

Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

The Importance of Timing Gift Planning Communications

Does it matter what time of the year communications on bequests and other planned gifts are sent? Should there be systematic communications, or is “once in a while” enough?

These and other questions related to timing are important and deserve close attention. As bequests are often the largest source of planned gift income, it may be helpful to focus special attention on this gift opportunity. Many of the same principles will apply to other gifts as well.

Reviewing the annual calendar

What time of year is best for mailings on bequests and other gift planning topics? While there is no right or wrong answer, experience teaches that certain times may be better than others, if only the result of the process of elimination.

JANUARY: Many programs will avoid mailing in early January. While it is a new year, information pertaining to estate planning may not be well received on the heels of holiday celebrations. This is also the time when many persons have just received a great deal of year-end fund-raising mail and may need a bit of time to “rest.” Many have discovered, however, that the latter part of the month can be a good time to communicate on the subject of bequests. Depending on the part of country and climate, people may be spending more time indoors and have extra time to read during this time of the year. Keep in mind, however, that older persons who live in colder climates may be wintering in warmer places.

FEBRUARY THROUGH MAY: The late winter and early spring are very popular times for communications on bequests and other planned gifts. As winter ends and spring arrives, many believe that older persons

may be more comfortable with estate planning issues. Early spring is also a time that can be especially well suited to fund-raising efforts built around a theme of memorializing friends and loved ones. Remember, too, that late spring is a popular time for reviewing estate plans prior to summer travel.

JUNE AND JULY: Some programs try to avoid sending planned gift communications during mid-summer, especially on subjects that appeal to relatively younger people who may be traveling more this time of year and are less receptive to gift planning communications. While older donors may not be traveling in the summer, they may have out-of-town visitors, spend more time outdoors, and may be generally busier than at other times of the year. Some organizations will take a contrarian view and mail during summer precisely because many others do not. The hope is to get noticed by virtue of less competition in the mailbox.

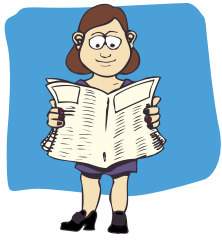
AUGUST: For planned gift communications, early August is similar to June and July. Late August, however, can be a better time. As summer winds down in northern climates and other regions experience the “dog days” of August, communications on various gift planning tools may be well received.

SEPTEMBER AND OCTOBER: The early fall can be an excellent time for communications on the subject of bequests and other subjects that involve a consideration of mortality. As leaves begin to turn and cooler temperatures return, this time of change can also be a season of anticipation and planning. As the fall is traditionally a time for storing up for the winter, this may be one of the better times to talk about gift annuities, charitable trusts, and other plans that involve making preparations for future economic well-being while making charitable gifts.

NOVEMBER AND DECEMBER: Traditionally, these months are very busy for many fund-raising programs. As there is more focus on current gifts at year-end for many programs, we find that some will prefer not to focus attention on bequests and deferred gifts at this time of the year. An exception might be made for early November just before the heaviest

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Planned giving
in the news

News You Can Use

New rules for CRTs

The IRS has imposed new requirements for charitable remainder trusts (CRTs) designed to assure that funds donated to such trusts are actually received by charity at the termination of the trust. Revenue Procedure 2005-24, which applies to CRTs created on or after June 28, 2005, now makes it necessary for the current or future spouse of a CRT donor to sign a waiver giving up the right to subsequently claim a share of the trust in the case of divorce or the spouse's death if they reside in a state which allows for such a claim.

To learn more about the impact of Revenue Procedure 2005-24, see www.irs.gov or www.acga-web.org.

ACGA releases new survey

The American Council on Gift Annuities has recently released a survey of charitable entities that issue gift annuities. Highlights from the report include:

- The average gift annuity amount is almost \$60,000, while the median amount is just over \$28,000.
- Almost all charities (97%) that offer gift annuities usually or always follow the ACGA-recommended rates.
- The majority (55%) of annuitants are female.
- Donors of immediate-payment annuities average 78 years of age.

For details of the survey, see the analysis on page 4.

Giving online reaches 1% of giving

Two recent studies report that giving via the Web is on the rise and has now grown to slightly more than 1% of all donations. The *Chronicle of Philanthropy's* sixth annual survey of online fund raising reveals that many nonprofit groups raised more through online giving in 2004 than they did in 2003. In a similar study, *The Kintera/Luth Nonprofit Trend Report* finds that a large percentage of donors

use the Internet to research a charitable organization before making a donation. The study also reveals that in 2004 approximately \$3 billion, 1.2% of all donations, were made online.

IRS offers helpful statistics on expanded Web site

The IRS has recently expanded the information included on its Tax Stats Web page. The IRS Web site continually provides updated information about the U.S. tax system that is helpful to those charged with raising funds for charitable organizations. The newly revised Tax Stats site makes searching for information that much easier by prominently featuring the most popular items such as charitable and tax-exempt statistics and individual tax statistics. To access the newly expanded site, see www.irs.gov/taxstats.

Noted philanthropist John Walton dies

John Walton, son of Wal-Mart founder Sam Walton, died June 27, 2005, in an airplane crash in Wyoming. Just three months before his death, John Walton was ranked the 11th wealthiest person in the world, with a personal fortune of \$18.2 billion. Walton was known for his philanthropic work in the field of education and through his role on the Board of the Walton Family Foundation. He is survived by his wife and son.

Study reveals wealthiest zip codes

Look to the coasts to find the wealthiest U.S. zip codes, according to a study by *American Demographics*, a division of *Advertising Age*. Of the 50 wealthiest zip codes, 45 are either in the northeast or on the west coast. Chicago suburbs account for three of the remaining five, with Atlanta and Paradise Valley, Arizona, completing the list. The New York City area is home to almost half (24) of the top 50 zip codes. On the west coast, the San Francisco area has the highest concentration, with six. Rankings are based on several factors, including the residents' average household income and average net worth. G&T

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 New York and Washington, D.C., 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 New York in September.



Upcoming Seminar Training Dates

An Introduction to Planned Giving

New York
August 29-30
Tampa
November 14-15

Managing Planned Giving Relationships

New York
August 31-Sept. 1

Major Gift Planning

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 People Are Saying About 'Major Gift Planning'

"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

"It was a great 'refresher' course that will help us rethink our approach."

—Fred Stecker, Muscular Dystrophy Association, Tucson, AZ

"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

2004 Survey of Charitable Gift Annuities

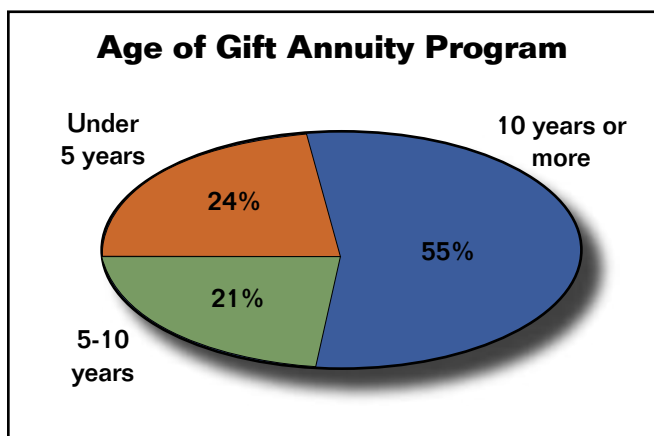
Sharpe Group Executive Summary

The American Council on Gift Annuities (ACGA) has recently released the results of a comprehensive survey conducted in 2004. The report and comments provide important information about the latest trends surrounding gift annuities, one of the most popular gift planning vehicles. This third national survey conducted by the ACGA since 1994 should help charities evaluate their gift annuity development efforts in relation to broadly based national data.

Growth of gift annuities

While the report is based on responses from 829 organizations, the ACGA report estimates that over 4,000 charities currently offer charitable gift annuities. Nearly one-half of the survey respondents have been issuing gift annuities for under 10 years, and nearly one-quarter have been offering gift annuities for less than five years.

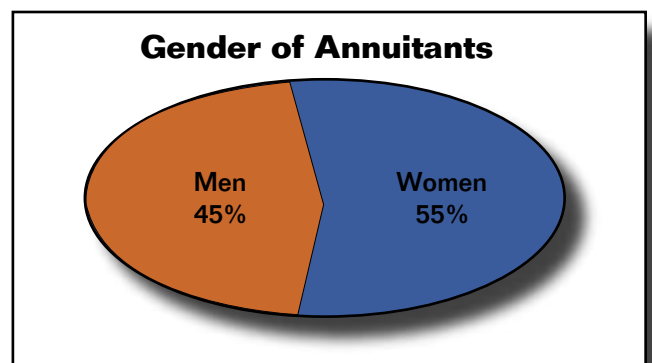
According to the report, the average number of gift annuities completed per year is 17.4 while the median number of new gift annuities is 5. These figures indicate that most charities enter into a relatively small number of contracts each year. The average annual dollar volume of gift annuities (\$645,000) also shows a significant deviation from the median (\$199,000). The majority of issuers report an increase in activity over the past three years, no doubt benefiting from the low interest rate environment and uncertainty in the economic markets.



The donor profile

The vast majority of gift annuitants are in their seventies and eighties, and the average age of those funding immediate-payment gift annuities is 78.1 years. Annuitants are relatively evenly split between women and men at 54.7% and 45.3% respectively. Over two-thirds of the contracts are one-life agree-

ments and 92% are for immediate-payment annuities. Cash and securities remain the primary funding sources, with real estate and other assets used in just 3.6% of the cases. The average amount used to fund a gift annuity is almost \$60,000, yet the median is less than half of that amount at \$28,027. Like the average number of gift annuities and the dollar volume each year, the average is pulled up by a relatively small number of larger gift annuity contracts. Over 97% of charities always or usually follow the recommended ACGA rates.



Minimum ages and amounts

While respondents to the survey reported a broad range of minimum contribution amounts, the median is \$10,000, continuing the trend of charities to increase their minimum funding amount.

The majority of charities have set a minimum age of 60 or below. In fact, over two-thirds indicate a minimum age of 65 or younger for immediate-payment annuities. As noted above, however, the actual average age of annuitants for immediate-payment contracts is 78.

Miscellaneous findings

Over the past ten years a growing number of charities have chosen to outsource all or part of their program's investment and administration. In the most recent year surveyed, external asset managers achieved a median return of 9.8% versus 7.8% for internal managers. Over 80% of the respondents feel that the 1% cost of administration and 50% residuum are appropriate assumptions when setting recommended gift annuity rates. Over 80% indicate that they do not spend any funds contributed for gift annuities until the payment recipients die. They then remove whatever remains of the original contribution from the reserve fund.

Overall, religious and environmental organizations report the greatest amount of gift annuity

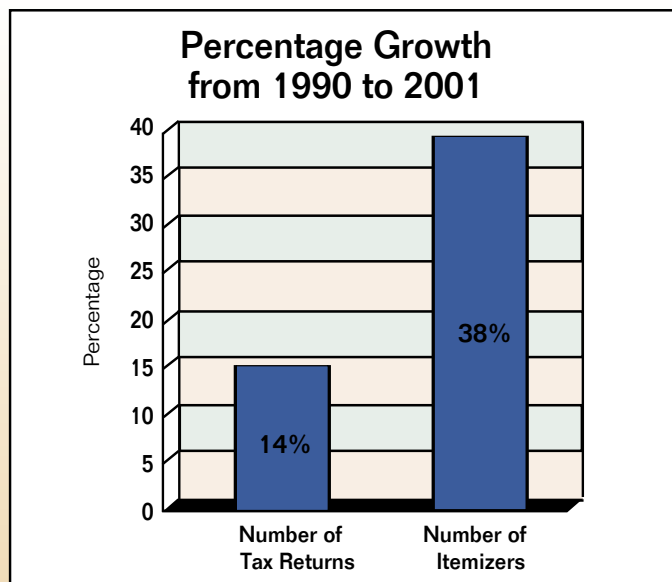
Itemizing Itemized Deductions

There has been much in the news of late about supposed abuses of the tax code by those trying to lower their personal or corporate tax bills. Some in Congress have made it clear that they intend to close loopholes that may have made possible deductions of real property and other noncash gifts at inflated value. Others, including many of those in the nonprofit sector, argue that imposing restrictions on the tax deductions all donors are allowed to take for noncash gifts would severely limit legitimate gifts and pose an undue hardship on America's nonprofit community. They believe current law is adequate to address abuses and that the root of the problem is inadequate enforcement.

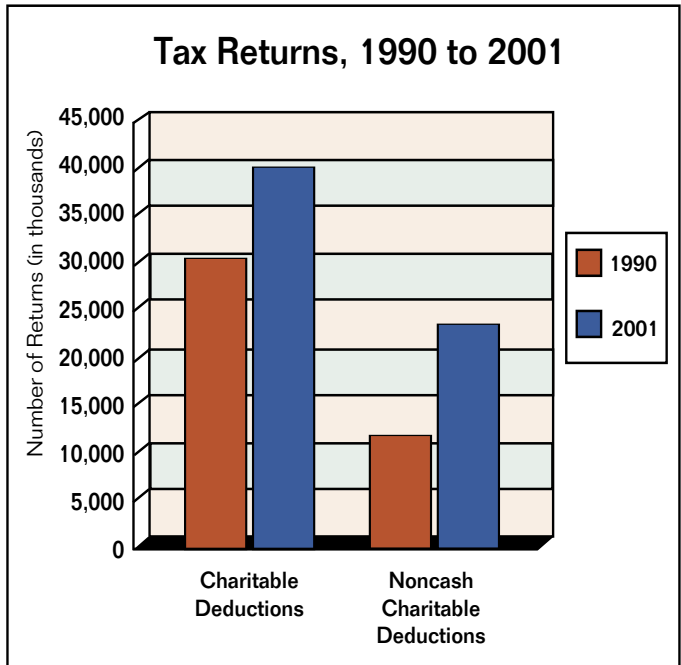
Gifts of noncash assets have increased significantly over the last several years as the value of securities and real estate have risen. In fact, recent IRS data show that almost one-quarter (24%) of all charitable gifts come in the form of noncash property. In 2002, the most recent year for which such data is available, noncash gifts totaled \$34 billion—which explains why those on both sides of this issue are highly committed to their positions.

Crunching the numbers

The increase of deductions for noncash gifts is part of an overall rise in the number of persons claiming itemized income tax deductions in recent years. In the 12-year period from 1990 to 2001, the number of taxpayers who itemize rose by 38.5% from just over 32 million to almost 45 million. By comparison, the total number of tax returns over this period grew by 14.2%. While only 28% of taxpayers in 1990 itemized deductions, over 34% of 2001 taxpayers chose to itemize.



The amount of itemized deductions also nearly doubled from 1990 to 2001, rising from \$458.5 billion to



\$884.5 billion. Charitable contributions were the third most common itemized deduction, following deductions for interest and taxes.

Gifts to charity

The number of those itemizing charitable deductions rose at an average annual rate of 2.7% from 1990 to 2001. The amount of these deductions grew at a much higher rate of 5.5% (in constant 1990 dollars), even considering 2001, which saw a sharp drop in noncash gifts after investment market declines in the wake of 9/11. Compare these figures to those for noncash charitable deductions. Both the number and amount of noncash deductions grew at an average annual rate of more than twice that for all charitable gifts (including noncash gifts).

Preliminary IRS data for 2002 reveal a continuation of prior trends. The total number of tax returns claiming any sort of itemized deduction exceeded 45 million. The total dollar amount deducted by itemizers approached \$900 billion. Over 88% of those who itemized deductions, some 40.4 million persons, claimed a charitable deduction, with a dollar amount for these deductions of over \$140 billion. Of those returns, almost 60% included noncash contributions, with 24% of the total amount deducted for charitable contributions coming from noncash gifts.

The future of noncash gifts

Most noncash gifts are gifts of publicly traded securities, the value of which is readily ascertainable. The value of other noncash property, such as real estate, art, and vehicles, is necessarily more

Timing Gift Planning Communications...Continued from page 1

emphasis on year-end gifts. For those programs in which different persons are responsible for current and deferred gift communications, it can be particularly important to coordinate efforts at this time of the year.

The last two weeks of December are not usually good times to talk about estate planning. For many, this is the height of holiday season and not a time that people wish to reflect upon their mortality!

This brings us full circle, back to January where we began. As we can see, an argument can be made that there are pros and cons to planned gift communications at just about any point in the year.

If you are charged with planning a periodic program featuring quarterly communications, by process of elimination you might decide that February and May are two of the best months. To round out an annual schedule you might add late August and early November to arrive at a quarterly schedule that would minimize the risk of communicating at the least opportune times. Remember to review your institution's overall mailing schedule so as to avoid multiple mailings within a limited period of time.

Does one time fit all?

But why not just pick one time a year and expose the whole constituency at once? There are a number of reasons why this might not be wise.

First, there are different types of people within your constituency who need different messages. In the area of bequests, for example, some need to learn more about the importance of making a will in the first place. Others, who may be more sophisticated in their planning, need to be reminded of the importance of keeping their wills up to date. Still others have up-to-date plans but need more motivation to include charitable dispositions they may not have previously considered for any number of reasons.

And some need practical guidance about the basic steps to take in choosing and contacting an attorney and guidelines for starting to make their plans.

Second, there are events occurring in people's lives on a regular basis. As marriages, births, marital separations, and deaths occur over time, different people will be receptive to estate and gift planning information at different times. All evidence indicates that people make or review estate plans according to their own schedules, based on events in their own lives. Therefore, a lower-key but very consistent message is preferable to a big splash once a year.

Third, with limited staff time, it may be wise to "spread out" communications. This gives maximum time to use available resources to follow up with those who are interested while taking care of other important duties.

Importance of continuity

Given a choice, therefore, between exposing an entire constituency of 20,000 persons once per year or reaching a group of 5,000 older, long-term donors quarterly, many experienced professionals will choose the latter course of action. Budgetary considerations are very similar, but periodic programs have proven to be very effective over the years for many who are actively involved in gift planning efforts.

As stated at the outset, there is no right or wrong way to approach the subject of timing but we trust the thoughts shared here will be useful as a starting point in your planning process. [G&T](#)

Editor's note: Learn more about how best to communicate with your constituents in one of Sharpe's popular seminars. See page 3 for more information.

Itemized Deductions

...Continued from page 5

subjective. It is the subjective nature of those values that worries some in Congress and explains why some legislators would like to strictly limit deductions for gifts of property other than publicly traded securities. Charities that rely heavily on gifts of real estate would be most affected by these proposals.

As can be seen above, the value of noncash gifts to the nonprofit community is significant and may become increasingly so as real estate values continue to rise in many parts of the country. The fate of noncash gifts currently lies in the hands of Congress. While Congress debates this issue, however, those in the nonprofit community can continue to enjoy and seek out gifts of cash and noncash assets from the loyal donors who form the backbone of American philanthropy. [G&T](#)

Survey of Charitable Annuities...Continued from page 4

activity. They are followed by education and healthcare and social services, while the arts and community foundations report the least activity. Based on 4,000 charities issuing an average of 17.4 annuities apiece, almost 70,000 gift annuities were issued for the year reported. With an average volume of \$645,000, this amounts to approximately \$2.6 billion in new contracts.

To learn more about the different types of gift annuities, investments, administration, and regulations, you may obtain the complete 40-page report from the ACGA. For more information, see the American Council on Gift Annuities's Web site at www.acga-web.org. [G&T](#)

Footnotes

Something for everyone at year-end

August is the last full month of summer, which means that fall is just around the corner. As schools reopen, football season begins, and leaves turn and fall, your constituents will sense the holidays rapidly approaching and will likely begin to consider their personal and charitable year-end gifts.

Although gifts by cash or check remain the most popular, IRS figures show that about 24% of all charitable gifts come in the form of noncash assets (see page 5). Such gifts require more time and planning than gifts by cash or check, but they are often more substantial. To help your organization get its share of noncash and other gifts this year-end, be sure to give your donors as much time as possible to complete their gifts before December 31.



Year-end's special emphasis on giving makes it crucial to contact all of your donors this fall, and Sharpe offers a number of materials to help you accomplish this goal.

To reach a broad constituency, turn to our attractive year-end gift informational brochures. These six-panel brochures offer a cost-effective way to remind your donors and prospective donors of the special benefits of year-end giving. All may be personalized with your logo and contact information on the front and/or back cover or may be totally customized, including references to your institution throughout the text.

"Giving at Year-End" explores the advantages of funding gifts in various ways, including cash, appreciated property, retirement plans, and other assets. This brochure is offered in two distinct designs.

"Giving Thanks at Year-End" emphasizes the Thanksgiving spirit and how it can carry over and motivate charitable giving in the fall.

"Giving Before December 31" stresses the tax advantages available to those who make charitable gifts before the end of the year. This brochure may be especially appropriate to supplement communications with donors late in the year.

Each brochure also features references to the importance of reviewing long-term economic plans at year-end as well. This can be an excellent way to help increase current funding while also conveying the importance of considering charitable interests when making or revising a will or other estate plans.

All of these publications have been updated to reflect changes brought about by recent and proposed legislation. See www.sharpenet.com/yearend or call 1-800-238-3253 for more information or to reserve the copies you will need for your constituency. **G&T**



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:

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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