

Give & Take™

News and Ideas for Development Executives of Nonprofit Organizations

In the Market for Gifts?

by Barlow T. Mann

This spring the stock market sprang to record-high levels. As a result, those involved in planned and major gift development may discover that gifts of appreciated securities are not just a year-end giving phenomenon. A number of Sharpe clients have reported increased levels of stock gifts earlier in the year than normal.

While the February 2007 *Give & Take* cover story “Appreciating Gifts of Securities” reviewed general stock market history from a philanthropic perspective, this month we will examine some emerging trends specifically in equity ownership and how they may affect the planned and major gift development efforts of all types of nonprofits this year and beyond.

Trends in equity ownership

According to recent studies conducted by the Investment Company Institute and the Securities Industry Association, there have been significant shifts in equity ownership in recent years. The number of households owning individual stocks and mutual funds has increased more than three-fold over the past 25 years. Today, half of all U.S. households own these securities. In 2005, this included more than 91 million people and 56.9 million households. In fact, the number of households owning equities increased by over 7 million since 1999! These numbers continued to grow in spite of the 2000-2002 stock market contraction.

To summarize, major trends include:

- Half of all U.S. households own equities.
- 90% of these households own mutual funds.
- Approximately half own individual securities.
- Overall, the values of these investments have recovered from the bear markets of a few years ago, with net household wealth at an all-time high.
- Nearly 75% of households that own equities hold stock or mutual funds individually, outside of retirement accounts.



Due to popular demand, Sharpe has planned an additional “Integrating Major and Planned Gifts” seminar in New York in August. See page 3 for details.

Dealing with change

Fundraisers who understand and account for the impact of changes in equity ownership stand to benefit the most. A broad range of demographic groups own stock and mutual funds. Younger persons are more likely to own mutual funds as part of some type of retirement account. In fact, the majority of equity investors under age 50 own stocks and mutual funds in retirement accounts. Older donors, however, often purchased their first equity investments individually, outside of retirement accounts. Only 27% of investors age 65 and older own equities in employer-sponsored retirement plans or IRAs. Of investors in the 50-64 age range, only 41% own equities in tax-deferred retirement accounts.

The mean *and* median age of an equity investor is 51. As that number indicates, a slight majority of stock owners are over 50. In fact, 52% are 50 and older, with 48% age 49 or younger. While most younger investors hold equities in retirement accounts, most older investors own

Age Distribution of Equity Holders	
Age	Percentage
65+	19%
50-64	33%
35-49	33%
Under 35	15%

Inside:

- What KETRA gifts may mean for the future p.2
- How to design pieces seniors will read p.4



Data shows donors did take advantage of KETRA.

KETRA Gifts Beyond Expectations of Most

Recent press reports indicate that Americans generously responded to incentives under the Katrina Emergency Tax Relief Act of 2005 (KETRA) at levels far greater than expected. See the *New York Times*, April 21, 2007, and the *Chronicle of Philanthropy*, May 3, 2007.

In short, the KETRA legislation lifted the 50% of adjusted gross income (AGI) limit on charitable gifts on a one-time basis in the fall of 2005. The purpose of this provision was to allow Americans to deduct more charitable gifts than normal to help assure there would be adequate funds available for both Katrina relief and other ongoing charitable endeavors. Gifts under the KETRA provisions were possible for all public charities and were not restricted to those involved in Katrina relief.

At the time, many commentators were skeptical about whether large numbers of donors would actually give beyond the normal 50% of AGI limits. The Sharpe Group pointed out that gifts did not necessarily have to be made from "income," as gifts from many sources of funds could qualify. For example, a person with a \$200,000 AGI could sell appreciated stock, generate cash, and then donate enough to offset tax on their entire \$200,000 AGI, plus whatever additional income was generated by the sale of the securities.

Many charities immediately took advantage of the KETRA opportunity and encouraged their donors to make additional gifts in the fall of 2005. Others did not. In a *New York Times* article at the time (see *NYT*, October 27, 2005), Robert Sharpe estimated that gifts under KETRA would total between \$4 and \$10 billion. This estimate was based on Sharpe's research, which indicated that over \$30 billion in deductions were carried forward by taxpayers in 2002. According to Treasury officials quoted in the *New York Times*, gifts deducted under the KETRA incentive totaled an estimated \$11 billion—over three times what Congress estimated would be given when the bill was passed.

Will IRA gifts be affected?

A similar giving opportunity exists through the end of 2007. Congress has provided during 2006 and 2007, taxpayers may give up to \$100,000 to charity directly from a traditional or Roth IRA. These amounts need not be reported as part of the donor's adjusted gross income. This allows donors who do not ordinarily itemize, have reached their 50% of AGI limit, are concerned about taxation of Social Security income, or don't need their mandatory IRA withdrawals to make special tax-favored gifts this fall.

Efforts are now underway to persuade Congress to extend this special tax incentive for charitable gifts beyond 2007. In the meantime, it is important to act now to encourage donors to take advantage of the opportunity that exists between now and the end of this year.

Remember donors are limited to a total of \$100,000 in rollover gifts this year, so alerting donors now may help assure your organization receives its share. [G&T](#)

Editor's note: See page 7 for information about special publications available through Sharpe to help you inform your donors about IRA rollover giving opportunities.

Give & Take:

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SHARPE  GROUP™

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On the Move

The Sharpe Group is moving its Memphis office to new quarters this month. Please make a note of our new address:

The Sharpe Group
8700 Trail Lake Drive West
Suite 222
Memphis, TN 38125

Our telephone numbers will remain the same.

Sharpe Seminar Series

Featured Seminar: Integrating Major and Planned Gifts

The number of donors in the traditional age range for making bequests and many other planned gifts is now declining as the G.I. Generation passes from the scene. At the same time, the Silent Generation and unprecedented numbers of Baby Boomers are moving into their prime years for major and planned gifts. As a result, strategic organizational structures will be constructed around the age and wealth of donors rather than the timing and use of gifts.

Economic uncertainty and changes in tax laws make it necessary for development executives with various responsibilities to do a better job helping donors arrange larger gifts. Learn practical ways to assist donors in making gifts most appropriate to their age, wealth, and other factors while you meet needs for current, capital, and endowment funding.

Special emphasis will be given to working with donors' advisors to create gifts with the greatest charitable benefits on an immediate and long-term basis. **G&T**



On the Agenda for 'Integrating Major and Planned Gifts'

Day One

- Understanding The Donor Life Cycle
- Tax Incentives for Charitable Gifts—What's Left?
- Managing the Gift Planning Matrix
- The Best Planned Gifts in Today's Environment
- Helping Baby Boomers Make Cost-Effective Major Gifts
- 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
- How To Terminate Deferred Gifts
- 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 'Integrating Major and Planned Gifts'

"This is very timely and helpful—the best seminar I have ever attended!"
—Ed Roberts, The Salvation Army, Kansas City, MO

"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

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

"Presentation held my interest throughout. Never felt that I was in a hurry for a session to end." —Hal Reed, University of Connecticut Foundation, Storrs, CT

Upcoming Seminar Training Dates

An Introduction to Planned Giving

Boston
June 18-19

New York
August 20-21

Managing Planned Giving Relationships

New York
August 22-23

Major Gift Planning

New York
September 13-14

Integrating Major and Planned Gifts

Chicago
June 11-12

New York
August 6-7



Multiple registration discounts are available. For more information or to register, please contact The Sharpe Group. Phone 1-800-238-3253, ext. 5313 Fax 901-761-4268 Web site: www.sharpenet.com E-mail: seminars@sharpenet.com

Designing for Seniors

by John W. Jensen

Designing printed pieces for seniors requires special thought and consideration. The subject matter makes little difference—the basic rules and techniques remain the same.

Design printed materials to be easily read by anyone, then review them through the eyes of your primary prospect: a senior over age 70. Keep in mind that the average age, for example, of persons who fund gift annuities is 78 and studies show that bequests are most likely to come from persons who make their final plans at around the same age. These 11 guidelines will ensure that your material is senior-friendly.

1. Use a large and comfortable typeface.

For letters and articles, it's best to use 13-point type. Fourteen point is even better. While this may mean you have to cut down the length of your text, just remember that an unread message has no impact.

2. Use italics rarely or not at all.

Italic and script typefaces are difficult for seniors and others to read, particularly when it is used for more than one or two words. When you want to emphasize a point, use bold, a different font, or underline it if it is not too long.

3. Left justify your text.

Left justified text is easiest to read. Avoid blocking paragraphs with right and left justification, as this results in uneven word spacing, which is also much more difficult to read.

4. Indent every paragraph.

Flush left sentences are formal, cold, distant, and uninviting. Indented paragraphs will catch the eye and are more appealing. Studies show that seniors are used to and trust copy indented in this traditional way.

5. Keep sentences, paragraphs, and line lengths short.

Seniors will tend to read only the first line or two if the paragraph is longer than seven lines (lines, not sentences).

6. Use high contrast.

The contrast and crispness of the text and design against the paper are vital for readability. Never use light, low-contrast colors or print on a colored paper. Black, dark blues, and deep greens are much easier to see than light ink colors. Yellows, browns, reds,

pinks, and oranges can be hard to read. Anything that is difficult to read is less likely to be read.

7. Take care when using background screens.

If a background screen is used, make it as light a screen as possible (15% is good) or box. A heavy screen or dark color will reduce contrast and readability. Never use a screened photo, text, or image in the background of the message you are trying to convey. This reduces contrast, breaks up text, and makes it impossible for seniors to follow easily.

8. Be cautious using reversed type.

“Reverse” refers to a block of color in the background with the actual text usually in white. Reversed type should be used sparingly when writing a paragraph or an article. Longer reverses can be quite difficult to read. When used, make sure the sentences are short, the typeface large, and the contrast strong. Seniors find reversed type very difficult to read as the letters tend to “fill in.”

9. Watch out for coated paper stock.

Coated paper surfaces (like high-gloss) take ink well and look nicer initially, but they can cause glare. For younger eyes, this is fine. As we age, however, this reflection or glare makes the text significantly more difficult to read, just as in the case of computer screens for seniors. It is much easier for senior eyes to read material on uncoated or dull-coated matte or similar papers.

10. Remember reading levels.

Make your writing easy to read. Write to a level that is appropriate for your readers. If in doubt, write to the 8th or 9th grade level. Keep in mind that only 18% of those over 65 have college degrees. Some 30% of persons over 70 did not graduate from high school. Even those with advanced education find reading a level a few years below their maximum education level more appealing. Most word processing programs have tools that can help you determine the education level of a document you have written.

The easier a topic is to read and understand, the more it is apt to be read. This does not mean “dumbing down” your copy. It means using simple, direct writing and often shorter sentences and paragraphs. The fact that your donors may all have college degrees is irrelevant. The key here is not what your donors can understand, but rather what they will read and quickly comprehend.

In the Market for Gifts? ...Continued from page 1



Barlow T. Mann is an attorney and chief operating officer of The Sharpe Group. He designs planned giving programs for a number of America's nonprofits, presents seminars, and authors many articles on gift planning.

securities both individually and in retirement accounts. For the most part, the younger investors will not access these funds because of the tax liability and penalty they would incur for doing so. Those IRA holders over age 70½, however, may enjoy tax-free charitable giving resulting from increases in equity values inside their IRAs up to a \$100,000 maximum in 2007.

Not just for year-end

In years past, not-for-profits received most, if not all, gifts of appreciated securities during the final month or two of the year. Over the past few years, those gifts tended to come from a relatively narrow segment of an organization's donor base. With one

out of three Americans now owning equities, development professionals would be wise to educate their constituents about the possibilities and benefits of funding their charitable gifts with investment funds. The Sharpe Gift Planning Matrix may be helpful in identifying a variety of prospects from donors of assorted ages and wealth levels.

Sharpe Gift Planning Matrix			
	Younger -50	Middle-Aged 50-70	Older 70+
Wealthy	A1	B1	C1
Moderate	A2	B2	C2
Limited Means	A3	B3	C3

Most younger prospects for gifts of equities will be found in the A1 box. They are likely to be college-educated corporate executives and professionals who have investments in addition to tax-deferred retirement plans. This group may also include some who have inherited wealth from their parents, grandparents, or other relatives.

To find the wealthier, middle-aged prospects for equity gifts, look to the B1 box. This group, traditionally courted by major gift officers, is comprised of older members of the Baby Boom Generation and the younger segment of the Silent Generation. Most people in this group are still working and in their peak earning years. In many cases, their net worth has never been higher.

In addition to enjoying the income and capital gains tax benefits of a gift of securities, this group may also be able to utilize such gifts to minimize or eliminate alternative minimum taxes. That is because charitable gifts are deductible against both regular and alternative minimum tax liabilities. Larger outright and deferred gifts create charitable deductions that, when itemized, can reduce the difference between the regular and alternative tax liability. Strategically planned gifts of securities can also help with an individual's asset allocation and diversification issues. In addition, certain gift plans can provide professional asset management and can help restructure a donor's finances prior to retirement. Look beyond the obviously wealthy for those who fit the profile of the "millionaire next door." Many members of the upper half of the B2 box can also benefit from these strategies.

Those in the C1 box—wealthy retired, or semi-retired, individuals and couples should also be educated about equity gifts. Their net worth is likely higher than ever and, in many cases, their disposable income also remains quite high because they are required to take distributions from retirement plans whether they need them or not. This year is an ideal time to ask members of this group to direct gifts to charity of up to \$100,000 from Individual Retirement Accounts before December 31. This may also be a good time to encourage them and others to include charitable beneficiaries for remainders of their IRAs and other tax-favored retirement accounts at their death.

According to data from 2006, the single most popular amount of IRA gifts under the Pension Protection Act of 2006 (PPA) was the maximum of \$100,000. Members of the C1 box are among those most likely to have IRA assets that they will not need. Others in the C1 box may find themselves cash poor and property rich. In this case, they may be able to "give out of the stock market" to fund a gift annuity or charitable remainder trust designed to provide a fixed or variable income for life, which may also result in multiple years of income tax savings from the charitable deduction.

The C2 box may hold the largest number of charitable gift annuity prospects. You may find that others in this group would prefer to conserve cash and fund charitable gifts with appreciated securities. If a donor cannot itemize larger gifts, "bunching deductions" into alternate years may provide some tax savings. This C2 group, as well as those in the C3 box, should also consider making charitable gifts from IRAs under provisions of the PPA before December 31. They may also choose to designate charitable organizations beneficiaries of their retirement plans.

The time is right

While recent months have seen the Dow and many other stock market indexes increase to record levels, nobody knows where the markets will be in December. Those who are prepared to help donors take full advantage of the current financial markets will reap the benefits both now and, possibly, in the future. **G&T**

Designing for Seniors ...Continued from page 4



John Jensen is senior vice president and consultant with The Sharpe Group. With over 35 years of development experience, he works with nonprofits on designing and administering effective gift planning programs.

11. Design for the reader.

Give & Take is designed for a younger audience. Sharpe booklets and other marketing materials on topics that appeal to older donors, on the other hand, are designed for seniors and look very different. Compare for yourself.

One final tip

Eyesight declines noticeably by 45, precisely the time that many of us need bifocals. Keep in mind that by designing for seniors, your printed materials will also be easier and more inviting for all ages to read! [G&T](#)

Editor's note: for more information on designing for seniors, see the May 2000 Give & Take article "Do You and Your Donors See Eye to Eye?" Go to www.sharpenet.com, click on "Give & Take," then scroll through the Archives on the left.

Training Opportunities for Final Half of 2007

Make plans now to provide your staff with premier training led by experts in the field. Since many nonprofit organizations begin their new fiscal year in July, it may be the perfect time to allocate some budget dollars to gift planning seminars—from the introductory level up through advanced training.

Remaining Training Dates for 2007



June

Integrating Major and Planned Gifts
An Introduction to Planned Giving

Chicago
Boston

June 11-12
June 18-19

Sold Out



July

Issues in Gift and Estate Administration

Chicago

July 11



August

Integrating Major and Planned Gifts
An Introduction to Planned Giving
Managing Planned Giving Relationships

New York
New York
New York

August 6-7
August 20-21
August 22-23



September

Major Gift Planning

New York

September 13-14

October

An Introduction to Planned Giving

Tampa

October 29-30

November

An Introduction to Planned Giving

San Francisco

November 28-29

Footnotes

Help your donors “give out of the market”

On page 1, Barlow Mann pointed out the importance of taking advantage of current investment market conditions. While stock indices are now at record highs, no one knows what the fall may bring.


Act today to inform donors about the special benefits of gifts of appreciated securities. The booklet **“Giving Securities”** and the brochure **“Questions & Answers About Giving Securities”** are designed to help your donors make tax-effective gifts of securities today when benefits may never be greater. Call 1-800-238-3253 to speak with a Sharpe representative about the best ways to use these publications to educate your donors this fall. To view both publications, visit www.sharpenet.com/pubs.

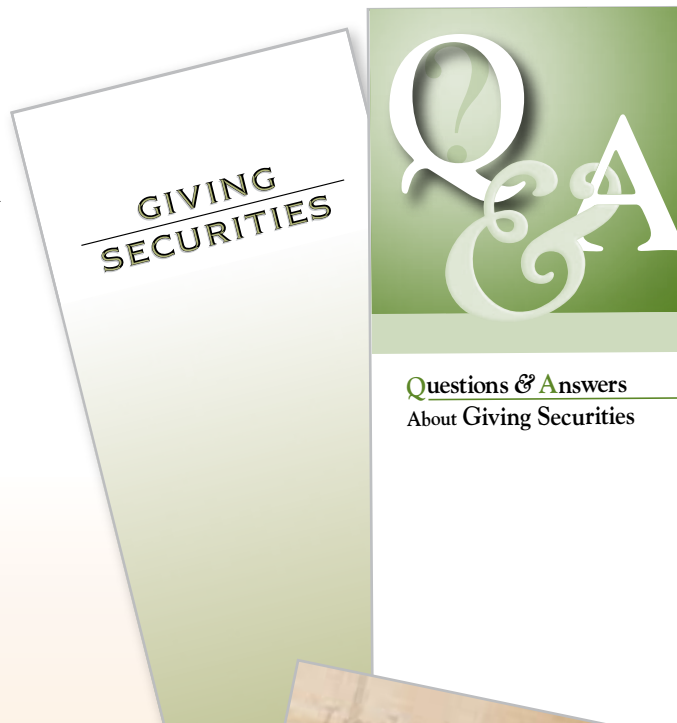
Encourage IRA gifts before end of 2007

The IRA charitable rollover provisions provided by last year’s Pension Protection Act are still in effect until the end of this year (see page 2). Make sure your donors are aware of how the PPA can still help them make tax-free charitable gifts from certain retirement plan assets with the brochure **“The Charitable IRA.”**

This brochure explains that when those age 70½ or older make charitable gifts directly from their traditional or Roth IRA, such gifts will be completely tax-free until the end of 2007. Readers will learn that they may give all or a portion of the mandatory IRA withdrawals up to \$100,000. In addition, those with retirement assets in other types of plans, such as a 401(k), may be able to transfer assets to an IRA and then make their charitable gifts.

Since the tax benefits of the PPA will only be available to gifts made by December 31, 2007, time is of the essence. Communicate with your donors now about IRA rollover benefits in the final six months of the year.

To view “The Charitable IRA” brochure in its entirety, check the Sharpe Web site at www.sharpenet.com/irarollover. If you would like to place an order, please call a Sharpe representative at 1-800-238-3253. 



News and ideas about The Sharpe Group’s services.



Giving Out of the Market



With the stock market at record highs, now is the time to educate your donors about the benefits of funding gifts with securities. Let the popular booklet “Giving Securities” help.

- Describes in easy-to-follow language how to make a gift of securities
- Explains the tax benefits associated with funding a gift with securities
- Features helpful examples
- May be particularly useful for your top individual donors, those with outstanding pledges, and those who have made gifts of securities over \$1,000 in the past

While markets are at their highest levels ever, make sure your donors—and their advisors—know that giving securities now may be a smart option and could help them give more than they ever thought possible.

Call 1-800-238-3253 for more information about “Giving Securities” or visit www.sharpenet.com/pubs.



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