

# GIVE & TAKE<sup>®</sup>

News and Ideas for Development Executives of Nonprofit Organizations

February 2008

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## Are You Suffering From a Blocked Transom? by Robert F. Sharpe, Jr.

**W**e sometimes hear from nonprofit managers that they do not believe it is important to actively encourage charitable bequests because, “everyone knows you can’t influence a bequest; they just come in on their own.” These organizations choose to rely on bequests that come in “over the transom.”

I used this phrase recently in a presentation and someone raised his hand and asked, “What is a transom?” A “transom” is the crossbar above a door that might, in the days before air conditioning, have a window or fanlight above it to provide ventilation. The phrase “over the transom” referred to persons tossing unsolicited materials through the transom. *Webster’s* defines “over the transom” as “something that appears without solicitation or prior arrangement.” Thus the reference to bequests coming in “over the transom.”

It is certainly not at all uncommon for charities to receive bequests that are not known about in advance. In fact, in the case of some of the nation’s largest and most prestigious educational institutions that often enjoy relationships of half a century or more with their alumni, it is normal that they know about only one out of four bequests in advance.

In the case of organizations that have less personal involvement with donors and who may be involved for only a few years prior to their deaths, it is not atypical for them to know about only one in ten (or more) bequests in advance. Does that mean that efforts to encourage and



**Join The Sharpe Group in Chicago for “An Introduction to Planned Giving” in April. For more, see page 3.**

discover bequests or commitments from similar estate planning vehicles are futile? Hardly.

### Back to basics

Perhaps no documents are more personal in nature than a last will and testament, living trust, or other plan. Parents often do not even tell their own children the terms of their will, let alone charities or others that may be included.

The desire for privacy is just one reason donors choose not to disclose that they have included charitable bequests in their wills. Another reason is the desire for flexibility. I have heard donors say that they do not want charities to know of a bequest provision because their circumstances may change, they might have to alter their plans, and they do not want the charity to rely, to its detriment, on the bequest.

For these and other reasons, it should come as no surprise that often

even those donors who are close to an institution will not want the charity to know about their plans. And, if they do, they may not want those plans publicly recognized. We should keep this in mind when considering the role of bequest recognition societies and other efforts aimed at discovering and recognizing bequest donors.

Additionally, efforts to discover and recognize bequests in advance that are primarily based on embedding the recognition of such gifts in ongoing capital and endowment campaigns will rarely uncover more than a fraction of the total bequest intentions, regardless of the amount of recognition. While this approach will work with some donors, it will almost always be a relatively small group.

### Achieving balance

It is important to have a multifaceted approach to encourage

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**INSIDE:** [Update on IRA giving](#)

[Experienced fundraiser finds work intriguing](#)

# IRA Gifts R.I.P?

by Barlow T. Mann

The Pension Protection Act of 2006 (PPA) included special provisions allowing certain persons to make direct transfers from Individual Retirement Accounts (IRAs) to charitable organizations. The law limited the transfers to those over age 70½ with traditional or Roth IRAs. The maximum that could be distributed per individual per year was \$100,000. Theoretically, couples with sufficiently large IRAs could transfer up to \$200,000 to charity on a tax-free basis.

Funds transferred in this manner did not qualify for a charitable deduction, but did avoid taxation, which was essentially the same as a 100% deduction for amounts transferred to charity. The funds transferred could not be used to create a gift annuity or other life income gift and had to be transferred in a way in which they would otherwise have been treated as completely deductible. These transfers also counted toward a required minimum distribution for the year. Unfortunately all of these provisions of the PPA of 2006 expired at the end of 2007.

## IRA giving snapshot

Of the estimated \$136.8 million in IRA gifts reported to the National Committee on Planned Giving as of January 17, 2008, the vast majority might be categorized as “larger” gifts. Only 1% of the dollar value of the transfers were \$1,000 or less. Approximately one-half of the total dollars transferred came from

distributions greater than \$50,000. Some 75% came from transfers of more than \$25,000, and more than 90% come from gifts of \$5,000 or more, making the IRA rollover in practice a popular means to facilitate major current gifts.

## The future of retirement plan giving

There are currently several proposals that would extend or expand the incentives for using IRA funds for charitable purposes in 2008. Even if such legislation fails to pass, however, IRA and certain other retirement funds still represent an attractive “pocket” from which to make charitable gifts during or after one’s lifetime. Given that most gifts under the PPA legislation were relatively large, it may be worth exploring ways it may still be possible to make relatively tax-efficient gifts using retirement funds.

In many cases, persons over the age of 59½ who itemize charitable deductions can achieve an outcome similar to the advantages that were offered by the PPA by simply withdrawing retirement funds and giving them to charity while claiming an offsetting charitable deduction. Because persons of this age can withdraw funds without a penalty for early withdrawal, depending upon the donor’s circumstances this can result in a “wash” or “near wash” for tax purposes. *(More on this in next month’s Give & Take.)*

## IRA gifts in long-term plans

As far as estate gifts go, IRAs and other defined contribution plans such as 401(k)s or 403(b)s remain an excellent choice for many to use to fund charitable gifts at death. That is because the plan distribution may otherwise be subject to estate tax and any balance will also generally be taxed as income when received by a non-charitable beneficiary.

Regardless of the future of pending legislation to encourage IRA gifts, gift planners should continue to evaluate retirement plan assets as a source for charitable giving when appropriate, given the donor’s circumstances.



**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.**

## GIVE & TAKE®

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# Sharpe Gift Planning Institute

## Featured Seminar: An Introduction to Planned Giving

This seminar provides an introduction to charitable gift planning in today's environment. It is designed for those assuming responsibility for planned giving, as well as executives with multiple duties who are looking for the best ways to spend time and resources on planned giving.

Beginning with an overview of the role of gift planning in maximizing charitable giving, this seminar examines the personal priorities of donors at different stages in life and explains how more effective gift planning can help them make

significant current gifts as well as plan legacies through bequests, trusts, gift annuities, and other popular gift planning techniques.

Also included is instruction on communicating the benefits of planned gifts to broad groups as well as the use of the telephone, written correspondence, personal visits, and other ways to manage relationships with planned gift donors and prospective donors that are appropriate, tasteful, and effective.



## What Attendees Are Saying . . .

*“Terrific seminar. On time, on target, on schedule. Personable and prepared presenters. Will use the notebook often.”*—Caitlin Davis, University of Nebraska Foundation, Lincoln, NE

*“Excellent seminar which met expectations formulated by advance materials and recommendations of colleagues. Manual is superb reference—succinct and well organized. Thank you for two informative, well-executed days.”*—Betty Hungerford, Homeland Center, Harrisburg, PA

*“This is the most worthwhile professional conference I can remember attending.”*—Chandler Battaile, Association for the Preservation of Virginia Antiquities, Richmond, VA

## On the Agenda for ‘An Introduction to Planned Giving’

### Day One

- Charitable Gift Planning in Perspective
- Understanding Timing and Types of Gifts
- Basics of Property and the Ways It is Transferred
- Overview of Taxes and Giving
- Gift Planning Tools: Part 1
- Gift Planning Tools: Part 2

### Day 2

- Practical Case Studies
- Gift Acceptance Policies and Infrastructure

- Macro Marketing Broad-Based Planning Opportunities
- Micro Marketing Planned Major Gifts
- Preparing for Donor Contact
- Creating Proposals and Other Written Communications

### Day 3

- Effective Use of the Telephone
- The Personal Visit
- Evaluating Donor Contacts
- Stewardship and Recognition—The Margin of Excellence
- Issues in Estate Settlement

See [www.sharpenet.com/seminars](http://www.sharpenet.com/seminars) for a complete agenda and dates for this and other Sharpe seminars.

## UPCOMING SEMINAR TRAINING DATES

### An Introduction to Planned Giving

Washington, D.C.  
March 17-19

Chicago  
April 14-16

### Planning Major Gifts

Chicago  
February 25-26

### Integrating Major and Planned Gifts

San Francisco  
February 28-29

Washington, D.C.  
April 21-22

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

# Consultant, Teacher Inspired by Clients, Students

This month, *Give & Take* talks with Margaret Holman, President and Founder of Holman Consulting in New York, and long-time presenter in Sharpe's popular seminar "An Introduction to Planned Giving."

## **Give & Take: How did you get started in gift planning?**

**Holman:** I had worked at a variety of nonprofit organizations in New York City, including CARE, the American Academy of Dramatic Arts, and Barnard College. I had also done some fundraising and public relations for a number of nonprofits in California, but I hadn't done fundraising related to planned giving until 1986, when I became the Senior Vice President for Development and Communications at the ASPCA in New York. Since its founding in 1866, the ASPCA had included a box in its annual report that featured the wording for how to leave the ASPCA in your will. Since we had a rich history of receiving bequests without a great deal of effort, I wondered what would happen if we put our shoulders to the wheel and started a program? So I looked around for a consulting firm to help, and after many interviews we selected The Sharpe Group. I attended Sharpe training courses as well. So that was my first real exposure to organized planned giving.

## **G & T: How have you seen gift planning change over the years?**

**Holman:** There has been a huge change, which has a lot to do with the demographics. The so-called "Greatest Generation," or "GI" Generation, is gradually dying out now, with the youngest World War II veterans now over the age of 80. We are going to have a big gap between the Greatest Generation and the Boomers.

When I first started out in planned giving, most organizations hired a director of planned giving who specialized in planned giving and did nothing but planned giving



**Margaret Holman**

full-time. When you attended the Sharpe "Introduction to Planned Giving" seminar in those days, virtually everyone there had the term "planned giving" in their titles. Now, I see the gradual blending of planned giving into the broader development world. Today, you see titles such as Director of Major and Planned Gifts. We used to say this was the perfect job for someone who understood broad-based fundraising because most of the planned giving donors came from the masses of annual fund, direct mail, and membership donors. But when organizations realized that planned giving techniques could also be used to structure larger gifts from traditional major gift donors, planned giving began to be incorporated to a greater or lesser extent into the major gift fund-raising efforts of many organizations.

## **G & T: What is the most rewarding aspect of your job? What inspires you?**

**Holman:** Because I am a consultant, I get a chance to see a wide variety of clients and situations. I have had the opportunity to work with very interesting fundraising professionals, from major gift officers to planned gift officers to special events people. But for me, the most intriguing aspect is having the opportunity to work with trustees and boards of directors. To see an organization both from 50,000 feet above as well as right on the ground makes my life very exciting. Having the opportunity to use my 30+ years of fund-raising experience to get boards to listen to their own development people is fun.

## **G & T: What do you enjoy most about teaching others about planned giving?**

**Holman:** I love the feedback from students and participants. I teach at NYU over the summer in their continuing education program, and I love the great questions the students have about things we as fundraisers take for granted. Having to slow down and give them a better explanation of how we do things is often a fascinating experience. And seeing the light bulb go on over their heads is a very rewarding part of the job.

## **G & T: As someone who has worked for a number of years in nonprofit fund development, what attributes do you find are common in the most successful fundraisers?**

**Holman:** If I could get my students to take two courses—one in sales and one in psychology—I would be

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## ...Blocked Transom? ...continued from page 1

bequests, life insurance and retirement plan beneficiary designations, and other revocable estate gift commitments.

Marketing efforts designed to encourage and discover such gifts may be included in general donor communications, as part of personal visits where appropriate, through campaign strategies, and as part of targeted mail and other communication efforts.

Studies show that the average age when people make the final will that leaves a bequest to charity is normally in the 70 to 90 range. Wills completed earlier in life may include *contingent* charitable bequests (those that will occur in the event of a spouse predeceasing or other event), but these normally do not occur. In the case of married persons, most bequests that are received are included in the wills of the surviving spouses that were completed after first settling their spouse's estate.

The *last* will is the important one, and in order to participate in that will, it is critical to be top of mind at the time it is completed. That means targeting information to persons at the appropriate point in life.

Mail and other traditional print media remain the primary means of communication with the 75-and-older age range, when the bulk of final bequest decisions are made. Over time, we can expect more web activity with that group, but at this point only a relatively small percentage of those over 75 are active online. For now, we must play the hand we are dealt.

### What about response?

Although the number of responses received from marketing efforts is important, that is only a small part of the story. Just as only a small number of people who include charities in their wills choose to notify the charity in advance, likewise only a small number will request information or take a call to discuss their plans with a representative of the charity.

For those who have been marketing to the same group over age 55, by the time these donors are 75 they may have received 80 or more communications—all before they are even at the age to make their final will! They have had scores of opportunities to respond and may not have done so, primarily because the timing was not right. In these cases it may be wise to focus on increasing current gifts from middle-aged people with 20- or 30-year life expectancies and focus bequest development efforts on the oldest, long-term donors who may be more likely to think of a charity when they next visit their attorney and are asked, "Have your charitable wishes changed?"

### A bonus for discovery

While most bequest donors will not tell you about bequests in advance, many of our most successful clients have learned that bequests that *are* known about in advance are on average two or three times larger than those that come in "over the transom." Why might that be? First, many of the people who will tell you in advance are single persons with no children or other natural heirs. In many cases, they want the charity to know so that their wishes will actually be carried out. Second, some of them may not be as concerned about privacy and may be actively seeking recognition for their bequests during their lifetimes.

As noted earlier, left to their own devices, donors will often include as many as 10 charities in their plans. Advance notice of a bequest in response to effectively targeted marketing materials can impact this number.

Once donors have informed a charitable interest of their intentions, they tend to be cultivated and staff members are more likely to stay in touch. Because someone has expressed gratitude and is paying attention to them, they are far more apt to retain the charity in their plans—and often

for a larger share. For instance, when a donor forms stronger relationships with four charities and is ignored by four others, on a final revision of the will the number of charities may be reduced to four instead of eight.

Because most of the largest bequests are residuary in nature (bequests of what is left after providing specific sums to others), the charities left in the will then split the remainder four ways instead of eight. The four remaining charities thus receive twice the amount they would have if all eight had relied on the "transom." The charities removed are left out not because of what they *did*, but rather what they *didn't* do. They may then find themselves suffering from a condition that could be referred to as a "blocked transom."

Most charities that have been in existence for a number of years and have a core of dedicated donors will, in fact, occasionally receive bequests with little or no effort on their parts. But as time goes on, those that are more proactive in efforts to encourage, discover, and carefully steward relationships may find themselves more often being elevated to the status of family members and included in wills—and staying there.

Editor's note: This is excerpted from the "Macro Marketing" session in the Sharpe seminar "An Introduction to Planned Giving."



**Robert F. Sharpe, Jr., is president of The Sharpe Group. He advises a number of the nation's leading nonprofits in the design, implementation, and management of their gift planning initiatives.**

## Consultant, Teacher . . . continued from page 4

a happy camper. That's because the people skills each teaches you are invaluable. A really good salesperson is someone you like to go back to and buy things from because they're courteous, knowledgeable, interested in you, and want to provide you with the best possible service. Fundraising, like selling, is not coercion; it is helping people realize that they need to support your organization.

When you study psychology, you figure out what motivates people to do things and what kind of signals they are giving off when they're making this kind of decision. For example, you can't ignore the body signals that donors send you. If you are talking with a donor and she starts to tune out, she will often sit back and cross her arms over her chest. Inexperienced people will plow on and not realize that the donor is basically saying, "Stop, I am either overwhelmed or this is really not of interest to me."

To prove my point, during a presentation I made yesterday, I said, "Ok, is everybody ready to learn about a NIMCRUT?" Their eyes glazed over. I said, "If *you* feel that way, how do you think a donor is going to respond when you come in with charts and tables and diagrams trying to explain a NIMCRUT to them? Why not just introduce the concept of making a gift in such a way that, if times are bad, it may actually help the donor make it through those bad times?" Understanding what motivates donors to make these gifts is very important, much more so than the raw technical knowledge. You can get help with the technical aspects. You can't buy people skills that get you to the point where you need and can use the technical ability.

### **G & T: You have written articles for *Give & Take* in the past on myths about women's philanthropy. What myths do you think still exist today?**

**Holman:** There are still a lot of myths out there about women's giving. For example, many people are just astonished to hear that women own almost 52% of the assets in America today. Don't ask me why. I think some people think that women are still like their

## **"Understanding what motivates donors to make these gifts is very important, much more so than the raw technical knowledge."**

mothers, who may have gotten an allowance from their husbands to do the grocery shopping and buy clothes, etc. Now, women are starting businesses at three times the rate of men and have become savvy investors.

Another myth is that women give differently than men do. I think that is very far from the truth. They give in the same ways that men do, they just approach the act of writing the check differently than do men. Women are consensus builders who like to give in groups or like the idea that other women are significant donors to organizations. In my experience and very

generally, most men regard giving as a business proposition requiring facts and figures, while women give from the heart and want to be involved in some way with the recipient organization. The approaches should be tailored not only for each individual donor, but also with the idea that women are more likely to become involved through personal experience with the charity. Women and men make the same gifts; they sometimes just arrive at those gifts from different paths.

### **G & T: Why do you believe people make charitable gifts?**

**Holman:** It makes them feel good. I think it was John Rosenwald who said, "Don't give till it hurts; give till it feels good." I think giving, if handled properly by the recipient organization, makes people feel really good. And that's why they make these gifts. If donors feel good about the gifts they've made, you'll get bigger, better, and more frequent gifts.

### **G & T: You are currently President of the Planned Giving Group of New York. What do you hope to accomplish during your term?**

**Holman:** We are becoming more inclusive with our membership. Because the nature of planned giving is changing, we can't survive if we only look for members among the ranks of planned giving officers. So we need to expand the benefits of membership to include folks who are handling planned giving as part of their other development duties, such as major gift officers and annual fund people.

## Covering All the Bases Just Got Easier

February may be an ideal time to create an action plan for reaching the most donors with effective ways to plan their gifts this year. Since taxes are likely on people's minds this time of year, they will appreciate any information that explains the tax and other benefits of a variety of giving options they may want to consider. Sharpe offers two publications that can either supplement a strong marketing strategy or serve as building blocks of an emerging donor communication effort.

The new booklet **"7 Ways to Give in 2008"** is designed to appeal to a broad range of donors. Written in an easy-to-understand style with a minimum of technical terms, "7 Ways" focuses on seven popular ways of giving: giving cash, giving securities, giving real estate, giving other assets, making future gifts, giving and retaining income, and making temporary gifts. This booklet also explains the factors that may affect the size and scope of a person's giving, such as deciding when and what to give. Readers will also learn about bequests and life income gifts—important sources

of planned gifts for many nonprofit organizations.

**"Chartered Giving Plans"** is also an excellent piece to turn to when you want to describe many of the most common gift plans to your donors. Printed in a unique map-like format, "Chartered Giving Plans" allows donors to make comparisons of seven well-known gift planning arrangements at a glance. This booklet, which appeals to donors and advisors alike, also features information about the tax implications and income possibilities of particular gifts.

Make sure your donors, and those who advise them, know about the wide variety of giving options that are available to them. Consider providing your donors, prospects, and advisors with "7 Ways" or "Chartered Giving Plans" once a year in a targeted mailing. Or use the booklets as helpful follow-up and acknowledgment pieces by sending them to those constituents who gave at or above certain levels last year.

The more donors know about the gift plans available to them, the

more likely they are to complete such gifts. With "7 Ways to Give in 2008" and "Chartered Giving Plans," you have two expertly written, all-purpose publications you can count on to communicate the most essential ways of giving and their many benefits to the bulk of your donors and prospects.

"Chartered Giving Plans" and "7 Ways" may be personalized with your logo and contact information on the front and/or back covers. Other personalization options are available as well. For more information about ordering or ways to include these communications tools in your overall marketing plan, call 1-800-238-3253. Visit our web site at [www.sharpenet.com](http://www.sharpenet.com) to see each booklet in its entirety.



## Other Timely Marketing Ideas

Here are a few more marketing ideas to consider during the month of February.

- Spring brings with it many opportunities to honor others through charitable gifts—Mother's Day, Father's Day, Memorial Day, religious holidays, graduations, etc. Plan now to remind donors about the benefits and personal satisfaction of memorial giving this year. Consider sending **"Giving Through Living Memorials"** brochures to those who may want to remember their loved ones with special gifts. For more information, visit [www.sharpenet.com/pubs/](http://www.sharpenet.com/pubs/) and click on "Specialty Brochures."
- Looking for a way to build a bridge between your planned giving program and your acknowledgment program? With Sharpe's **"Thanks for Giving"** brochures, you can thank your donors for their gifts, and let them know about other giving opportunities that may help them protect their future financial security as they give. This brochure may be an excellent acknowledgment piece to accompany gift receipts furnished to donors. To view samples of "Thanks for Giving," see [www.sharpenet.com/pubs/](http://www.sharpenet.com/pubs/) and click on "Specialty Brochures."
- Does your organization accept gifts of real estate? Are your donors aware of that? Inform your friends about the benefits of gifts of homes, land, or other appropriate property. The booklet **"Giving Real Estate"** is a great piece to have on hand during visits with donors, or it can be used as a follow-up piece for those who have expressed an interest in such gifts. For more information, check out [www.sharpenet.com/pubs/](http://www.sharpenet.com/pubs/) and click on "Booklets."

# Sharpe Gift Planning Institute

Development executives have relied on The Sharpe Group for premier training for over 40 years. If you want to increase your awareness of gift planning techniques and help your program reach its full potential, there is still space available in the following Sharpe Gift Planning Institute Seminars:

## February

Planning Major Gifts	Chicago	February 25-26
Integrating Major and Planned Gifts	San Francisco	February 28-29

## March

An Introduction to Planned Giving	Washington, D.C.	March 17-19
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## April

An Introduction to Planned Giving	Chicago	April 14-16
Integrating Major and Planned Gifts	Washington, D.C.	April 21-22

## May

Planning Major Gifts	New Orleans	May 5-6
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Registration is always limited to allow for more interaction between participants and instructors. Previous seminar presentations have sold out. Register early to ensure your spot.

For more details or to register, see page 3, call 1-800-238-3253 ext. 5313, or visit [www.sharpenet.com/seminars](http://www.sharpenet.com/seminars).



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