

Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

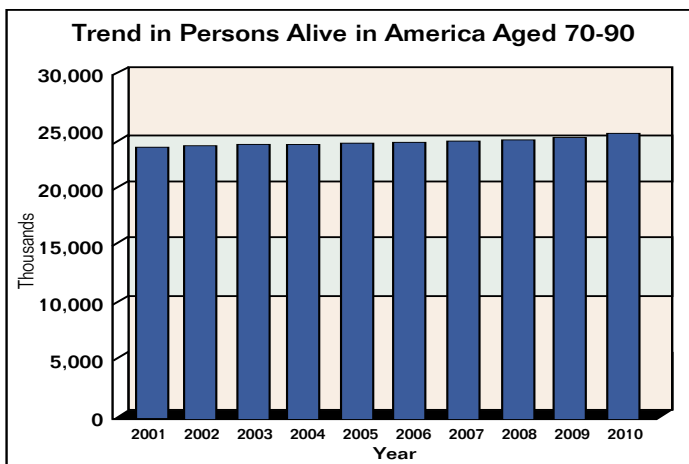
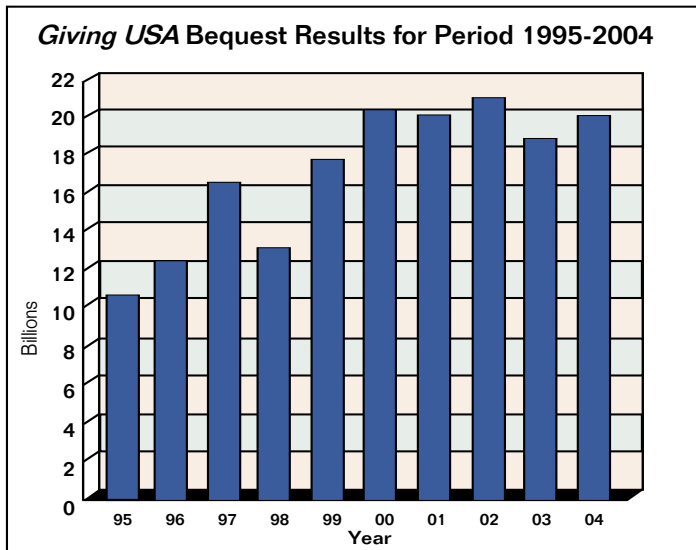
Waiting on the Wealth Transfer

Recent reports reveal that members of the “G.I. Generation” are passing away in large numbers. Of the 16 million who served in World War II, fewer than 4 million are still alive. The youngest of this generation are in their early eighties and are dying at the rate of 1,000 per day. According to the U.S. Department of Veterans Affairs, most will be deceased by 2008.

Although many have spouses who will survive them, soon America’s nonprofits will no longer be able to count on current and deferred gifts from this group—one of the most philanthropic generations in history. The passing of this generation marks the end of the first phase of the highly publicized intergenerational wealth transfer.

As a result, nonprofit groups may expect to see a lull in the growth of bequests and other planned gifts, making now the time to regroup and plan to ensure renewed growth in coming years. Data released by the U.S. Census Bureau (see www.census.gov) reveal that for the rest of this decade there will be little growth in the 70 to 90 age group that is critical to bequest and other planned gift development efforts.

This factor, perhaps as much or more than the lackluster economic performance in recent years, has contributed to an interruption in the growth of bequest income as reported by *Giving USA*—after bequests had doubled between 1995 and 2000.



Fewer planned gift donors?

The lapse in bequest income growth is due in part to the relatively small size of the “Silent Generation,” born between 1925 and 1942 and now age 63 to 80. The Silent Generation is smaller than both the G.I. Generation it replaces and the large generation of Baby Boomers coming behind. Fewer numbers of persons in this age range may be contributing to a recent decline in the number of deaths in the U.S. See page 5 for a comparison of the number of deaths to the *Giving USA* bequest totals for the past five years.

According to the American Council on Gift Annuities (see the August 2005 issue of *Give & Take* and www.acga-web.org), the average age of persons at the time they fund a gift annuity is 78. The average age of persons who give in the form of charitable remainder annuity trusts and other popular forms of planned gifts also falls in the range of 75 to 84—the same age group that will actually be shrinking slightly over the next five years.

Inside:

- Marketing to older donors p.2
- Interview with Tim Strawn of Ohio Masonic Homes p.4

The Aging of America



Why it may be time to make marketing to those over 70 more sophisticated

Give & Take:

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The average American in 2005 is a relatively young 37 years of age. Over the next 25 years, however, Americans are likely to have a few more gray hairs. In fact, by 2030 almost one-third of all Americans will be age 55 or over. Those 65 and older will number over 70 million—a full 20% of all Americans.

To give some perspective, these figures are almost double the present numbers. Currently, about 66 million Americans are 55 and older. By 2030, that number will skyrocket to 107.6 million. The number of those 65 and older will also almost double, from 36.4 million today to 71 million in 2030.

Studying Boomer demographics

Baby Boomers are likely to enjoy a high standard of living in their retirement years with more education, longer life expectancies, and higher income than previous generations. In addition, surveys show that Boomers plan to make an impact well into their retirement years by remaining active in careers and volunteer work.

Their long life expectancy should enable Boomers to remain influential well into the future. In 1960, just 14% of those who reached 65 could expect to live to age 90. By 2050, that number is expected to jump to 40%.

Many may even reach the age of 100. Currently, over 96,000 Americans (77,000 of them female) can count themselves in this special group—30,000 more than just five years ago. It is projected that the number of centenarians will jump to over 210,000 in 2020 and to over 830,000 by 2050.

The third age

Many retirees and pre-retirees see their later years as a “third age”—something past middle age but not quite old age. Bucking the traditional view of retirement, most want to remain active in this stage of life, pursuing new challenges and remaining useful.

While some will keep working for financial reasons, most retirees cite a desire to remain physically and mentally active, to feel productive, or to help others. Many delve into volunteer work, but some only if asked. According to a recent survey, only 17% of those

55 and older will volunteer without being asked. However, when asked to help, 83% will volunteer.

What nonprofits should do

Nonprofits should do their best to get this emerging group of older donors involved. Charities should make it easy for constituents to volunteer their time and other talents or to feel engaged with the nonprofit’s mission in other ways. Those who volunteer are much more likely to give in other ways—and more substantially—as well.

Recognize that Boomers are more educated than the generation that preceded them. More Boomers attended college than any previous generation. For the first time in history, more than half of those age 70 to 74 in 2015 will have had the benefit of some college education. By comparison, that figure was less than one-third of the same age group just five years ago.

Boomer women especially are much more likely to have had a college education and work experience than their predecessors. They may require more sophisticated marketing materials to appeal to their varied experience.

Boomers are expected to have higher income levels than any previous generation, but their longer life expectancies may make them more hesitant to part with funds during their lifetime through outright gifts. When the time is right, consider making available information about charitable trusts, gift annuities, and other gifts that provide a reliable income stream for life. Many may find this option appealing in light of their increased lifespans. And of course, continue to market gifts of bequests.

Others may find that they have more income than they need after their mandatory withdrawals from retirement accounts. Such donors may appreciate receiving materials about making gifts of funds from retirement accounts. See the May and July issues of *Give & Take* for more on marketing gifts to Baby Boomers and page 1 of this issue for more on appealing to various generations.

Americans are getting older, and the numbers are staggering. With a Boomer turning 50 every eight seconds, nonprofits have little time to lose. **G&T**

Editor’s note: To learn more about how demographics will affect planned gifts now and in the future, attend one of Sharpe’s popular seminars. See page 3 or www.sharpenet.com/seminars for more information.

Sharpe Seminar Series

New Seminar: Philanthropy in Times of Change

This seminar is the latest in the Sharpe Group Training Series. Of special interest to past Sharpe seminar attendees, the content is focused on how to respond to current conditions that some have described as the “perfect storm.”

The decline in persons in the age range for making bequests and many other planned gifts is now unfolding as predicted. At the same time, uncertainty surrounding the economy and estate tax law continues to present challenges to otherwise motivated donors and their advisors.

What, then, is the appropriate response for those who manage planned and major gift development efforts and are now setting goals and expectations for their staff and volunteer leadership? Robert Sharpe and Jonathan Tidd team up to provide practical solutions for those who are expected to succeed in spite of what may seem to be debilitating obstacles.

Attendees will leave with renewed confidence in the steps they can take today to succeed in an era of increased emphasis on helping donors make current and deferred gifts in light of their age, wealth, and other circumstances. **G&T**



Upcoming Seminar Training Dates

Philanthropy in Times of Change

Memphis
October 6-7

An Introduction to Planned Giving

Tampa
November 14-15

Major Gift Planning

Washington, D.C.
November 7-8

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 'Philanthropy in Times of Change'

Day One

- Navigating the Perfect Storm
- Tax Incentives for Charitable Gifts
- Managing the Gift Planning Matrix
- The Best Planned Gifts in Today's Environment
- How Will the Baby Boomers Boom?
- Making Gifts From Existing Estate and Financial Plans

Day Two

- Meeting the Needs of the Silent Generation
- Gift Planning for the G.I. Generation
- Estate Planning After Estate Taxes
- Getting Your Signal Through the Noise—Communicating Gift Planning Opportunities
- Terminating Planned Gifts
- The Donor's Advisors—Are They Friends or Foes?

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

What Attendees Are Saying About Sharpe Seminars

“Excellent. Worth the money! Want to attend other Sharpe seminars.”
—Jovanna Little, Hospice Care Network, Woodbury, NY

“I greatly benefit from each exposure I have to a Sharpe seminar.”
—Ty Tippett, Shepherd Center, Atlanta, GA

“Once again, Sharpe has more than exceeded my expectations. Excellent seminar, outstanding presenters—thank you!”
—Deborah Fransen, Northern Illinois University, DeKalb, IL

“Very beneficial information and great presentations. Thank you for making these topics understandable!”
—Linda Ray, Children's Hospital Foundation, Columbus, OH

Fundraiser's Passion for His Work Shines Through



Timothy B. Strawn

Timothy B. Strawn, CAE, is President of the Benevolent Endowment Foundation of The Ohio Masonic Home, a continuing care facility that is part of the larger Masonic organization. A member of the Masonic Fraternity, Mr. Strawn has been able to combine his vocation with his avocation to ensure passion for his work. Here he shares with Give & Take how his personal commitment and a renewed focus on planned giving have led to fund-raising success.

Give & Take: Can you give some background to the Masons?

Tim Strawn: Freemasonry is the world's oldest and largest fraternal organization. While we are not really connected with an occupation today, Freemasonry evolved over time from the guilds that took root in the Middle Ages. To make the distinction between the Masonic Lodges and those who still practice masonry, we have adopted the name "freemasonry."

The mission of our organization is to take a good man and make him better. To this end, freemasonry is centered on three cardinal tenets: brotherly love, relief, and truth.

Freemasonry boasts several million members worldwide and a couple of million in the United States. However, there is no overarching national or international leadership. Each state is sovereign unto itself, with its Lodges, or chapters, organized under a single state Grand Lodge. Some of our best-known members are the Shriners, but we have other organizations as well. The Order of Eastern Star was created for the wives, daughters, mothers, and sisters of Master Masons. The Fraternity also sponsors a number of youth groups.

Give & Take: What kind of charitable work do the Masons do?

Strawn: I'm very proud of our charitable work. The Masonic Fraternity is responsible for more than \$2 million of charitable care every day in this country, and 60 to 65% of that goes to people who are not affiliated with our Fraternity.

A large part of our charitable work is done through our Shrine hospitals. Shrine hospitals were started to treat children with orthopedic problems and are now also known for their expertise with burns.

Unlike most other hospitals, all of the medical care the children receive—from hospital stays to follow-up care to prosthetic devices—is done free of

charge. This was made possible through wonderful gifts over time and the outstanding work of our 101 local Shrine centers.

In addition, the Masons operate Masonic Homes in 37 states to care for the elderly and for children.

Give & Take: How does Ohio Masonic Home relate to the larger organization?

Strawn: The three basic tenets of Freemasonry—truth, brotherly love, and relief—led naturally to the establishment of Masonic Homes for the care of children and the elderly. Our Home began in 1892 as a refuge for worthy Master Masons and their families who had fallen on hard times. Since our founding, we've served over 10,000 adults. For a period of time, we also served as a Masonic Children's Home.

Give & Take: What led you to work at the Masonic Homes?

Strawn: My uncle was a Mason, so I've always been familiar with the good work they do. I grew up in the Order of DeMolay, which is one of the youth groups sponsored by the Freemasons. It was a very natural thing for me to become involved with Masonry, and I've been a Mason ever since.

However, I didn't always work with the Masons. My undergraduate degree is in journalism and public relations. After graduate school in public administration, I worked on a University staff for about nine years and in association management for twelve years. I then came to the Masonic Home as Vice President of Development and became President of the Foundation when we reorganized our activities here.

When I first started in development work, I had a lot to learn. Sharpe's training seminars and consultants were very helpful in getting me educated quickly. Most of what I know about planned giving has come in one way or another from a Sharpe seminar, brochure, newsletter, or *Give & Take*, and I'm very pleased with the response we're getting from the use of Sharpe materials.

I'm very fortunate in this job in that I'm able to combine my vocation and my avocation. I'm happy and excited to get up and come to work because I love what I do. Somebody in my business can't ask for more than that. When you really love something and are truly committed, it comes through.

Give & Take: Who are your constituents?

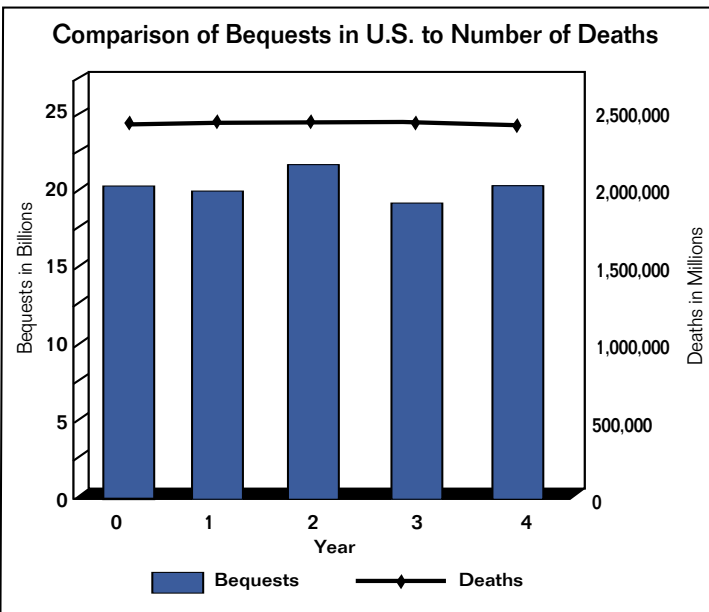
Strawn: They are, not surprisingly, almost exclusively members of the Masonic community. However, we're trying to expand that to include the general

Continued on page 6

Wealth Transfer...Continued from page 1

Meeting the challenge

With planned giving prospects currently spanning three generations, it is more important than ever for development officers to strive to meet the needs of different age groups. It will be vital to strengthen relationships with the oldest donors, who in many cases will be making their final estate and financial plans over the next few years. Working with widows in this group will be especially important as they are often the ones who make the final decisions regarding the distribution of assets accumulated over a lifetime.



But it is also time to begin thinking of how members of the Silent Generation will differ from the G.I. Generation. Those born after 1925 came of age in the 1940s and 1950s and are a more educated group. They also have longer life expectancies. The oldest of this group will live another five to ten years, and many will live for twenty years or longer. Because of their longer life spans, consider encouraging gifts that produce useable funds in the shortest possible time frame. Gifts that take place only at the death of one or more persons in this age range will take many years to yield results.

Many in the younger generations were in mid-career when IRAs, 401(k) plans, and other qualified retirement planning vehicles gained wide popularity with changes in the tax laws starting in the 1970s. A large number of major donors and prospective major donors in the 55 to 70 age range have built up sizeable balances in these plans. Retirement plan assets along with wealth that is tied up in one or more homes may thus constitute the bulk of this generation's assets. While they may be enjoying their peak income earning years, their assets may not be as readily "donatable" as those of the generation that preceded them. Those responsible for major and planned gift development should thus become

well versed in ways to use retirement plan assets and real property to make charitable gifts.

For over five years, the charitable community has eagerly awaited passage of the CARE Act, which would make it easier for donors to make current and deferred gifts using funds from their Individual Retirement Account (IRA). While we all hope this bill passes soon, keep in mind that proposed legislation only applies to IRA assets and not to funds held in 401(k)s, Simplified Employee Pensions (SEPs), Keogh plans, and other plans where the bulk of retirement funds are now held. With proper planning, it is possible under current law to make generous gifts from these retirement plans as well as IRAs for persons over the age of 59½. Development executives must learn all they can about these opportunities.

Estate tax repealed for most

It is still uncertain whether or not the estate tax will eventually be repealed. Regardless, however, most Americans are already exempt. For instance, only 28,600 of the 2.4 million Americans who died in 2003 left taxable estates—just 1.2%. So for all practical purposes, the estate tax no longer exists for the vast majority of the new generation of seniors who are now beginning to seriously consider their estate plans for the first time. They will be able to plan their estates without being "forced" into standard plans that were designed over the years to eliminate taxes on middle and upper middle class estates.

Some have speculated that reductions in the estate tax along with a lackluster investment market performance may already be contributing to the flattening of bequest income in recent years. In any event, the vast majority of those who leave charitable bequests will have to have reasons for making such gifts other than estate tax avoidance. Knowing how to motivate bequests without estate tax incentives will thus be key to success in bequest and other planned gift development in coming years.

Retirement plan boom?

Reductions and/or elimination of the estate tax will make charitable gifts at death from retirement plans even more likely to be the "bequest" of choice for many in the future. Without estate tax considerations, the best tax planning may increasingly be to leave charitable gifts at death through retirement accounts, as these

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Passion for Work Shines Through

Continued from page 4

community. Prior to 1997, our facility was available exclusively to Ohio Master Masons and their wives and widows. For the past eight years, however, we have extended care to the community at large. One of our goals is to increase awareness of our facility within our community, and we've had some success in doing that with several fund-raising initiatives, such as our annual golf event.

Give & Take: What fund-raising techniques have been the most successful for you?

Strawn: We are fortunate that The Ohio Masonic Home established an endowment more than 80 years ago and began at that time to encourage people to support our work through outright gifts and bequests. Currently, roughly 75-85% of our gifts every year come from bequests and trusts.

Most of our bequest gifts have been “over the transom”—in other words, without our previous knowledge. Our efforts in the past through Sharpe’s booklets and brochures, and currently with our new planned giving newsletter, are helping people self-identify so that we can have an opportunity to thank donors and cultivate relationships with these special people.

I have wanted to start a newsletter program for some time, and earlier this year we mailed our first issue of *Cornerstone*. We sent it to around 2,500

people, and so far we have had 26 responses! It’s exciting for us. Five of those 26 told us that we were already in their wills. Maybe more importantly, 10 people indicated that they would consider putting us in their wills.

I remember from one of the many Sharpe seminars I have attended that when donors put a charity in their wills, they are elevating that charity to the status of a family member. Of the 26 responses from our newsletter, 15 have either done just that or are considering doing so.

In addition to our Sharpe newsletter, we also have a planned giving column in a quarterly newsletter that we mail to about 130,000 Masonic members in conjunction with our Grand Lodge. We’ve also just added an annual appeal in addition to a year-end appeal.

Give & Take: What is your favorite thing about your job?

Strawn: It’s wonderful to be able to help people support causes that are important to them. At The Ohio Masonic Home, I have the opportunity to work for an organization that I love and from which I have personally benefited. It’s a wonderful opportunity that a lot of people don’t have, and I feel very fortunate. [G&T](#)

Wealth Transfer ...Continued from page 5

assets will be subject to income tax when received by heirs. While the double taxation that decimates retirement plan balances for funds subject to both estate and income taxes will no longer exist after the elimination of the estate tax, federal and state income taxes of up to 35% or more will still be due on retirement plan accounts when received by others at death. This factor will come into play for donors of all wealth levels, as there is no exemption from the income tax on these funds, no matter how small an amount may be left. The tax-wise choice will be to leave charitable bequests from retirement funds and provide for heirs from funds that will not be subject to income tax when they are received.

The next phase of the wealth transfer

The projections for the coming \$41 trillion intergenerational wealth transfer are based on the 55-year period from 1998 to 2052. At this point we are less than seven years into the projection period. According to *Giving USA*, during this initial period bequests to charity have totaled \$128.6 billion, growing

some 53% from \$12.9 billion in 1998 to \$19.8 billion in 2004.

To continue to benefit from the wealth transfer from this point forward, gift planners must accomplish two goals. First, they must carefully manage efforts targeted to the remaining members of the G.I. Generation. At the same time, they must develop approaches that will appeal to members of the new generation who are now at the stage of life where they may be contemplating their largest gifts of a lifetime. The nature of these gifts will vary depending upon circumstances and will include larger outright gifts, bequests and other end-of-life gifts, and split interest gifts using trusts and other planning vehicles.

By broadening their focus, those who take a “generational” approach to gift planning can expect to succeed in this exciting and challenging new environment. [G&T](#)

This article is excerpted from “Navigating the Perfect Storm,” the first session in Sharpe’s latest seminar. See page 3 for more information.

Footnotes

Seize the day—today

The majority of charitable gifts come in the final months of the year. Take steps now to ensure a busy year-end giving season that starts earlier than ever. The sooner you remind donors of the wisdom of carefully planning their year-end gifts, the earlier they can act.



- Prepare your year-end mailing list now. Check to make sure it includes a broad range of your donors—everyone can benefit from incorporating gift planning into his or her overall financial plans.
- Schedule your mailing. If you mailed in November last year, consider a September or early October date this year. You'll beat the rush of holiday mail and give donors plenty of time to review their plans before the last minute. For those who have still not responded by late November, consider another mailing. "Giving Before December 31st" is especially designed to highlight the importance of giving before the end of the year.
- Review the enclosed samples of Sharpe's year-end brochures, written and designed by Sharpe's expert team of editors, writers, and consultants.

Make year-end a time to reach everyone on your donor list. Year-end mailings can be especially helpful in encouraging gifts from those with unpaid pledges or those who have given in the past but have yet to make a gift this year.

Explore Sharpe's variety of year-end brochures to find something that suits your needs:

"Giving at Year-End" reviews 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. By exploring options other than cash, this brochure may be especially useful in encouraging gifts from those who have yet to make a gift this year.

"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 31st" 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.

Like all Sharpe publications, Sharpe's year-end brochures may be personalized with your logo and contact information on the front and/or back cover or may be totally customized to suit your needs.

Samples have been included with this issue of *Give & Take*. Contact a Sharpe representative at 1-800-238-3253 for more information or to place an order. For your convenience, an order form has also been included with this mailing. Additional information is available online at www.sharpenet.com/yearend. [G&T](#)



News and ideas about The Sharpe Group's services.

IRS Provides CRUT Drafting Guidance

This summer the IRS released eight sample charitable remainder unitrust documents to assist those drafting the most popular form of charitable trusts authorized under IRC section 664. The new sample documents include both inter vivos and testamentary versions of CRUTs. For more information, visit www.irs.gov to see IRS revenue procedures 2005-52 through 2005-59. Remember that trusts still need to comply with applicable state law and should be drafted to fit the needs of each specific situation.

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:

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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