

Give & Take™

News and Ideas for Development Executives of Nonprofit Organizations

Nuts and Bolts of Estate Administration

by Triena Stecks

In this article, I would like to share some practical pointers with you based on what I have learned in settling estates with charitable beneficiaries. Over years of monitoring more than 7,000 estates that include one or more charitable bequests, I think I have seen just about everything!

Imagine opening your mail and finding a letter from an attorney telling you that a “Mary Jones” has left a sizeable gift in her estate to your organization. Your first thought is that you are sorry that Mrs. Jones passed away, and you fondly recall your last conversation with her. Our role can be challenging in that way. We hate to lose our friends and those of our organization, but we also feel satisfaction when we know that we have the opportunity to fulfill a special role in helping assure their last wishes to benefit a worthy cause are carried out as they intended.

What is your next step? Do you call Mrs. Jones’ attorney yourself? Or, do you pass this matter to someone else who handles the collection of estates and wait for them to let you know what happens? It all depends on who in your organization deals with the estate administration.

Who is in charge?

If you are responsible for estate gifts, are you comfortable that you have a system that works well? If your controller manages the process, do you worry that this person never knew Mrs. Jones and you don’t get any “closure” on your relationship with Mrs. Jones and her family once the gift is made? In either case, is there someone in your organization who will handle Mrs. Jones’ gift so that her wishes are truly carried out?

Does your organization have someone who is skilled in the laws of probate, has great interpersonal skills, and is efficient and professional when dealing with executors, attorneys, and donors’ survivors? My experience with the estate administration process is that it is very complex.

Inside:

- What should you be doing for your older donors? p.2
- How the PPA is affecting giving this year-end p.5



Photo credit: WCTC

The popular training seminars “An Introduction to Planned Giving” and “Managing Planned Giving Relationships” will be presented in Washington, D.C. in January. See page 3 for more details.

Therefore, an organization needs someone with all the above skill sets handling the administration of estates. In practice, though, what I have seen in many cases is a lot of confusion on who should handle these issues, their qualifications for doing so, and how they should be handled. This article will alert you to some of the basic things to know to help assure that estates are managed as effectively as possible.

Back to Mrs. Jones

Let’s say that Mrs. Jones left your organization a percentage of the residue of her estate. What should you do in that case? Many charities do nothing more than put the notification letter in a file and wait for the distribution, assuming that everyone involved with the estate administration will do what is appropriate. But think about this: In the case of a gift of a percentage of the residue of an estate, your organization will ultimately receive some percentage of whatever is left in Mrs. Jones’ estate after creditor claims, taxes, attorney and executor fees, and all other specific gifts (like her house to her niece and her favorite chair

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Special donors deserve special treatment.

Managing Elder Donor Relationships

Donors of all ages have special concerns when it comes to giving. As donors age, however, they may be more reluctant to give in the same amounts or frequency as in earlier years, even if they have more assets than ever before. Therefore, it is critical that we learn to work effectively with older donors to help them meet their goals.

Challenges to giving

Many development officers have likely seen the comment, “I’d like to give more but just don’t see how I can,” scribbled onto a response device in a slightly shaky hand. Such donors may wish they could continue giving, but are concerned they will deplete reserves they may need later. Many older donors are often concerned about:

- Their physical health
- Their mental health
- Providing for loved ones
- Not outliving their resources in the final years of their life

These concerns may cause current donors to begin lapsing, even while they are actively planning for substantial charitable gifts through their wills or other long-range plans. Showing donors which planned gift vehicles can offer strategies to combat these concerns may be wise as a way to help keep these donors involved with an organization into their later years. Regularly thanking older, long-term donors and generally treating them with the respect they deserve is also key to maintaining a close relationship with them.


Planning for continued giving

Older donors are normally interested in managing their assets for the remainder of their lives as well as transferring them at death. Therefore, educating them about how to integrate their personal and philanthropic objectives is essential at this phase in their lives.

For some in the oldest age groups, healthcare and living expenses may be extremely high. Donors experiencing such costs may be good prospects for a charitable gift annuity, which can help them maintain the cash flow they desire for living expenses while at the same time helping them meet charitable goals. A testamentary gift annuity, which makes payments for life to a person designated by the donor, may also appeal to donors who wish to provide for heirs and other loved ones.

While older donors will enjoy a current income tax deduction, enhanced income stream, and the possible avoidance of capital gains taxes that a gift annuity offers, keep in mind that many seniors—especially those who fear diminished mental capacity as they age—may choose to fund a gift annuity as much for the asset management and assured payments as anything else. In addition, older donors whose incomes may be increasingly derived from conservative, low-yielding investment strategies may especially appreciate that their future payments are guaranteed and backed by all the available assets of the organization they have chosen to support.

Praising past giving

Another way to make sure your older donors stay connected to your organization, even during the likely “downgrade” of their giving, is to create ways to thank them for the gifts they have made over the years. For example, for donors who have been long-term members of a major giving club called “The Tower Society,” consider creating another division called “The Endowed Tower Society” for members over a certain age. Create special events just for this group, and consider encouraging donors to bring their children to these functions to continue a family tradition of giving to your organization. Such specialized recognition societies can help older donors continue to feel special into their later years. 

Editor’s note: The preceding article is partially excerpted from Session VII of “Managing Planned Giving Relationships.” See page 3 for more information and upcoming dates.

Give & Take:

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SHARPE  GROUP™

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Begin 2007 With Premier Training

If you are looking for professional growth opportunities in 2007, join The Sharpe Group this spring for our complete training series. All four Sharpe seminars—"An Introduction to Planned Giving," "Managing Planned Giving Relationships," "Major Gift Planning," and "Philanthropy in Times of Change"—will be presented from January through April. See below for a listing of

seminars in early 2007 and their dates and locations, or visit www.sharpenet.com/seminars.

Training nonprofit professionals for over 40 years, The Sharpe Group offers an unsurpassed training experience. Whether you are just starting out in major gift planning, or need a refresher course or two to enhance your skills, consider spending some time with The Sharpe Group next year. **G&T**

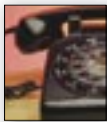


Upcoming Seminar Training Dates



An Introduction to Planned Giving

Washington, D.C., January 22-23, 2007
Chicago, February 12-13, 2007



Managing Planned Giving Relationships

Washington, D.C., January 24-25, 2007
Chicago, February 14-15, 2007



Major Gift Planning

Washington, D.C., February 22-23, 2007
Chicago, March 29-30, 2007



Philanthropy in Times of Change

Washington, D.C., April 23-24, 2007

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

**Watch for new, auxiliary seminars focusing
 on specialized topics coming soon!**

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to her brother) are distributed. What if this means that your institution should receive \$250,000? And, what if the niece and brother are not too happy about your bequest? What if they decide Mrs. Jones couldn't have been in her right mind if she gave all this to your charity instead of to them? What if the niece is the executor of the estate? Is this scenario beginning to make you uncomfortable?

To make matters worse, what if \$100,000 of your \$250,000 gift is real estate that may be contaminated by a dry-cleaning business Mrs. Jones and her husband owned years ago? It could cost \$500,000 to clean up this "superfund" site! Now Mrs. Jones' gift just became your charity's worst nightmare! And it could take a year or more from the initial receipt of the notification letter before you gradually discover that fact. At that point, you may be forced to hire counsel and proceed from a defensive posture.

I point out all these possibilities not to be alarmist, but because they happen every day. This is why you need someone who is skilled in estate administration and relationships to oversee the estate distribution process.

I have always believed it is the charity's fiduciary responsibility to make sure that Mrs. Jones' wishes are carried out. She had faith in your organization and wanted her gift to benefit those you serve. Therefore, it is very important to be able to deal with all these issues efficiently and professionally, and to do so while maintaining the best relationships possible with all those involved. This is what will best serve your interests in the long run.

7 tips for monitoring estates

Let's go through a basic checklist of seven items you need to consider when you open an estate file.

1. Verify the name and address of the donor.

You may say, "That's obvious, why is that on the list?" What if you did not know Mrs. Jones and the notification of the gift is from a Mary Jones who lived in a Connecticut nursing home near her daughter? In checking your records, you find no evidence Mrs. Jones had ever been a donor. But keep in mind your organization may have known her as Mrs. Jerry Jones living in New York. There may actually be donor visit reports in that file that would otherwise never be discovered. Where no donor records are available, you should be sure to contact the attorney's office to determine her last known address before moving to the nursing home so you can tie the estate notification back to otherwise undiscoverable donor records that may give you more guidance in how to proceed.

2. Determine your charity's exact interest in the estate. Is your organization named to receive a specific bequest, a residual interest, a percentage of the estate, or some combination of these? If the bequest is a residual interest or a percentage of the estate, you will need to see an inventory and an accounting of the estate in order to ensure that Mrs. Jones' wishes are carried out. You may also need to protect your charity's interest or limit your charity's liability if a "gift" could cost you more to receive than it's worth.

3. Request a copy of the will. If you've already been told what your interest is, then why do you also need a copy of the will? Because you need to be sure, as you monitor the estate, that any ambiguous provisions are interpreted in ways that assure your charity's interests are being fairly represented.

Also, with a copy of the will, you can get information you need to help you do a better job of encouraging bequests from others. You will want to note when the will was drafted, when the donor died, and various other aspects of the gift and the donor's gift history. If you have this information for enough gifts over time, there are formulas that can help you determine how to project future income from your estate program. In planned giving, it can be very difficult to project future estate income for various reasons. For example, how can you predict when people will die? But, with enough data, you can accurately project bequest revenue to be received over a number of years. This makes your job as a fundraiser more professional since you can rely on statistics and data to do budget projections from year to year instead of just "guessing" based on what your revenue was last year.

4. Request a copy of the inventory. The inventory is the first time the assets of the estate are listed and the value of the estate is estimated. It is typically filed with the probate court by the attorney for the executor for the estate. This document will be helpful in estimating how much your interest will be so you can report this to your management or Board. Sometimes an inventory is not prepared in a timely fashion, so you will need to be in touch with the attorney or executor to determine whether and when this will be available. It may also be important to know why an inventory is not being prepared if one is not. This may be the first sign of potential irregularities to come.

5. Determine the date for creditor claims.

You will probably want to determine the creditor claims deadline so that you can begin to have an idea

From the Field: IRA Rollover Gifts



*Georgina West
Director of Planned
Giving & Resource
Development
Monmouth University*

When I first heard about the Pension Protection Act of 2006, I thought that it would be useful to at least a few of our donors. So, as soon as we received word that the legislation passed, we put together a cover letter explaining the IRA rollover provisions as well as more detailed information from The Sharpe Group on the PPA. We targeted this mailing to those donors we thought would be affected because of their age and the fact they fell into our more generous donor categories, including trustees. In addition to mailing the information, if we had donors' e-mail addresses, we e-mailed the information, and provided them with a link to more PPA facts on The Sharpe Group Web site.

Almost immediately, a donor contacted us to discuss a commitment to give \$100,000 this year and \$100,000 next year from an IRA. He wants to establish both an endowed scholarship and an award at Monmouth. Ironically, he is not one of the donors I anticipated would make this type of gift.

If it hadn't been for the information provided by Sharpe, this gift wouldn't have materialized. I appreciate and rely on the support that Sharpe routinely provides to the gift planning community. And in this case, the information was not only very useful, it also proved to be very lucrative as well.



*Judith Pillon
Director of Gift Planning
University of California
Los Angeles*

I was worried the PPA might be a non-issue with our donors. I spoke with Robert Sharpe and he helped me develop a multi-layered strategy so that information about the opportunities of the PPA was available to our donors. First, we have talked to all the development officers on campus about the PPA. We let them know that if they wanted to do a mailing on the PPA legislation, we would help them with that. I suggested mailing the information to donors 69½ years old and older with a giving history in the past couple of years. Sometimes a letter from a dean was sent, sometimes info was included in a particular college's publications, but the information was being sent all across campus.

Next, we ordered special IRA brochures from Sharpe and made that information available in a variety of ways. For example, when I attend a 50th Reunion, I am going to bring IRA rollover materials with me because that is an appropriate audience. In addition, we have made certain that brochures are available at events across campus.

Finally, when we send out our year-end newsletter prepared by Sharpe, we are going to include a box of copy on the IRA rollover information. While we did not want to deflect interest from the charitable gift annuity concept, we did want to provide information about the unique giving opportunity provided by the Pension Protection Act.

We are also going to include an insert in the newsletter about a couple who have decided to go the extra mile and make \$100,000 gifts using IRA funds to UCLA's graduate school of education. It is really great because they are retired faculty who love the school and their gifts will go toward scholarships. Their story was so on point that we could not resist featuring their IRA gift in the newsletter.

We have a number of other IRA gift commitments so far, all of which will be for the maximum of \$100,000. In a few situations, individuals with 401(k)s were so motivated by this concept that they took money from their 401(k)s and funded IRAs to take advantage of this opportunity.

Estate Administration...Continued from page 4



Triena Stecks is senior vice president and consultant with The Sharpe Group. An attorney, she worked in fundraising for 20 years at a major national organization where she led extensive marketing and gift planning efforts, as well as estate administration.

when a distribution will be made to your organization. While all states are different, the time that creditors have to file any claims they have against the estate generally ranges from three to nine months. This information is available through the probate clerk's office and can usually be accessed online as well.

Generally, medical and other final expenses will be filed during this time, but more importantly, this is the time when anyone who has a claim against the estate has to file their claim. It is during this time that caregivers, relatives who performed services for the person such as transporting them on errands, and others file their claims. Many elderly people will have others who help them once they become less mobile, and many caregivers can have very legitimate claims. However, you may also see claims filed that are over-inflated, or

simply not legitimate. I have seen people try to claim that their time was worth \$200 per hour for driving a donor to the grocery. If you, as a residuary beneficiary, do not question the validity of these claims, no one else may have a vested interest in doing so.

6. Request a copy of any accountings filed with the court. It can take several years for the administration of a larger estate to be completed and closed with the court. On average, even a very simple probate can take more than a year. Usually the court wants the executor and attorney for the estate to file

an accounting at the end of each year. You will need a copy of these accountings so that you can bring up anything that concerns you in a timely fashion. This is also the time when fees for the attorney and executor are charged. While most attorneys and executors submit reasonable fees, I have noticed a substantial number of cases where the attorney fees were excessive given the amount of work that was done. Some states have statutory fees, but others do not. Again, you may need to access this information in the state in which the estate is filed to determine what is reasonable.

7. Determine what other nonprofits are in the will and for what amounts. You may think this is not necessary, but I have found it to be helpful from a fund-raising perspective. This can give you valuable insight into the thinking of your donors. Do you see gifts to the same charities often? If so, why? From reviewing this information, I have determined that some organizations that serve a particular need do not have effective planned giving programs, and the donors to those organizations sometimes give to other organizations that do a better job of communicating their interest in receiving bequests and other planned gifts. If you find this, too, then it may help you increase the effectiveness of your planned gift marketing. [G&T](#)

Editor's note: In the next issue of Give & Take, we will explore some issues relating to typical challenges you may encounter as you proceed in handling charitable estate settlement and how to deal with them effectively and in a timely manner.

If you have specific questions about estate management, please contact the author, Triena Stecks, by e-mail at triena.stecks@sharpenet.com.

From the Field...Continued from page 5

Further, I am continually taking calls about IRA rollovers from development officers across campus who are working with donors on this. Most of these donors want to give the maximum amount and want to know how to go about it.

Several of our donors were quick off the mark in wanting to make gifts directly from their IRAs and initially we heard that their efforts were met with some resistance on the part of the financial services industry.

As a result, we are being very proactive in providing our donors with exactly what we think they will need to get these gifts completed with their IRA administrators. My advice to interested donors has been to start these gifts early. If this is what they want to do, donors need to contact their plan administrator immediately.

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Footnotes

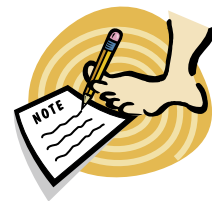
Restock with latest materials

Planning for the new year means setting goals and ensuring you have the tools to achieve them. That includes making sure that your library of gift planning publications is up to date and complete.

Are you sure that publications you currently have on hand are still accurate after recent tax law changes? All Sharpe booklets have been updated to reflect the provisions of the Pension Protection Act of 2006. Popular titles such as “A Guide to Giving,” “Reflecting on Tomorrow,” “Chartered Giving Plans,” and “Giving Though Retirement Plans” are all updated in light of the PPA, so you can be assured that you are providing your donors with the most current information.

Having a supply of well-written and accurate publications on hand can save valuable time throughout the year. Whether you’re faced with an unexpected donor visit or a hurried request for more information on a specific topic, being able to give prospective donors and/or their advisors exactly the material they need when they need it can make the difference between good intentions and a completed gift.

Be ready to supply the most current information to your donors as they decide how to make their gifts in the most effective ways. Call 1-800-238-3253 for details, or visit www.sharpenet.com/pubs to view our full line of gift planning materials. [G&T](#)



News and ideas
about The Sharpe
Group's services.

From the Field...Continued from page 6



*Karena J. Bierman, J.D.
Senior Planned Giving Officer
The Rotary Foundation
of Rotary International*

We have had interested Rotarians calling us in the past to discuss ways they could give from their retirement accounts generally, plus we had been notified by some Rotarians that they were leaving retirement plan assets to The Rotary Foundation in their final estate plans. So I felt like the IRA rollover would really appeal to many of our donors.

Our initial step was to provide a summary of the PPA to our volunteer base so they could answer any questions that might come up in the first few days after the legislation was signed. We are lucky to have a team of dedicated volunteers that are committed to fulfilling the mission of Rotary.


We also included some information in our planned giving newsletter provided by Sharpe. Luckily we were in the process of preparing our newsletter when the legislation was signed, so we were able to modify the production of the piece to include PPA information. We also did a targeted mailing to those individuals who we thought might specifically be interested in this based on previous discussions.

We have 15 completed gifts so far. And we have approximately 20 gifts pending where people have let us know that they are going to be making gifts by year-end. We have also had numerous phone calls—at least one a day if not more—from people saying “how does this affect me” and “thanks for sharing this information.”

We initially noticed a lack of knowledge about the bill among some of the IRA administrators. But as soon as this legislation was signed, we trained our staff and volunteers about this opportunity. We wrote drafts of letters that our donors could send out to their IRA providers explaining that these gifts are time sensitive and transfer-type sensitive, so that the administrators wouldn’t accidentally make the check out to the donor instead of charity. The entire gift acceptance team has tried to really step up and be there for the donors so they won’t have to explain this legislation on their own to their IRA administrators.

Some of our donors are interested in making gifts under \$500, and some are looking at gifts in the \$100,000 range. We have many Rotarians who are committed to the mission, so when they see an opportunity like this they are going to grab it. They are fiscally savvy and certainly charitably-minded, so that is good for us.

Some donors are seeing this as a way to make gifts from assets other than regular income, and others find that this is a way to make gifts they otherwise would not have given. It’s working both ways and working well. [G&T](#)



*From all of us at The Sharpe Group,
We wish you a joyous Holiday Season
and a Happy New Year.*



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