

Give & Take

News and Ideas for Development Executives of Nonprofit Organizations

Great Expectations?

When considering one's expectations for the future, the age old question, "is the glass half empty or half full?", comes to mind. This is especially true when considering the future of income to nonprofits from bequests and other planned gifts. If expectations and goals are too low, the cup may seem to "run over." If expectations are too high, on the other hand, planned gift revenues may be seen as the proverbial "drop in the bucket."

In this vein, a recent article in *The Chronicle of Philanthropy* reporting on the much-heralded transfer of wealth in America is likely to spark heated debates and have an impact on the question of planned gift projections now and in coming years. The April 6, 2006 article, entitled "Much-Anticipated Transfer of Wealth Has Yet to Materialize, Nonprofit Experts Say," (see www.sharpenet.com/resources) revisits the wealth transfer projections made by John J. Havens and Paul G. Schervish in their 1999 report "Millionaires and the New Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy."

In their report, Boston College professors Havens and Schervish predicted a wealth transfer totaling at least \$41 trillion, including a minimum of \$6 trillion in bequests to charity during a period beginning in 1998 and ending in 2053. The report is available at <http://www.bc.edu/research/swri/features/wealth/>. The researchers divided the 55-year estimate into two segments, the first being the 20-year period beginning in 1998 and ending in 2017. For the initial years of the wealth transfer, they predicted that charitable beneficiaries would receive at least \$1.7 trillion in bequests. As noted in *The Chronicle* article, however, a close examination of the progress made to date towards the initial 20-year goal reveals what may be a classic "Good News, Bad News" story.

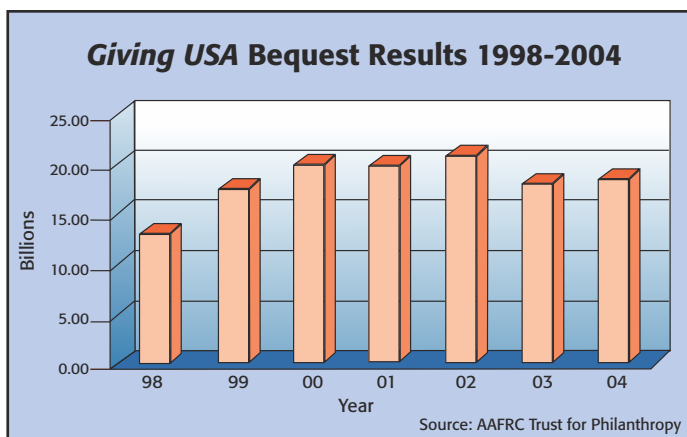


Join The Sharpe Group in Boston this summer for the seminar "Philanthropy in Times of Change." For more information, see page 3.

Bad news

At first blush, the wealth transfer to charity appears to be getting off to a very slow start. Based on annual reports published in *Giving USA*, nonprofits received a total of \$127.6 billion in bequest income from 1998 through 2004, the last year for which data is available. That total represents just 7.5% of the \$1.7 trillion minimum Havens and Schervish projected for charitable bequests through 2017. This means that almost \$1.6 trillion in charitable bequest income will be needed over the next 13 years just to meet the minimum 20-year bequest estimate.

In the wake of lackluster growth in investment assets, lower death rates than expected, and other factors, bequest revenue received by America's charities has been flat in recent years:



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- A review of recent ACGA conference p.4

Easing Into E-marketing



Will e-marketing annoy or appeal to donors?

No one can deny it—the Internet offers a powerful way for people to communicate with one another. Not surprisingly, many planned gift development programs are increasingly turning to e-mail and Internet-based techniques to share gift planning concepts with donors and prospective donors.

But, since effective gift planning depends heavily on building and maintaining personal relationships, how much reliance should one place on e-marketing? Here are some basic questions to ask when considering employing the digital world to help build awareness of gift planning opportunities.

1. Who is online?

Take into consideration online demographics.

Your best planned gift prospects—those age 70 and older—are not likely to be online. According to a study released in December 2005 by the Pew Internet & American Life Project, only 26% of seniors age 70 to 75 regularly use the Internet. For those age 76 or older, the percentage of Americans who go online shrinks to 17%. Contrast this information with the fact that, according to the American Council on Gift Annuities, the average age of those who enter into gift annuities is 78.3.

In another Pew study from October 2005, younger seniors are more likely to have Internet access, with slightly more than half (53%) of those between age 60 and 69 being online. But, even with that increase in Internet use among younger seniors, it is clear that the majority of older Americans are not online. While there seems to be a small group of “wired” seniors who go online to check e-mail and communicate with friends and family, the Pew study reiterates that the best way to reach most older Americans is still through more traditional, offline mediums.

2. Just because you can, should you?

For those of your constituents who are plugged into life on the Internet, you may still want to exercise restraint when it comes to broadcast e-mail communications. Why?

Internet providers filter billions of e-mails every day that they consider spam. In some cases this includes messages sent to multiple parties. Since unsolicited e-mails on a regular basis may not be welcome, the messages that do get through spam filters may be deleted by the recipient before ever being opened.

With the most popular e-mail programs, a donor need only right click your address and, with another click or two, automatically delete *all* future e-mail from your address. Deluging a donor with e-mail could be perceived as an annoyance and at best may have a numbing effect that may result in the information you are sending being ignored.

E-mail will be much more welcomed by those who have voluntarily provided their addresses for a specific purpose. Just as you would ask a personal friend if he or she prefers to be called or e-mailed, consider asking donors how they would like to be contacted. For those who do prefer e-mail communications, be sure to honor their requests by sending e-mail when possible. You may even want to include links to the planned gift information on your Web site so donors can access more information at their leisure.

A recent NCPG Council study showed that the top two reasons donors make planned gifts are a belief in the mission and work of the charity and a long-term relationship with the organization (see page 4 of the April 2006 *Give & Take*). Remember that planned gifts often stem from building relationships with older donors and prospective donors. Just as you would never consider letting e-mails replace all other forms of communication with your friends and family, don't be tempted to let e-mails completely replace the tried and true methods of communicating with your donors—face-to-face visits when possible, telephone conversations when appropriate, personal handwritten letters, and other traditional mail.

3. Are they “up to speed?”

Once you know which donors like to receive e-mail, you still have to be careful about the type

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Give & Take:

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In Memoriam

**James Potter
1935-2006**

For his distinguished service in the gift planning community and his 29-year leadership role as Chair of the State Regulations Committee for the American Council on Gift Annuities, *Give & Take* honors Jim Potter, who passed away March 8, 2006. Through his volunteer work with ACGA as well as his own consulting firm “Planned Giving Resources,” Jim inspired his peers with his generous nature. Jim was a dear friend of ours and to many others in the planned giving community. We will miss him.

The Potter family has requested any donations be made to Children, Inc., at www.children-inc.org.

Sharpe Seminar Series

Featured Seminar: *Philanthropy in Times of Change*

This seminar was presented for the first time in October 2005 to rave reviews. 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 again 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 that 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

An Introduction to Planned Giving

Boston
June 12-13
New York
August 21-22

Managing Planned Giving Relationships

New York
August 23-24

Major Gift Planning

Orlando
May 11-12

Philanthropy in Times of Change

Charlotte
July 19-20
Boston
August 3-4
New York
November 16-17

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 Seas of Change
- Tax Incentives for Charitable Gifts – What’s Left?
- Managing the Gift Planning Matrix
- The Best Planned Gifts in Today’s Environment
- How Will the Baby Boomers Boom?
- Making Gifts Using Pre-Existing Estate and Financial Planning Tools

Day Two

- Meeting the Needs of the Silent Generation
- Gift Planning for the G. I. Generation
- Estate Planning After Estate Taxes
- Communicating Gift Planning Opportunities
- Terminating a Planned Gift
- Working With 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 ‘Philanthropy in Times of Change’

“Excellent presentation of complex material offering practical suggestions and tools!”

“Excellent resource—wholeheartedly recommend.”

“Very complete seminar. I’m understanding more and more! Thank you.”

“The professionalism of Sharpe Group seminars amazes me.”

Gift Annuity Rates Unchanged

At the 27th Conference on Gift Annuities held this spring in San Francisco, California, the American Council on Gift Annuities announced its recommendation for rates to take effect July 1, 2006.

The ACGA board voted not to change the recommended payment rates for immediate gift annuities, therefore current immediate gift annuity rates will remain in effect at least through June 30, 2007. For deferred gift annuities, the board approved a change in the assumed compound interest rate from 5% to 5.25%.

The assumed total annual return on gift annuity reserves was also increased .25% to 6.25%. However, this did not lead to an increase in current gift annuity rates.

It has long been assumed that planned giving donors live longer than the general population. For this reason, female life expectancies (used to calculate rates for all gift annuitants) in the past have been set back 1 ½ years from the life expectancy of the average American woman. As part of this year's review, based upon analysis of Annuity 2000 Mortality Tables, the ACGA authorized changing the age setback to 2 years. Because of the interplay between the increased life

expectancy assumption and the expected higher investment returns, the assumed residuum, or the amount remaining to the charitable entity once the annuity payments have ended, was not changed and remains at 50%.

For more information

This year's recommendations are based upon extensive review and analysis that included expert assistance from actuaries and representatives of financial institutions. The adjustment that affects the compounding rate for deferred gift annuities will take effect on July 1, 2006. [G&T](#)

Additional information about charitable gift annuities and the recommended rates may be obtained from:

*American Council on Gift Annuities
Gloria Kermeen, ACGA Administrator
233 McCrea Street, Suite 400
Indianapolis, IN 46225
Voice: (317) 269-6271 • Fax: (317) 269-6276
acga@acga-web.org*

Easing Into E-marketing ...Continued from page 2

of e-mail messages you send to your older constituents. Keep in mind that you may be dealing with the following challenges:

- Older eyes that may not be able to read small type and certain low-contrast color schemes and may only be able to focus on computer screens for limited periods of time
- Older persons may also have difficulty typing due to complications of arthritis or other physical and mental disabilities
- Older persons may prefer reading formal letter formats including a date line, salutation line, traditional paragraph structure, and appropriate closing before the sender's name and title
- Older computer equipment that may include slower dial-up Internet connections that can take too much time to download files. The December Pew study reported that only 8% of persons age 70 to 75 had high speed Internet connections and only 4% of those 76 and older have this capability. Donors may also worry about downloading a virus along with the attached file
- When asking donors to print out "e-brochures," keep in mind they may be upset if they print pieces that feature large color solids or other design elements that deplete their printer's ink cartridge

Couple the lack of speedy Internet access with generational preferences and physical challenges, and you may find that certain e-marketing strategies will have to be carefully written, designed, and e-mailed

in ways that will please—rather than annoy—older donors. For more information about seniors and Internet usage see www.pewinternet.org.

Real connection is key

In this fast-paced world, we often turn to technology to help us be more connected both personally and professionally. But many are questioning how "connected" we truly are, with some experts blaming our affinity for computers and gadgets for chipping away at our ability to connect with each other and create strong and lasting relationships.

Development officers should very carefully integrate online communications efforts into their traditional methods of reaching older donors, including the telephone, mail, personal visits, and group gatherings. The mix of approaches will vary depending on the organization's constituency, and this mix of communications tools will surely change considerably over time.

Most would agree that success in major and planned gift development results largely from building solid relationships with donors. It is these relationships that, over time, may lead to significant gifts for your organization or institution.

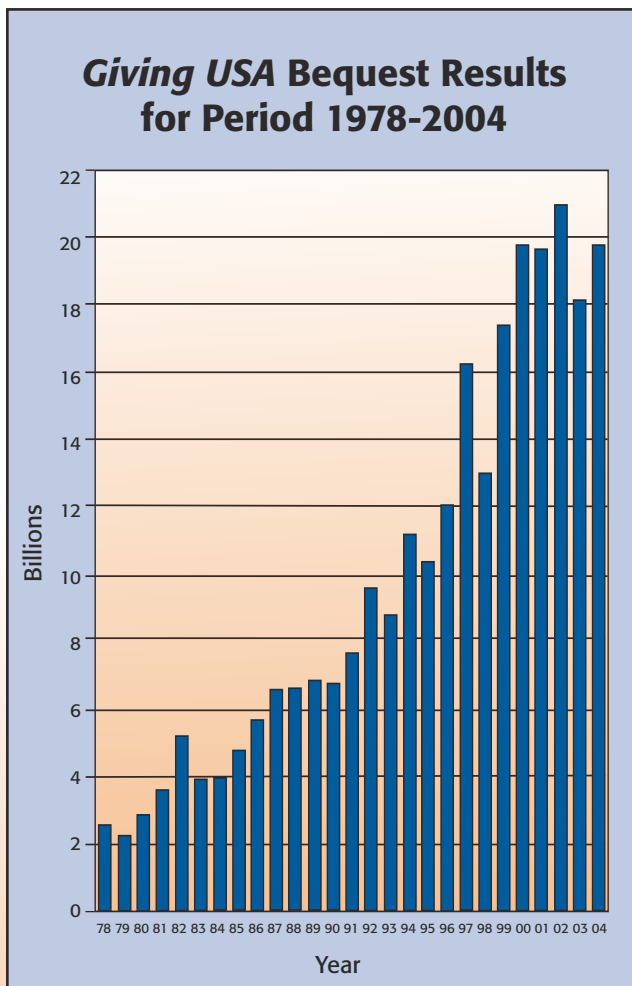
As with all other marketing and communications techniques you utilize, when considering online communications, you must always ask yourself, "How will these efforts strengthen my organization's personal relationship with the donor?" [G&T](#)

Great Expectations...Continued from page 1

At this point, it appears highly unlikely that nonprofits will realize anywhere near the amount of bequests that were projected to be received between 1998 and 2017. In order to reach the \$1.7 trillion goal, charitable bequests would have to average over \$120 billion per year for the next 13 years. The annual average would thus have to be some six times the amount received in 2002, which, at \$20.1 billion, was the record year so far for charitable bequests.

Good news

Is there any good news regarding the transfer of wealth to charity? Looking at longer-term trends, there is indeed good news. There has, in fact, been a tremendous growth in bequest receipts by nonprofits in recent years:



While there has been a lack of growth in bequests over the past two years, note that bequest receipts more than doubled between 1985 and 1995, and nearly doubled again between 1995 and 2004. Bequest income has been among the fastest growing sources of charitable support over the past 20 years.

Given that bequest income has been trending steadily upward over time, the key to successfully projecting bequest revenue may be to adjust expectations to a more reasonable level going forward. In order to reach the minimum wealth transfer numbers between now and 2017, an annual growth rate of 26% with a doubling of bequests every 2.8 years would be required. This is simply not going to happen. However, a continuation of growth rates over the past 20 years would result in more than doubling bequests to over \$40 billion a year by 2017, not a bad showing given environmental factors underlying these trends.

Unraveling the mystery

Recall that the wealth transfer projections were for the 55-year period of time spanning the years 1998 through 2053. The authors of the Boston College wealth transfer projections maintain that, despite the aftermath of 9/11 and economic uncertainty in recent years, the wealth transfer is on track. A follow-up study was published in January 2003. The press release accompanying that report stated, "Following a thorough review of our 1999 report 'Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy,' we conclude in our new report 'Why the \$41 Trillion Wealth Transfer Estimate is Still Valid: A Review of Challenges and Questions,' that its projections have not been significantly affected by recent and prevailing economic conditions." (See <http://www.bc.edu/research/swri/features/wealth/>.) How is that possible?

The death rates in America over the period 1998-2053 play an important role in the nature and timing of the wealth transfer. According to the authors of the study, much of the transfer was always expected to take place in the second phase from 2018-2053. That's because the death rates in America will accelerate dramatically during that period of time.

Death rates increased by only 3.5% between 1998 and 2004. The number of deaths in 2017 will be just 11% higher than in 2004. On the other hand, the number of deaths in 2053 is projected to grow 44% over the number in 2017. As the last of the baby boomer generation passes away in the early 2050s, the predicted wealth transfer period will finally come to an end.

The good news is that the wealth transfer projected for the period 2018 to 2053 is still likely to occur. However, what many may have failed to appreciate is that for the transfer to occur, not only will the GI Generation and Silent Generation have to pass away, but almost the entire Baby Boom Generation must die as well. Suffice it to say that no one responsible for nonprofit fund development today is likely to see the bulk of the wealth transfer occur.

Great Expectations...Continued from page 5

Resetting expectations

The failure of the much-anticipated wealth transfer to meet the 20-year projections now seems a foregone conclusion. If senior management, volunteers, advisors, and others in the nonprofit community remain unaware of this reality, those responsible for planned gift development may continue to be saddled with unreasonable expectations regarding bequest income in the near term, and could fail to be credited with what may be admirable performance under challenging circumstances.

Now may be the time to carefully examine your programs and re-evaluate your goals. You may discover that your planned gift potential is more or less than previously estimated. Shift your attention from the “macro” level of dealing with the entire wealth transfer to focusing on what is realistic given the age and other characteristics of the constituency that determine your “micro” level of potential.

For example, if a school was founded in the 1970s and has no graduates over age 60, it is highly unlikely that this institution will receive much of the wealth transfer in the near future. On the other hand, an organization with more than 50% of its donors beyond the age of 70 and few under age 60 may find that the coming decade will represent the bulk of the wealth transfer for them, followed by a period of potentially irreversible declines in bequest income.

Return to basics

In addition to sharing information regarding the reality of the wealth transfer with the appropriate persons and beginning to reset expectations, what else should development executives be doing?

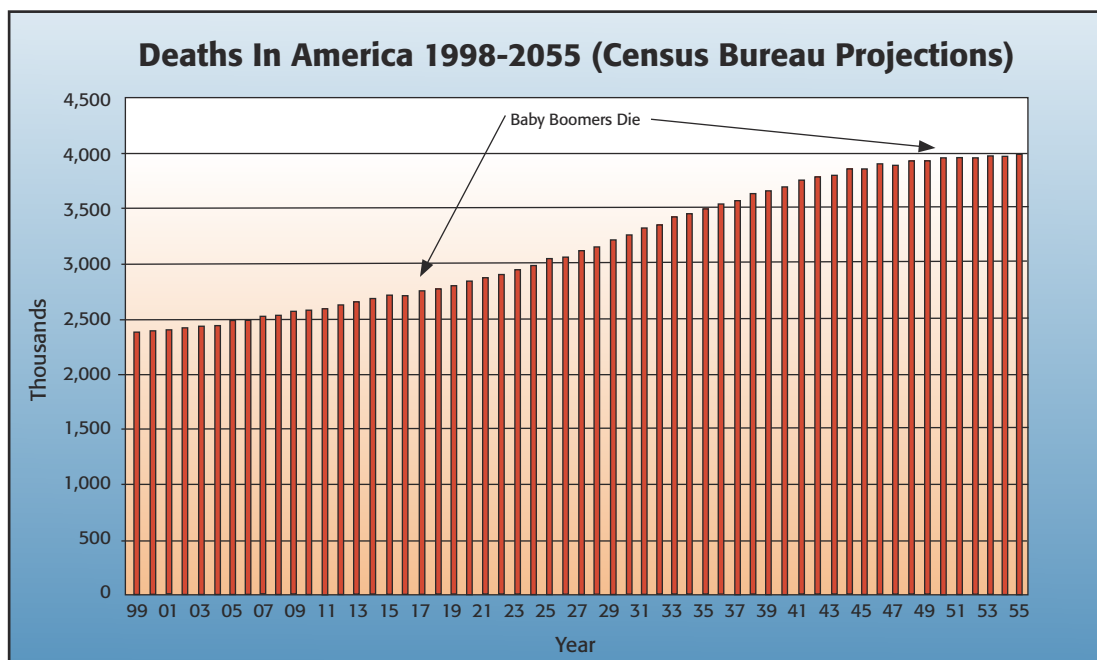
Make sure that staff resources are properly allocated. This may, for example, mean cross-training existing staff instead of hiring additional planned giving specialists.

Review records to assure that existing bequest expectancies and those who have completed gift annuities and other planned gifts are being stewarded effectively and that these relationships are managed properly going forward. Profile bequest and other planned gift maturities and foster deeper relationships with active donors who share similar characteristics. Be sure to carefully maintain contact with your long-term donors and make plans to replace them.

Also begin considering strategies for working with the tens of millions of baby boomers who are entering a new phase of life. Remember that the oldest baby boomers are now turning 60 and bequests from this group will not be realized for a decade or more at the earliest. While it is important to emphasize bequests with this group, if costs are to be in line with revenue over the next 10 years, you must learn to structure gifts that meet baby boomers’ desire to give while maintaining their financial security in the years before they pass away.

Evaluate your results every year against previous years’ production and possibly that of your peer institutions. Depending upon your findings, revise your expectations and that of your leadership accordingly. [G&T](#)

Editor’s note: For more in-depth analysis of strategies to deal with a stalled wealth transfer, economic uncertainty, and the upcoming aging of the baby boom generation, consider attending the Sharpe seminar “Philanthropy in Times of Change.” See page 3 for more information.



Footnotes

Let The Sharpe Group work for you

With over 40 years of experience working in the gift planning field, The Sharpe Group has the unique ability to combine perspective on past trends with an innovative approach to today's gift planning needs. Our expert staff in the consulting, training, and creative services divisions work together to provide an integrated approach to your organization's specific goals.

Consulting

Sharpe consultants are respected in the gift planning field. They provide comprehensive consultation services on planning, implementing, and evaluating fund-raising efforts to encourage effective current and deferred gift planning for endowment and other purposes. Sharpe consulting clients enjoy the peace of mind that comes from knowing that expert advice is only a phone call away.

Training

The Sharpe Group has been the leading provider of gift planning training for over 35 years. Our experienced presenters lead attendees through basic, intermediate, and advanced training along with periodic updates that integrate marketing considerations, the latest gift planning techniques, and economic and tax-related factors affecting nonprofits.

Seminars are offered throughout the country and are regularly updated to reflect changes in tax and other laws. Please see www.sharpenet.com/seminars for full descriptions and upcoming dates of Sharpe seminars.

Creative Services

No gift planning program is complete without an effective means of communicating the benefits of more effective gift planning to donors. The Sharpe Group's creative services team—professional writers, editors, designers, technical experts—work closely with clients and Sharpe consultants to create communications tools that are uniquely suited to the client's needs.

Let The Sharpe Group's team of experts help your organization determine and fulfill its gift planning objectives. Call 1-800-238-3253 or visit www.sharpenet.com to learn how The Sharpe Group can help you achieve long-term financial stability for your institution.

Gift annuity publications up-to-date

Although the American Council on Gift Annuities did not change gift annuity payment rates at their conference in April, they did approve a change in

the assumed compound interest rate used for calculating deferred gift annuities from 5% to 5.25%. Sharpe editors immediately began the process of updating gift annuity publications to reflect this change, which is effective July 1. All of Sharpe's gift annuity brochures, booklets, and newsletters have now been reviewed and are ready to help you explain this popular gift plan to your donors.

After bequests, gift annuities are the most popular planned gift. The gift annuity's reliable payments are especially attractive to older donors who may be frustrated by the returns they are receiving from low-yielding investments.

For more information about Sharpe gift annuity publications and ways to incorporate them into your gift planning marketing, please call 1-800-238-3253 or visit our Web site at www.sharpenet.com. **G&T**



News and ideas about The Sharpe Group's services.

Vice President Uses KETRA to Increase Donations

Vice President Dick Cheney and his wife Lynne reportedly donated approximately \$6.87 million to charity in 2005. The donated funds, which resulted from exercising stock options that were set aside for charity in 2001 as well as royalties from Mrs. Cheney's books, increased the Cheneys' adjusted gross income to \$8.82 million.

By utilizing the tax incentives put in place by the Katrina Emergency Tax Relief Act (KETRA) last fall, the Cheneys were able to deduct the entire \$6.87 million on their tax return. Recall that the KETRA legislation allowed donors to deduct qualified gifts up to 100% of the adjusted gross income (AGI). Under ordinary circumstances, the Cheneys would have been able to deduct only \$4.41 million (50% of their AGI). This is just one example of how a taxpayer chose 2005 to accelerate income so it could be donated sooner than might otherwise be the case. **G&T**

“The best seminar I have ever attended!”

New Dates Added
By Popular
Demand!

Philanthropy in Times of Change *The newest course in The Sharpe Seminar Series*

Consider this:

- The number of people in the age range for making bequests and other planned gifts is declining
- The number of nonprofits seeking planned gifts has grown dramatically in recent years
- The much-touted, multi-trillion dollar wealth transfer may not materialize as expected
- The estate tax is rapidly being phased out

What do these concerns mean for those who manage planned and major gift development efforts? How could this affect setting goals and expectations for staff and volunteer leadership?

To help answer these questions, The Sharpe Group presents “Philanthropy in Times of Change,” a new seminar offering practical solutions for those who are expected to succeed in spite of what seem to be debilitating obstacles.

What Participants Are Saying

“The best seminar I have ever attended!”—Ed Roberts, The Salvation Army, Kansas City

“Thoroughly enjoyed the seminar. Both the lecturers and the notebook were well-organized, well-presented, and educational.”—Marcelle Highstreet, Tulane University, New Orleans, LA



Upcoming Dates

Charlotte, NC	July 19-20
Boston, MA	August 3-4
New York, NY	November 16-17

Registration is limited. Sign up today.
www.sharpenet.com/seminars
1-800-238-3253 ext. 5360

“An excellent seminar. It gave me many ‘takeaways’ to consider.”—Ellen Arnold, The Brethren Home Community, New Oxford, PA

“Thanks for your wonderful program. Wish I could incorporate all of it into our development program.”
—Susan Bradlau, Lafayette College, Easton, PA

“I hesitated circling ‘10’ for every session, but I couldn’t help it. Each session was a ‘10’ for me—one of the best seminars I have ever attended.”—Sr. Margaret Mahoney, Catholic Diocese of Wilmington, Wilmington, DE

“I appreciate the value of real ideas I can actually take back and implement in a campaign. Thank you.”
—Michael Marrone, Canisius College, Buffalo, NY

“I always learn a lot from your seminars that help me to be more effective. Thanks!”—Maya Abels, Aurora Health Care, Milwaukee, WI

“Incredible conference. Two days of a wealth of knowledge.”—Virginia Mullins, American Red Cross, Washington, DC