

GIVE & TAKE®

News and Ideas for Development Executives of Nonprofit Organizations

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Was Planned Giving Invented in 1969? by Robert F. Sharpe, Jr.

It is not uncommon for those making presentations about planned giving to begin with references to how “planned giving was created by Congress as part of the Tax Reform Act of 1969.”

In reality, many of the common gift planning tools we use have been around for centuries, and Congress finally enacted rules governing the use of them where tax benefits were desired as part of the 1969 tax act.

Planned giving in the mid-20th century

During the 1950s and '60s, a number of institutions were broadly marketing to persons outside their natural constituencies what could only be described as tax shelters. Oftentimes the “donors” who availed themselves of these “gift plans” had little or no donative intent toward the institutions that promoted the plans.

These “tax shelter” plans primarily involved the use of charitable remainder trusts. They took advantage of the fact that there were few statutory, regulatory, and court-determined guidelines governing payout rates, discount rates, how trusts could be invested, how the income would be taxed, how much the charitable benefit had to be, etc.

In 1969, in an attempt to limit the abuses it perceived without interfering with the positive uses of charitable remainder trusts and other charitable estate planning tools, Congress gave us very strictly-



Boston will be the host city for “Planning Major Gifts” in August. See page 3 for more.

defined rules governing the vehicles we now know as charitable remainder unitrusts, annuity trusts, pooled income funds, charitable lead trusts, and others.

New laws created new niche

This complex patchwork of arcane laws made it necessary for a group of tax attorneys, many of whom are now well known gurus in planned giving, to “hit the road” beginning in the early '70s to teach the staff and volunteers serving America’s nonprofits the new rules that governed charitable estate planning.

As a result, many of the persons who entered the field of development during that period naturally assumed that planned giving was something new, primarily based on tax law, and an optional technique that they

may or may not wish to append to their programs. These managers often responded by hiring persons who were expected to specialize in understanding and applying the “new” plans put in place by the 1969 tax act. These persons were typically called “Directors of Deferred Giving.” There are still a few persons in America who bear that title, though “Director of Planned Giving” or “Director of Gift Planning” have become more commonly used. In 1972, The Sharpe Group spearheaded that change by adopting the term and suggesting the title as part of an article published in *Give & Take* in August of that year:

“A donor usually considers a current gift to your institution as a cash outlay now. To make a deferred gift, a person decides to give at some future date, either

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Retired Fundraiser Loved Job, Community

In this issue of *Give & Take*, we talk with Barbara Cooke, the former Director of Development of Oaklawn Hospital in Marshall, Michigan. Having retired in January after an 18-year career in fund raising as well as other management responsibilities at Oaklawn, Ms. Cooke explains why she accepted a position to create Oaklawn's development program from scratch—and why she loved every minute of it.

Give & Take: How did you get started in fund development?

Cooke: I got involved primarily as a result of my volunteer leadership roles. I initially joined the Continental Bank Charitable Foundation in Chicago, and started out making grants to charities. We set up budgeted giving and a matching gift fund back in the late '60s and early '70s when nonprofits were just beginning to realize that there were a lot of corporations out there looking to fulfill their corporate responsibilities to the communities in which they had facilities. I left there to join the American Red Cross in Chicago. I was at the Red Cross until my husband retired and we moved to Michigan.

Oaklawn Hospital did not have an established development department at the time. So I was hired in 1989 to establish a permanent development

program that would embrace all the facets of fund raising, and that was what I did. Today, Oaklawn has a full range of development activities, and they have done this with the same staff—one Director of Development professional and two support staff. So it was a small shop that operated on a very tight budget.

G&T: What were the advantages of being in a small shop?

Cooke: I knew all that was going on and I was responsible for everything. And we had some outstanding volunteer leadership, and they helped make things happen. Marshall is a very caring community, so it was always easy to get volunteers because of the high regard people have for Oaklawn.

Volunteers were always willing to pitch in and help. People give to people, so it always helps when you have those key volunteers helping you make requests.

G&T: Why do you think you stayed so many years at the Hospital?

Cooke: I thoroughly loved my job. Marshall is a phenomenal place to live, so warm and all-embracing. And my responsibilities were ever-changing and the challenges ever-broadening. There is nothing

more exciting than having a blank slate and bringing it to life.

G&T: How did you get started with planned giving?

Cooke: When I stepped back and looked at the various components of fund raising that I wanted to get in place, and what my resources were, and what I could do myself and what I could get key volunteers to help with, I realized that one of the things that I couldn't do by myself was planned giving. So I went in search of some help and found The Sharpe Group. Sharpe had the legal staff, the writing staff, and the creative staff that I needed to help us with our planned giving communications pieces.

Over the years, Oaklawn has received some wonderful bequests, the bulk from simple wills. And while you never know exactly what prompts many of the bequests that are received, I do know that every newsletter we sent over the years was planting another seed in the recipient's mind about how bequests and other planned gifts are always appreciated by Oaklawn Hospital.

G&T: Any advice for those who may be just starting out in the development field?

Cooke: In terms of gifts through estates, patience is important because one cannot expect results overnight. You may work on some gifts you will never see. I hope that gifts will continue to come into Oaklawn Hospital a long time from now that I worked on years ago.



Barbara Cooke

GIVE & TAKE.

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Sharpe Gift Planning Institute

Featured Seminar: Planning Major Gifts

This fast-paced seminar is designed for those who would like to learn more about ways to structure larger gifts from wealthier donors of all ages in today's environment. Following a review of environmental influences and how various gift planning tools are best used to meet donors' needs today, the presenters will then address a number of other topics of interest to those responsible for major and/or planned gift development.

An in-depth analysis of gifts of real estate and other non-cash properties is featured. Special attention is given to gifts that result in ben-

efits to charitable recipients in the shortest periods of time, especially in the context of capital gift funding efforts.

Other topics include an overview of the estate planning process as it affects charitable giving, working with advisors, determining the value of gifts, and how to structure gift planning opportunities in ways that complement and enhance other funding programs. The various types of endowment and reserve funds and special issues surrounding their creation and management over time will also be explored.



On the Agenda for 'Planning Major Gifts'

Day One

- Overview of Major Gift Planning
- Current Giving Techniques
- Trusts and Other Deferred Giving Techniques
- Planned Gifts with Near-Term Benefits
- Integrating Charitable Gifts Into the Overall Estate Plan
- Maximizing Income From Bequests, Life Insurance, and Retirement Plans

Day Two

- Special Considerations for Gifts of Non-Cash Properties
- What is the Gift Worth?
- Case Studies: How Gift Plans Can Help Donors Meet Personal Planning Obligations
- Planned Gifts in Capital Campaigns
- Endowments: The Good, The Bad & The Ugly
- Dotting the I's and Crossing the T's

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

What Attendees Are Saying . . .

"One of the best seminars I have ever attended. Thanks so much!"

—Robiaun Charles, University of Evansville, Evansville, IN

"Much more intriguing than I would have ever imagined. I'll be back."

—Martha Sullivan, Tulane University, New Orleans, LA

"This has been time well spent."

—James Whyte, Wycliffe Foundation, Orlando, FL

UPCOMING SEMINAR TRAINING DATES

An Introduction to Planned Giving

San Diego
June 23-25

New York
July 28-30

Seattle
September 3-5

Planning Major Gifts

Boston
August 4-5

Integrating Major and Planned Gifts

New York
August 18-19

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

Mistakes You Can't Afford to Make by John W. Jensen

Fund-raising success is made up of many things. Once you have identified a donor who finds your mission compelling, you have someone whom you can cultivate for future gifts of all sorts—or someone whom you can alienate and lose. The difference is often to a large extent within your control.

Stewarding donor relationships means paying attention to basics. In the rush of day-to-day duties, the basics can too easily be missed. It's always more profitable to keep a current donor than to find a new one.

Because the basics are so critical to fund-raising success, it is a good idea to periodically step back and examine the details of how you are connecting with your donors.

Seven basic fund raising don'ts

Don't #1 Don't get a donor's name wrong. Nothing is more important—or as basic—as getting someone's name right. When I managed the local chapter of a national charity years ago, we would examine each name on our donor file once a year to catch obvious errors in spelling. These days, you may also want to run all donor names through a spell checking program, but even that will not catch every misspelling (consider Philip versus Phillip and Elizabeth versus Elisabeth). You may be surprised at how many errors you find when you take the time to check the names on your database.

Don't #2 Don't dillydally when it comes to sending thank-you letters. Send thank-you letters out FAST! You may have written a nice, personal thank-you letter, but if it takes a month to reach the donor, it sends the message that the gift is not really very important.

Oddly enough, sending a delayed thank-you letter is more apt to occur

with large gifts than small ones. Why? Because these letters often need to be reviewed by multiple parties and signed and personalized by the CEO or others. Since more people tend to be involved with larger gifts, there is a sense that the thank-you letters for these gifts need to be “just right.” But, a “perfect” thank-you letter sent 3-4 weeks after the gift is far from “perfect.”

All thank-you letters should be mailed as quickly as possible, hopefully within 48 hours of the arrival of the gift. If the CEO can't complete the letter in that time frame, the development executive should send a note over his or her signature now and then have the CEO send an additional, more personal note of thanks a few days later.

Don't #3 Don't forget to update and personalize thank-you letters. Look closely at letters you send for gift acknowledgment. Do they sound fresh and interesting, or boring and bureaucratic? Update them regularly and bring some of the same sense of excitement from your appeals into the thank-you letters.

Also consider hand writing a personal note at the end of the letter. While not always possible, it does have a real impact that strengthens the relationship. Donors will appreciate that you took the extra time to communicate with them in a more personal way.

Don't #4 Don't leave out wording required by the IRS for gift receipt purposes. Does every gift acknowledgment you send to donors contain the appropriate language the IRS requires from donors who want to deduct their charitable gifts? You are required to send this tax wording to donors who have contributed \$250 or more. In my experience, while most organizations' regular gift acknowledgment letters contain

the receipt language donors need, sometimes the more personalized letters thanking donors for larger gifts leave out the necessary IRS wording. Remember, without the correct acknowledgment wording from your organization, your donor cannot receive a charitable income tax deduction. This can cause real problems at tax time for larger gifts and do needless harm to a relationship.

Don't #5 Don't ignore a donor's age. Some in the philanthropic world are now saying “age does not matter.” This is absurd. Age and stage of life matter a great deal, and charities that ignore this do so at their peril.

Don't forget to focus appropriate attention on seniors age 70 and older. This is one of the wealthiest generational cohorts in history. They are reaching a life stage where upgrading gifts is unlikely, and cutting back on their giving may be on the horizon. However, they are also at a point where they will soon be making their final estate plans. Stay in touch with these donors—particularly long-time donors, single donors, childless donors, and donors who have a history of volunteering.

When working with these 70-plus donors, gift planners need to realize that losing a \$25 annual gift is less important than potentially gaining the \$40,000-\$75,000 per charity bequest that such donors could be making in the near future. This is particularly true when dealing with those who are widowed and may be living on less income than they had before the passing of their spouse.

Don't #6 Don't produce materials your donors can't read. Are your communication materials designed with the all readers in

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a number of years from now or at death. A deferred gift is a present decision to make a future gift, evidenced by a legal contract.

While the name, ‘deferred giving,’ is best known to professionals in the field, it is not a term that communicates very much to the average donor. Therefore, we suggest the term ‘planned giving.’ When a person makes a planned gift, it suggests forethought.”

From the early 1970s to today, therefore, many among the leadership of America’s nonprofit community have seen “planned giving” as something new, optional, and in many cases not really a central component of the ongoing development effort.

A brief history of planned giving

In reality, planned gifts are demonstrably as old as Western civilization. Ancient Greek and Roman philosophers, Aristotle chief among them, wrote extensively on various types of philanthropy. Citizens of Rome established perpetual family foundations that were allowed to receive bequests by the first century A.D.

Throughout the medieval period, most social services were performed using the proceeds of rents from land held in charitable trusts, and by the remainders from gift annuities that had been funded for the benefit of the Church.

As part of what we now know as the Reformation, Henry VIII enacted what have come to be known as “Mortmain Statutes” which forbade his subjects to leave land to the Church in perpetual charitable trusts. As a softening of these statutes, in 1531 a law was passed that allowed persons to place land in trust for the benefit of the Church but only for a maximum of 20 years, at the

end of which time the land had to return to the family. Then, as now, persons were allowed to voluntarily direct assets for charitable use for a period of time before returning the property to their family. Could this be the origin of what we know today as the charitable lead trust?

From the early days of American society, John Harvard, James Smithson, and others left generous bequests that built the educational, cultural, religious, and social service agencies that still form the bedrock of our country. Ben Franklin and others created charitable trusts, foundations, and endowments that would last 200 years or longer.

The earliest records of gift annuities in America date to contracts issued by the American Bible Society in the 1840s. There is evidence of very active planned gift development efforts including bequests, gift annuities, and charitable trusts in the early part of the 20th century, predating the income, estate, and gift tax codes by decades.

An article published in *The New York Times* in the late 1930s declared that the colleges and universities that raised more money during the Depression than in earlier years did so because of the “dramatic increase” in bequest income during the 1930s while outright gift sources declined.

These gifts were the result of active planned gift development efforts in the early years of the century. For example, the American Council on Gift Annuities was founded in 1927 and began the process of recommending prudent gift annuity rate standards that continues to this day.

Planned giving in post war America

American society experienced tremendous upheavals during and in the wake of World War II.

It was a time of rapid growth in our society when untold amounts of wealth were created. A new generation of management took the helm of a swiftly expanding nonprofit sector. The economic environment was booming, with the majority of the wealth controlled by relatively young veterans who were amassing large amounts of capital.

Campaigns for outright gifts to build American hospitals, classrooms, libraries, symphony halls, and other bricks-and-mortar projects became the dominant form of major gift development. Between the end of World War II and the mid-1960s, what we now know as “planned giving” became less central to the funding process and was largely abandoned as a funding source by a generation of managers of many American philanthropic institutions.

Toward the end of the 20th century and into the early years of the 21st century, however, new challenges that call for tried and true solutions are re-emerging.

The 85-plus age segment is the fastest growing group in America. Their concerns are to assure economic security in what may be a decade or more of remaining life and pass as much of their wealth as possible to their loved ones. These concerns naturally have an impact on, and can interfere with, the desire to make large outright gifts.

Planned gifts hold the answers today, as they have for centuries, to the many dilemmas of older donors as they offer an aging donor population the ability to make substantial gifts while retaining income and other financial benefits for themselves and others for whom they feel economic responsibility.

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Mistakes You Can't Afford to Make ... continued from page 4

mind? In many cases, the donor population is aging. Eyesight weakens by age 45—the age of bi-focals. If your donors are mostly over 45, make sure that your printed pieces use 12- or 13-point type in a clearly readable font (italics and very loopy, “wedding”-style fonts become increasingly difficult to read as one ages). For those over 65, consider using 14-point type with lots of white space.

Don't #7 Don't just sit behind your desk. Are you visiting your best donors and bequest expectancies from time to time? There is no substitute for face-to-face interaction with donors when possible. When personal visits are not feasible, regular phone contact can also boost

personal relationship-building and donor stewardship.

Remember that simply helping donors feel more connected to your organization through visits either in person or by phone can increase giving substantially! We have all heard that people give to people, so be sure that your donors know you well enough to call on you when they are ready to consider their next gift.

Final thoughts

Keep in mind that with a weak economy, donors may be more reluctant to respond to your gift requests. Today's environment is very competitive. That's why getting the basics right is more critical than ever!



John Jensen is a Sharpe senior vice president and consultant based in the Washington, D.C. area. With over 35 years of development experience, he works with nonprofits on designing and administering effective gift planning programs.

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The generation of “young old” in the 60-85 age range is smaller due to birth rate declines in the 1925-45 time period and in many cases is still actively engaged in the work force and increasingly encountering fears of exhausting their resources in an era of higher costs of health care and other necessities.

It is in this context that many are rediscovering “planned giving” as an answer to meeting campaign and other funding goals. While this method of giving may be new to many fundraisers, donors, and their advisors, its roots are old and deep, and much can be learned from those who have gone before us.

Planning for future success

The coming years will be ones of continued success for many organizations and institutions that cost-effectively incorporate gift planning tools in their comprehen-

sive fund development programs. Indeed, all persons who successfully interact with middle-aged and older donors will need to have at least a conversational knowledge and basic understanding of the most popular gift planning vehicles.

Today the oldest Baby Boomers are applying for Social Security while some of the youngest are still having babies. The Boomers have replaced their parents as the wealthiest generation, but many are facing the dual challenges of pending retirement without pensions and responsibilities for both their parents and children. The reality of their situation will affect how they choose to support their charitable interests.

For nonprofit entities who persist in regarding planned giving as a new, speculative, untried, optional program, the next two decades will be ones that may hold challenges in

a world of mature donors who may be increasingly reluctant to make major philanthropic commitments without considering how they are related to their overall financial and estate plans.



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.

Plan Now for Year-End Communications

With current economic uncertainty affecting citizens across the U.S. during a presidential election year, it is more important than ever to keep in touch with your best donors this summer and fall, and make sure they have the information they need to give in the best ways possible.

Because historically most charitable gifts come in the final months of the year, fund development executives should make plans now to reach their donors this fall with informational materials that encourage and explain the best gift planning options. The Sharpe Group has created five brochures for 2008 that explore ways that donors may want to maximize their giving before the end of the year.

Offered in two attractive designs, **“Giving at Year-End”** reviews the advantages of funding gifts using not only the most common form of property—cash—but also other assets such as appreciated property and retirement plans. Many donors are confused and think if they are subject to alternative minimum tax, they cannot benefit from charitable tax deductions. This brochure makes it clear that is not the case!

“Giving Thanks at Year-End” emphasizes the theme of Thanksgiving and is designed to motivate charitable gifts prior to the busiest December holiday season.

“Giving Before December 31,” offered in two seasonal designs, highlights the importance of arranging and completing one’s gifts before the end of the year. This brochure may be especially useful as a supplement to communications with donors later in the year.

This year, three brochures—both versions of “Giving Before December 31” and “Giving Thanks at Year-End”—are printed in the Sharpe EZ Reader Format™, designed especially for older readers and featuring larger

print and graphic design elements. In addition, for orders of 1,000 or more year-end brochures, Sharpe will provide complimentary year-end cover letter copy, a PDF of an ad promoting year-end giving, and Web/article copy detailing and encouraging giving before the close of the year.

As always, these publications may be personalized with your logo and contact information on the front and/or back covers. Or, if you prefer a completely customized brochure, our creative team of editors and graphic designers can work with you to create a piece just for you.

To read each year-end brochure in its entirety to determine which will work best for your constituency, visit www.sharpenet.com/yearend. To place an order or for more information, please call a Sharpe representative at 1-800-238-3253.



It's Not Too Late for Tax Rebate Gifts

It's not too late to encourage your donors to make gifts using all or a portion of their tax rebate funds. Even though some Americans have already received their tax rebates through direct deposit from the IRS, other taxpayers are scheduled to receive their rebate checks in the mail between mid-May and mid-July. Consider giving your donors the information they need with the Sharpe brochure **“Tax Rebate Update.”**

Printed in a smaller size, “Tax Rebate Update” brochures can be shipped quickly and may be ordered in bundles of 100. With your brochure order, you will also automatically receive a digital version of an envelope stuffer, postcard, ad, article/Web copy, cover letter, P.S. language, and PowerPoint presentation about using stimulus payments for charitable gifts.

For more information or to place an order, visit www.sharpenet.com/taxrebatesandgiving or call 1-800-238-3253.

Sharpe Gift Planning Institute

Development executives have relied on The Sharpe Group for premier training for over 40 years. If you would like to increase your awareness of gift planning techniques and help your program reach its full potential, consider attending the following Sharpe Gift Planning Institute Seminars:

June

An Introduction to Planned Giving	San Diego	June 23-25
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July

An Introduction to Planned Giving	New York	July 28-30
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August

Planning Major Gifts	Boston	August 4-5
Integrating Major and Planned Gifts	New York	August 18-19

September

An Introduction to Planned Giving	Seattle	September 3-5
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October

An Introduction to Planned Giving	Orlando	October 8-10
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Registration is always limited to allow for more interaction between participants and instructors. Register early to ensure your spot. CEU credits are now available through the College of William & Mary.

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



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