When deciding on donor testimonials, cover letters, and other opportunities to use volunteers in communication efforts, remember to periodically feature childless persons and include the "Miss" with the name of the donor in the caption. People who use this salutation are often very concerned with proper etiquette. For this reason it can be a very serious mistake to replace a "Miss" or "Mrs." salutation with "Ms." As with so many other elements of fund development, it is critical that one know one's market when making policies regarding such matters.

Another group to include if possible in many types of gift planning communications are women who use the "Mrs." salutation whether followed by their name or that of their husband. Experience shows that women who use this type of salutation are often older widows who may soon be making decisions regarding the distribution of the assets accumulated over a lifetime by them and their deceased husband.

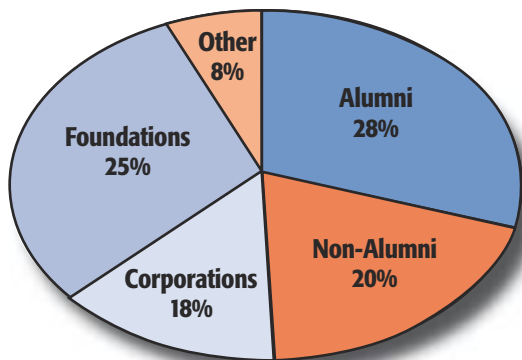
Success in planned gift development, as in so many other endeavors, depends in large part on attention to details. Those who fail to pay close attention to salutations when planning marketing initiatives may inadvertently "Miss" out on a large share of the great American wealth transfer! **G&T**

Giving to Higher Education Up in 2004

A new report indicates that charitable giving to higher education was up in 2004 after being stalled for the previous two years. According to a press release summarizing this year's "The Voluntary Support of Education Survey," conducted by CAE/Rand, colleges and universities received a record \$24.4 billion in 2004, a 3.4% increase over the previous year.

The increase can be attributed to a large growth in giving from individuals. The 9.7% rise in gifts from individuals helped to offset a 6.1% decline in giving from foundations. Interestingly, the largest increase in individual giving was among the non-alumni category. The percentage of alumni contributors actually declined slightly from the previous year, even though the dollar amount increased.

Almost half of all gifts to education came from individuals or their estates. The breakdown of gifts by individuals between lifetime gifts and bequests and deferred gifts will be featured in the full report to be released later this spring.



Of particular interest to gift planners may be the number of gifts of securities, which are often the asset of choice for larger gifts. During 2002 and 2003 such gifts decreased in both numbers and size. The total number of such gifts declined 17.3% in 2003 after suffering a previous decline of 20% in 2002. The value of these gifts fell 21.2% in 2003 after falling 35% in 2002.

In 2004, the number of stock gifts increased by 15% and the value of those gifts went up 25%. Gifts of stock averaged over \$36,000 in 2004. Compare this figure to the average stock gift of \$42,000 when the stock market was at its peak in 2000.

With the stock market trading in the 10,000-11,000 range, gifts of securities should remain one of the favorite assets for charitable giving in 2005.

For more information on this report, see the Council for Aid to Education's Web site at www.cae.org.

G&T

Planning Matters ...Continued from page 2

Question: How does the donor complete the gift of real estate?

Answer: If the charity has agreed to accept the property, the legal title should be conveyed by a deed to be filed in the county where the property is located. Care should be taken to make sure that there are no liens, mortgages, or encumbrances prior to accepting gifts of real estate. A warranty deed is preferred over other types of deeds, such as a quit claim deed.

Question: Can a donor give less than his or her entire interest in real estate, such as water rights or an easement?

Answer: Generally, a donor must give his or her entire interest in the property. However, there is a special exception for gifts of conservation easements. A donor can also deed an undivided interest in the entire property to charity. For example, the donor could give an organization a one-quarter or one-third interest in the property and then the charity could sell its interest or wait to receive its share of the proceeds after the entire property is sold.

Gift planners should review their internal gift policies, procedures, and checklists before encouraging gifts of real estate. It would obviously be counterproductive to market such gifts if they are prohibited by your gift acceptance policies.

If you are familiar with your policies, you can then endeavor to identify the appropriate prospect pool to which to market such gifts. Age, wealth, geographic proximity, and giving history are all factors to consider. Donors of certain professions may have a special interest in gifts of real estate. For example, real estate developers may donate an undivided interest in a property before its development, a farmer may leave a bequest of land or give it during lifetime, or a real estate investor might choose to give you an apartment complex or rental property. Persons with multiple residences might want to contribute one of them. It is important, however, that real estate not be considered "business inventory" held for sale as that could adversely impact tax benefits.

In today's complex fund-raising environment, gift planners must be more open to considering widely owned assets, such as real estate, and encourage interested donors to consider ways to use these assets to fulfill their charitable priorities. With fewer persons subject to federal estate taxes, gifts that provide current income tax deductions and reduce the expenses of taxes, insurance, and upkeep are likely to become more attractive to a growing segment of your donor population.

To learn more about how to promote gifts of real estate, attend one of Sharpe's popular seminars. See page 3 for more information and upcoming dates. G&T

Is Anybody Out There? ...Continued from page 1



Robert F. Sharpe, Jr., is president of The Sharpe Group. He advises a number of the nation's leading nonprofits in the design and implementation of their gift planning initiatives.

response by as much as 50%, primarily from those persons who would have otherwise been motivated by self-interest. Often, you must decide whether you wish to forgo a high quantity to identify the very persons you are seeking.

11. The level of confidentiality conveyed in all of the materials.

Response can be improved by making it clear that all replies will be held in strictest confidence. Self-mailer reply cards may be convenient and less expensive, but some who use them report that their best responses using such cards come enclosed in the donor's own envelope in an effort by the donor to ensure confidentiality, especially when dealing with the subject of bequests.

12. Whether or not "free services" are offered. While we do not believe it is the province of development officers to plan donors' estates, nevertheless some programs will offer to do so. If the offer is made, there will be a noticeable increase in response. Expect a lower, though often more productive, response to offers to help people better plan their charitable gifts.

13. Presence of a reply envelope. When budget is a concern, it is usually better to save money elsewhere than to skip the return envelope. Making it easy to reply boosts response, probably from both serious inquirers and casual "lookers." See factor #11, too.

14. Whether or not the reply envelope is prepaid. Many programs are not willing to lose a good prospect for a gift because the person didn't have a stamp close by. The use of a prepaid envelope can be wise when the rest of the package is geared toward the charitable element of the planned gift rather than "free information." In the same vein, including an 800 number and e-mail response address can in some cases also help boost response.

15. Number of previous mailings to the same list. If you have been regularly mailing planned giving material to the same group for a number of years, that is no reason to stop, since for various reasons new people become interested each year. This pattern, however, will result in a lower response level over time.

The longer you have been mailing to the same group, the higher the quality level of response that does still come from that list.

16. Amount of recognition offered to respondents. If you have a recognition program for planned gifts, featuring this element in your marketing package can sometimes have a positive impact on the number and quality of response. Others may be turned off by offers of recognition as they are concerned that they may lose their anonymity if they respond.

17. The "feel" of the materials. Do they seem like advertising, or are they designed to be perceived as helpful information? Avoid materials that too closely resemble financial product advertising.

Glossy paper, overly sophisticated graphics, and other elements can give the wrong impression when a target audience consists primarily of older persons. Looking too much like investment marketing materials can invite the comparisons you will almost always lose.

It is better to keep the feel more in line with your other fund-raising materials, which is, after all, what you are about.

18. The time of the year the material is sent. The effect varies by geographic location, age distributions, and other factors. Avoid mailing around holiday periods and in times of the year when many persons are traveling (if a factor in your locale).


19. Amount of other mail being received from the organization. Avoid mailing to younger donors who are not prospects for most planned gifts in any event. Ideally, the amount of current gift mail to the older donors should be reduced as they age, while the amount of deferred gift material should increase.

20. How the recipient perceives the organization at the time the material is received. Has there been negative publicity, a scandal, a controversial change in leadership, etc.?

Over the years, we have seen hundreds of combinations of the above factors and others that have produced results that differ greatly.

The makeup of the prospect file, the level of commitment to the cause, and prior development efforts, on the other hand, are probably the most vital determinants of both the quantity and quality of response received.

Seek quality, not quantity

In this time of unprecedented activity in planned gift marketing, "less may be more." Tell your story and show the most interested among your supporters the best ways to make their gifts. Work closely with and serve those who express the greatest degree of commitment. Then judge the results of your efforts over time, rather than by the number of cards on your desk tomorrow morning. 

Footnotes

“Reflecting on Tomorrow”

Some donors approach you with a specific idea for a gift—perhaps a gift annuity for themselves or to help support an aging parent, or a lead trust to benefit their children. In such cases, it is easy to supply them with specific information to help them complete a gift.

Unfortunately, most donors know only that they want to do something special to support your organization, but don't know where to start. Others may have made outright gifts in the past but have now reached an age when they are ready to consider a planned gift that features income or other financial benefits. How can you make sure you provide these donors with what they need to reach their goals?

Sharpe offers a booklet specifically designed for those who have not yet decided which gift plan best meets their needs. “Reflecting on Tomorrow” provides an overview of nine of the most popular planned giving options, from bequests and gifts of remainders to gifts that provide income for the donor. This booklet also features helpful examples that illustrate how the donor could use a planned gift to complement his or her overall estate plan.

Its versatility makes “Reflecting on Tomorrow” a must to have on hand to give to donors in person or in response to written inquiries. You may also want to consider mailing “Reflecting on Tomorrow” to a select group of donors who meet the profile of those who might

benefit from a planned gift. This booklet can also be an appropriate response piece for those who want to know more about making a memorial gift (see column at right).

Like all of Sharpe's materials, this 16-page booklet has been updated for 2005 and may be personalized for your organization—either with an imprint of your logo and contact information on our standard cover or through a custom cover and contents designed and edited by Sharpe's artists, editors, and consultants.

Call 1-800-238-3253 to speak to a customer service representative or visit us on the Web at www.sharpenet.com/pubs to learn more about this and other Sharpe publications.

REFLECTING ON TOMORROW

It's time to encourage memorial gifts

After a long winter, spring is officially here, and so is the season for memorial giving. The coming months will bring a number of holidays and special occasions that cause all of us to reflect on those who have impacted our lives. Mothers, fathers, fallen veterans, and new graduates will all be honored on their own special days, and some of your donors may be inclined to honor them further with a charitable gift to your organization.

Now is the time to consider communications designed to encourage such gifts. Sharpe's 6-panel memorial brochure, “Giving Through Living Memorials,” is an economical and effective way to reach a broad range of donors about this topic. This brochure exposes your donors to a variety of ways to make a gift in honor or memory of a loved one. And “Giving Through Living Memorials” makes responding easy by including a detachable response device that allows your donors to easily request more information or indicate that they have included a memorial gift as part of their estate plans.

To learn more about how you can use “Giving Through Living Memorials” to boost memorial giving to your organization this year, call 1-800-238-3253 to speak to a Sharpe representative.

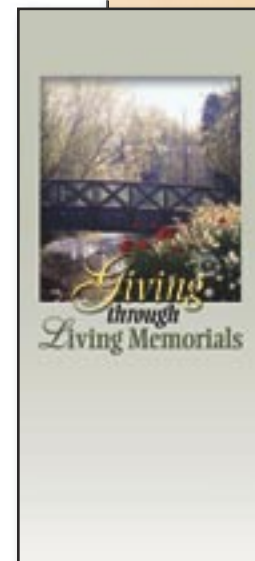
Make the most of this year's budget

Let The Sharpe Group's flexible billing methods help you have the most effective year possible. Call a Sharpe representative at 1-800-238-3253 to find out how you can:

- 1) Use this year's funds to purchase training, consulting, or materials you will need to help you fulfill next year's goals.
- 2) Postpone billing of materials and services you need now until next year's funds become available.
- 3) Split billing over two fiscal years.



News and ideas about The Sharpe Group's services.



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" in:

Tampa, May 23-24
New York, September 8-9
Washington, D.C., November 7-8

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 for more information or to reserve your place.



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