

# Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

## Study Finds That Many of the Wealthy Are Unprepared

A recent study by PNC Advisors, a leading wealth management group, reveals what many may find hard to believe—that wealth can cause more problems than it solves. Despite the business and market savvy that helped them amass their fortune, some of America's wealthiest are apparently unable or unwilling to secure the future for themselves and their loved ones through effective estate planning. Many have not even executed a will, and the vast majority feel overwhelmed with the personal and philanthropic responsibilities that wealth can bring.

These findings highlight an important fact for gift planners—that many of the wealthiest Americans have yet to plan for the ultimate distribution of their assets. Many of America's philanthropic dollars are thus unspoken for, and gift planners should take steps today to help assure maximum benefit for their cause.

### *The details of the study*

Conducted in late 2004, this nationwide study surveyed 792 affluent Americans, defined as those with at least \$500,000 in assets. Of that group, nearly 500 hold at least \$1 million in investable assets, and 148 have investable assets of \$5 million or more. All of those included in the survey have household incomes of at least \$150,000 or total assets of at least \$1 million.

Those surveyed were asked about a number of issues that affect people with sizable assets, ranging from the emotional and personal impact of wealth to the complications wealth can cause in personal relationships and financial planning.

### *Tomorrow and tomorrow and tomorrow*

One of the most startling finds of the study is that many of the wealthiest of those surveyed—those

with \$10 million or more in investable assets—have not completed even the most basic estate plans. A surprising 40% do not have a will or trust in place, despite the obvious benefits to those they love.

Why would these individuals leave something that important to chance? Most of those surveyed (56%) list procrastination as the primary reason. Others (12%) admit to a certain reluctance in facing their own mortality, while 5% feel that they do not have enough money to warrant a will.

In addition, most of those surveyed (58%) have never discussed their estate plans with their loved ones. While many plan to have this important discussion eventually, almost one in four (23%) feel no need to share their intentions with family members. For still others (14%), the need to discuss their plans with others has never crossed their minds.

### *Caring for loved ones*

This lack of planning comes as a surprise given the fact that those surveyed report feeling an overwhelming responsibility to care for those they love. Over 60% of those with assets of \$10 million or more state that caring for older family members is one of their top priorities. Over one-third feel greatly or moderately concerned by the quality of their parents' estate planning, but only 43% of these individuals have held open discussions with them to clear up any misconceptions. As a result, each day that passes brings even more anxiety, with no clear solution in sight.

Those not yet caring for parents are worried about their children. About half of those surveyed who have children living at home feel that their children are spoiled; many worry that they will grow up feeling a sense of entitlement. Despite this fact, less than one-third have encouraged their children to earn their own money through after-school jobs, and almost 20% have done very little to teach their children about philanthropy, work, money, or the responsibilities that come with it.

### *How much is enough?*

Everyone knows money doesn't necessarily bring happiness, and those included in this survey are no

### Inside:

- Questions and answers about estate planning p.2
- Why it's so important to discover bequest expectancies p.4

*Continued on page 6*



Questions and answers about estate planning

## Planning Matters

Experienced gift planners know that planned gifts are best considered in light of an individual's overall gift, estate, and financial plans. Yet many in the profession begin their conversations with donors by asking if they have considered a certain type of gift, such as a bequest, charitable trust, gift annuity, or other arrangement, without considering that individual's needs. While this approach can result in some gift activity, the impact of a gift can often be magnified by considering it in light of an individual's overall estate and financial plans.

Knowledgeable gift planners may do a better job of informing, educating, and motivating donors to consider their plans for the ultimate disposition of the property they have spent a lifetime accumulating. This month's "Planning Matters" will answer several questions that gift planners may face on a regular basis.

**Question: Isn't most estate planning really just tax planning for the transfer of wealth by the wealthy?**

**Answer:** Estates are not just mansions and acreage behind gates and walls. An estate is the aggregate of assets that an individual has accumulated over a lifetime. Each year less than 5% of persons who die are even required to file a federal estate tax return. Likewise, many states have relatively generous exemptions allowing most of the decedents' estates to pass to beneficiaries. Despite this fact, almost everyone has an "estate" and should want to consider its eventual disposition.

**Question: My donors are well off and well advised. Surely they have already planned their estates.**

**Answer:** While the likelihood of planning increases with age and wealth, large numbers wealthy and near-wealthy adults have neglected their planning needs. See page 1 for more information and statistics concerning estate planning and the wealthy.

**Question: What part do wills and trusts play in the estate planning process?**

**Answer:** These instruments are often used as the primary tools to transfer assets to friends, family, and charities upon death, but increasingly assets are being transferred by other means, such as insurance and retirement plan beneficiary designations.

**Question: Does that mean that a will or trust may not be effective to transfer assets at death?**

**Answer:** Much of a person's property may pass by other means. A will only affects assets that compose the "probate" estate, assets that are not otherwise disposed of by other means. Assets must be legally owned by a trust for the trust to control them. Retirement plan balances typically have named beneficiaries, and those assets may not be affected by provisions in a will or living trust. Likewise, savings and checking accounts are often owned jointly with right of survivorship. Brokerage accounts in most states may designate a beneficiary at the death of the owner. Real property may also be titled in a fashion that will pass automatically upon death. Without a will, property not otherwise disposed of will be distributed according to state law.

**Question: This sounds complicated. Can you give me a practical example?**

**Answer:** Consider the case of Mrs. Smith, a widow with no children who has decided to divide her estate equally between a niece, a nephew, and her favorite charities. Her non-taxable estate totals nearly \$1 million, including the following:

Home	\$300,000
CD & Bank	\$200,000
IRA	\$300,000
Stocks & Bonds	\$150,000
Other	\$30,000
Total	\$980,000

She visited an attorney and requested that he draft a simple will that divided her estate among her niece, nephew, and charities.

### Give & Take:

A client service publication published monthly since 1968 by The Sharpe Group, 6410 Poplar Avenue, Suite 700, Memphis, TN 38119, (901) 680-5300. Fax (901) 761-4268. E-mail info@sharpenet.com or through our Web site at <http://www.sharpenet.com>.

The publisher of *Give & Take* is not engaged in rendering legal or tax advisory service. For advice and assistance in specific cases, the services of your own counsel should be obtained.

Articles in *Give & Take* may generally be reprinted for distribution to board members and staff of nonprofit institutions and other non-donor groups. Proper credit must be given. Call for details.

© 2005 The Sharpe Group

SHARPE  GROUP

Editor:  
Elaine Gumbert

Design:  
Kelley Carter

# Sharpe Seminar Series

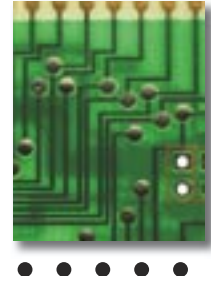
## Featured Seminar: Strategic Gift Planning

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 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

Washington, D.C.  
March 21-22  
Chicago  
April 11-12  
Boston  
June 27-28

### Managing Planned Giving Relationships

Washington, D.C.  
March 23-24  
New York  
August 31-Sept. 1

### Major Gift Planning

Tampa  
May 23-24

### Strategic Gift Planning

Chicago  
March 7-8

## 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](http://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 Web site: [www.sharpenet.com](http://www.sharpenet.com) E-mail: [seminars@sharpenet.com](mailto:seminars@sharpenet.com)

# The Vital Importance of Discovering Bequest Expectancies

by Robert F. Sharpe, Jr.



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.

Most development executives today are aware of the importance of encouraging their constituencies to include their organization or institution in their wills or other long-range estate and financial plans. Not so obvious, but perhaps of equal importance, is the need to discover those who have already made or are considering making plans that include charitable bequests, charitable beneficiary designations, or other gifts that will be completed at death. Why is it so vital to discover these gifts in advance? Let's explore some of the more important reasons.

**1. Bequest donors can change their minds.** Many development executives forget that bequests and a variety of other testamentary gifts

are not only among the easiest of planned gifts to arrange, but they are also easy to change. Studies show that most wills that include charitable bequests are completed or revised within three to five years before death. Therefore, it is important to discover bequest intentions so that donors can be properly thanked and recognized. In fact, deferred gift recognition societies can sometimes be more important as tools to remain in existing estates than as inducements to encourage initial bequest provisions. (Few donors will face mortality and incur a legal fee simply to become a member in a deferred gift recognition society!)

**2. "Irrevocable" gifts can also be changed.**

Don't forget that studies show that most donors who create charitable remainder trusts on their own with the assistance of advisors retain the right to change the remainder beneficiary. The trust itself is irrevocable but the charitable beneficiary designation typically is not. In fact, changing the charitable interests that will ultimately benefit from such trusts can be as easy as stopping by a financial advisor's office and completing a simple form. When following up on a "bequest" notification, you may find that you have actually been left part of the remainder of a charitable trust.

**3. Problem property bequests may be discovered.** Has your organization ever been left a bequest of real estate or personal property that you were unable to accept? In some cases such bequests

can be uncovered in advance through a dialogue with the donor. More suitable property may be substituted in revisions of the estate plan.

**4. Unacceptable restrictions may surface.** It is not uncommon for donors to restrict bequests—often in welcome ways. But occasionally a donor may restrict a bequest in ways that violate your organization's policies or are not in keeping with long-term plans.

An example might be a bequest restricted to funding a program that is no longer in existence. Experience shows that most donors are willing to make adjustments in such restrictions if there is an opportunity to discuss them. Efforts expended in this regard can pay dividends many times over in time and other resources that need not be used to correct a problem later.

**5. The size of bequests can be increased.**

Annual studies conducted by a group of leading nonprofits indicate that bequests that are discovered in advance tend to be two to three times the size of "transom" bequests. This is another byproduct of taking the time to meet with donors and discuss their intentions.

This increase in bequest size apparently results from organizations and institutions engaging in careful nurturing of donors who have made known their bequest intentions. Because of effective stewardship of relationships, donors will sometimes reduce the number of charities named in a future revision of their plans. Conversely, failure to respond to donors on a regular basis and lack of service to them can lead to exclusion from the revised estate plan.

This is one of the main ways that growth can continue in "mature" planned giving programs. It is also a key to justifying staff positions primarily responsible for maintaining relationships with bequest donors.

**6. Prospects for other gifts can be discovered.** Think for a moment about the tangible benefits for a donor who is planning a charitable bequest. For most the answer is none: no income stream, no capital gains avoidance, no income tax deduction, no asset management, and even no estate tax savings for the vast majority.

So, why do donors make these provisions? Those who have made plans to include you in their wills are perhaps your most dedicated donors.

## Discovering Bequest Expectancies...Continued from page 4

These persons have decided that your cause should be elevated to the status of a “family member.” Who could make better prospects for gift annuities, trusts, and other plans that *do* provide tangible benefits, but require significant donative intent? This is another of the primary reasons why many programs engage in active bequest marketing among the relatively younger age ranges of 55 to 70 in addition to the traditional bequest segment of donors age 70 and beyond.

The people who have not yet made bequest provisions but indicate that they are considering doing so become especially important. Younger persons who have already included or are considering including a charity in their estate plans may be among the best prospects for outright major gifts during their high-income middle years.

These are only a few of the more important reasons to have an active program aimed at the encouragement and discovery of bequest intentions. New persons are making and revising their plans each year resulting in additional bequest expectancies, so continuity is vitally important for ongoing success in this area of fund development. **G&T**

*Editor’s Note: This article is based on material presented in the popular Sharpe Group seminar, “An Introduction to Planned Giving.” See page 3 for details about upcoming dates and locations.*

## Save on Travel Expenses

One of the best ways to discover bequest expectancies is through one-on-one visits with your best donors. However, travel expenses can sometimes make the cost of such visits prohibitive. Why not save on the cost of travel by making donor visits while in the area for training at one of Sharpe’s popular seminars?

Over the next few months, Sharpe is offering seminars in Washington, D.C., Chicago, Tampa, and Boston. Chicago offers easy access to donors located in the Midwest, while the Washington and Boston locations can put you within a short drive of millions of people. Tampa’s ideal location on the Florida coast makes it easy to visit donors who have retired to the area.

Call 1-800-238-3253, ext. 5360, or visit [www.sharpenet.com/seminars](http://www.sharpenet.com/seminars) to learn more about Sharpe’s seminar offerings this spring.

## Planning Matters

...Continued from page 2

The IRA named the niece and nephew as beneficiaries, and later she added the nephew’s name to her bank and brokerage accounts. Depending on the circumstances, her assets would be divided as follows:

	Niece	Nephew	Charities	Income Taxes @35%
Home	\$100,000	\$100,000	\$100,000	
CD & Bank		\$200,000		
IRA	\$97,500	\$97,500		\$105,000
Stocks & Bonds		\$150,000		
Other	\$10,000	\$10,000	\$10,000	
Total	\$207,500	\$557,500	\$110,000	\$105,000

With proper planning and coordination of her estate plans, the niece, nephew, and charitable shares could each have received over \$325,000 and the income tax on the IRA balance could have been avoided.

### Question: Why do people avoid estate planning?

**Answer:** There are many reasons. Some think the process is too expensive or complicated. Others do not wish to consider their own mortality. Procrastination is a major factor, but as we have seen from the Smith example, the consequences can be significant.

### Question: What role can a development executive play?

**Answer:** There is no single answer. But virtually any program can take steps to communicate the importance of estate planning for all of the practical reasons people should want to have their affairs in order—avoiding family disputes, providing for loved ones and charities, reducing taxes and expenses, and so forth. Your efforts in encouraging the overall process may serve as a catalyst to finally move someone to action—including acting on their charitable intentions.

**G&T**

## Wealthy Are Unprepared...Continued from page 1

exception. One-third of those surveyed admit that they are constantly worried about having enough money. Only 46% of those surveyed report that they have become happier as their wealth has increased, and almost one-third (29%) feel that money causes more problems than it solves.

Despite their wealth, most of those surveyed feel that they would need to double their assets to feel financially secure. Some 20% of those with assets of at least \$1 million worry that they will not have enough money to support their current lifestyle when they retire. Those with \$10 million in assets feel they would need just over \$18 million on average to be secure, while those with \$5 million would like to have at least \$10 million. Those in the \$500,000 to \$1 million range would need an average of \$2.4 million to feel secure.

### *Thinking about philanthropy*

Over half of the wealthiest Americans feel that with their wealth comes a duty to engage in philanthropic activity. Yet many are baffled by the intricacies of charitable giving, making the charitable component of their estate planning a major cause of stress. Almost one-third of those with \$10 million or more reported that choosing a charity was one of their top three major concerns.

How can gift planners help the wealthy accomplish their philanthropic goals? The first step is to realize that the wealthy are often as unprepared in their estate plans as the rest of Americans. A common misconception is that most of the wealthiest donors have cadres of advisors—attorneys, accountants, financial advisors, and others—who have already helped them establish wills and trusts to protect and manage assets and ultimately distribute their wealth to loved ones and charities. In other words, many think that their wealthier donors either have already included their charitable interests in their wills or have decided to distribute their wealth to noncharitable beneficiaries.

However, this latest survey reveals that more than one-third of the very wealthiest surveyed have no will, trust, or other estate plan in place. Gift planners must therefore continue to communicate the benefits of proper estate planning now—before it's too late. For donors who express interest, it may be beneficial to set up personal visits to further discuss their philanthropic goals. Come to the table with several ideas of how the donor can leave a personal and lasting legacy to your organization. Try to learn enough in advance about the donor to know his or her special interests, personality, and family obligations to make your gift ideas especially appealing. (See page 4 for more on the importance of discovering those who already revealed their philanthropic intentions.)

The PNC survey also reveals that those wealthy individuals surveyed are feeling a number of pressures stemming from real or perceived obligations to family and society. The donor may see these interests as conflicting and may therefore have difficulty deciding which responsibility to fulfill first. A gift planner could take this opportunity to acknowledge these conflicting interests and help devise strategies that may help solve several problems at once. For instance, a donor who is concerned about the well-being of parents (37% of those surveyed) may be interested to learn that he or she can fund a gift annuity that will benefit a parent for the rest of his or her life while at the same time fulfilling a philanthropic goal.

Other donors who are concerned that their children may be growing up with an undue sense of entitlement may be interested in involving children in the philanthropic process, perhaps through helping distribute annual payments from a charitable lead trust that will eventually constitute all or a portion of their inheritance. Parents can allow their children some say in selecting the charities that interest them, deciding what if any restrictions to apply to the gift, and overseeing the giving process. In this way children can learn early on the responsibilities that come with privilege and the importance of sharing their wealth with those less fortunate.

### *Don't ignore the rest*

This survey should serve as a wake-up call: If many of the nation's wealthiest are unprepared for the future, despite the urging of their advisors, chances are that those with less at stake are at least as unprepared. While it may be impractical to arrange for visits with everyone on your list, it can be a good idea to periodically remind all of your donors of the importance of proper estate planning. Consider "sweeping" your files with a mailing once or twice a year (see page 7 to learn about Sharpe's new brochure, "Questions & Answers About Estate Planning"). A subtle reminder now could pay off handsomely in the long run. G&T

## Footnotes

### “Questions & Answers About Estate Planning”

While a number of studies have shown that almost half of American adults are living without a will or other estate plan in place, it may come as a surprise that almost as many of America’s wealthiest are equally unprepared (see page 1 for more on this topic). It is in the best interests of everyone involved—loved ones and charities alike—for these individuals to get their affairs in order. But how can you encourage your donors to get started?

The Sharpe Group is pleased to offer “Questions & Answers About Estate Planning,” a new addition to its popular Questions & Answers brochure series specifically designed to tackle this problem. This brochure helps to answer some of the most common questions donors may have as they begin the estate planning process, including what it means to have an estate plan, how and why to get started, and how to incorporate philanthropic goals in their personal and financial plans. “Questions & Answers About Estate Planning” also highlights some of the most popular ways to give, including bequests and gifts that provide a reliable income for the donor.

As noted on page 1, many are putting off forming an estate plan because they feel overwhelmed by multiple responsibilities and cannot decide how best to accomplish what may seem to be conflicting objectives. Let “Questions & Answers About Estate Planning” show your donors how a well-executed estate plan can help them fulfill personal, financial, and charitable goals at once.

“Questions & Answers About Estate Planning” is part of a more extensive Questions & Answers series, which offers an effective and economical way to educate donors about such topics as gifts of retirement plans, bequests through wills, gift annuities, and various life income plans. By framing information as a series of questions and answers and moving beyond the basics, these brochures are designed to appeal to a broad range of donors.

Questions & Answers brochures are available with the cover design seen here as well as several alternative covers pictured at [www.sharpenet.com/qa](http://www.sharpenet.com/qa). As with all Sharpe publications, these brochures may be personalized with your organization’s logo and contact information. For more information, a proposal for use, or to place an order, call 1-800-238-3253 to speak with a customer service representative or visit [www.sharpenet.com/qa](http://www.sharpenet.com/qa).

### Make the most of this year’s budget

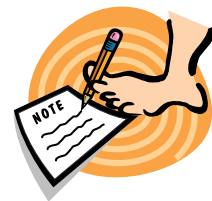
For many nonprofits, the end of this fiscal year is rapidly approaching. Some may find themselves running short on funds even though they still have

much more that they want to accomplish this year. Others may be enjoying an unexpected surplus.

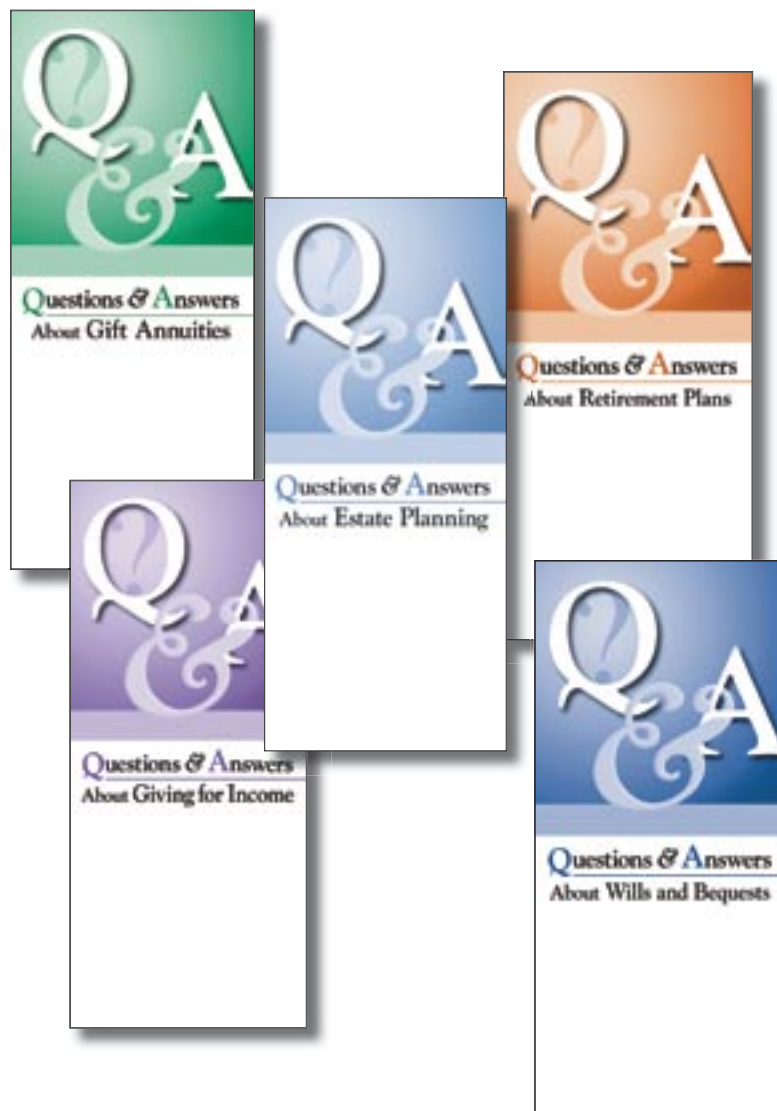
Whatever your situation, let The Sharpe Group’s flexible billing methods help you have the most effective year possible. Call a Sharpe representative at 1-800-238-3253 to find out how you can:

- 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.

Call 1-800-238-3253 for more information. [G&T](#)



News and ideas about The Sharpe Group’s services.



# Restock Your Library

When donors and prospective donors ask for detailed gift planning information, it is important to have a library of appropriate and accurate publications at your fingertips.

Replenishing your gift planning library can be as quick as a phone call. Sharpe's full line of informational booklets is available to help you give donors and their advisors the information they need when considering specific types of gifts.

All Sharpe publications have been updated for 2005 and reflect the most recent developments in tax laws and other important changes.

## Plan ahead and save

All booklets may be personalized on the front and/or back cover. Enjoy reduced unit and personalization costs when ordering multiple titles. Flexible billing arrangements are available to coincide with budget cycles. Call 1-800-238-3253 for more information about Sharpe's complete library of gift planning information.



The Sharpe Group

6410 Poplar Avenue, Suite 700, Memphis, TN 38119

1-800-238-3253 • Fax: (901) 761-4268

E-mail: [info@sharpenet.com](mailto:info@sharpenet.com) • Web site: [www.sharpenet.com](http://www.sharpenet.com)

BETTER  
ESTATE  
PLANNING

GIVING  
THROUGH  
CHARITABLE  
LEAD  
TRUSTS

GIVING  
THROUGH  
GIFT  
ANNUITIES

REFLECTING  
ON  
TOMORROW

A  
GUIDE  
TO GIVING  
IN  
2005