

GIVE & TAKE[®]

News and Ideas for Development Executives of Nonprofit Organizations

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Year-End Appeals Boost Funding and Strengthen Connection to Donors

When Ruth Messick, Executive Director of Berger Health Foundation in Ohio, mails her fall appeal this year, it will not be the first time she has informed her donors about the benefits of giving before the end of the year. Why is she such a believer in the year-end mailing, and what can you learn from her successful efforts? *Give & Take* recently talked with Ms. Messick to find out more about how year-end marketing can yield a variety of benefits.

Emphasizing year-end giving works well

From her first days in development at Houghton College, Ms. Messick has relied on The Sharpe Group over the years to provide year-end brochures to complement her development efforts.

“In my 29 years in fund raising, I have worked at a spectrum of organizations, from higher education to health care,” Ms. Messick says. “The last three or four months of the year can be the window through which many groups receive 60 to 70 percent of their annual income. Over the years, year-end appeals, and those that include Sharpe materials in particular, have brought very positive response, both in terms of numbers and overall dollars raised.”

Her year-end mailings generally include a cover letter, a Sharpe year-end brochure, a response device,



Join us in the nation's capital for “An Introduction to Planned Giving” in November. See page 3 for more information.

and a return envelope. Over time, she has found that the more she personalized her year-end package, the better her response was.

“Sometimes we have five versions of our cover letter—one to top donors, one to lapsed donors, one to non-donors, etc.,” Ms. Messick explains. “Sometimes we personalize the response device. And, one year, at the suggestion of our Sharpe representative, we coordinated our cover letter design to match the look of the Sharpe brochure we were sending. The response to that mailing was 40% higher than the response the year before! It was amazing!”

Past experience guides today's plans

Ms. Messick has been at the helm of the 4-year-old Berger Health Foundation, which supports the public Berger Hospital, for three years. While mailings at year-end have always played an important role at the various organizations she has been associated with, she notes that her last two year-end appeals at the Foundation have been largely informational. “While Berger Hospital is 77 years old and well-known in the area, the Foundation is new,” Ms. Messick

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INSIDE: [Gift annuities funded with securities—3 ways](#)

[How do you cope when a donor dies?](#)

Draw, Hold, or Call

by Barlow T. Mann

Next to cash, publicly traded securities are the most commonly used asset for funding charitable gift annuities. Usually the donor is the payment recipient, and any capital gains tax is bypassed at the time the annuity is funded. Then a portion of the payments will be taxed at favorable capital gains tax rates over the donor's life expectancy. The balance of the payments will be taxed as ordinary income.

But is this always the best strategy? Consider the following situations involving the funding of gift annuities with securities. What if the gift is made with very highly appreciated securities; or if the gain in the stock's fair market value is relatively small; or there is actually a loss in the securities' value instead of a gain? In these and other instances, it may be more beneficial to sell the securities and use the cash proceeds to fund the annuity, or to take advantage of a "special election" for tax purposes.

Remember, gifts of cash are generally deductible up to 50% of one's adjusted gross income (AGI) rather than the 30% limitation for gifts funded with appropriate appreciated property.

Consider a hypothetical retiree who is considering a six-figure gift annuity funded with stock. If she is subject to the 30% limitation, she would only be able to deduct 30% of her AGI in the first year, and any remaining deduction

would be carried over for use in future years.

If the donor has a very modest income that does not include Social Security or certain other income, it is conceivable that she could not use all of the allowable deductions even over a six-year period! If the stock's gain is large, that may be OK.

But, if the donor's amount of gain in the stock is small, she may be better off deducting the charitable gift against the 50% of AGI limitation. In that case, she could base her deduction on the cost basis in the stock under a "special election." The extra 20% deduction represents a 66% increased deduction per year over the 30% of AGI limitation and could serve to substantially accelerate the tax savings.

In cases where there could be a capital loss, the securities should be sold to generate a loss for tax purposes. The donor could then use the proceeds of the sale to establish the annuity and also take the resulting deduction against the regular 50% of AGI limit for cash gifts.

Three examples

Let's look at several different scenarios that feature funding a gift annuity with securities—one where there is a large gain in the stock, another where the gain is small, and a third involving stock that has lost value.

Scenario 1—An 80-year-old donor owns a growth stock worth \$100,000 that was purchased 20 years ago for approximately \$10,000. The stock pays no dividend and the donor does not want to trigger an immediate federal capital gains tax of up to \$13,500 on the \$90,000 increase in value. She is also concerned that the stock could go down in value.

If this stock were used to fund a gift annuity, here is what would happen:

80-year-old donor 7.6% Gift Annuity	
FMV Stock	\$100,000
Basis	\$10,000
Potential Gain	\$90,000
Charitable Deduction	\$49,611
AGI	\$30,000
30% AGI	\$9,000
Years to use deduction	6

Scenario 2—Suppose our 80-year-old donor has publicly traded stock worth \$100,000 that pays a very small dividend and was purchased several years ago for \$98,000. She does not believe its future growth prospects are promising.

Here is what would happen if the donor used the special 50% of AGI election and based her

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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 their 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.



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 Two

- 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 Three

- 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 for a complete agenda and dates for this and other Sharpe seminars.

What Attendees Are Saying . . .

"This was a well-presented conference and will be very helpful to me back at the 'ranch'!"

—Stephanie Neff, Genesis Health Care Foundation, Zanesville, OH

"Thanks for having an ethics-based approach to donor contact/relations."

—Katherine Foreman, Blue Ridge PBS, Roanoke, VA

"Excellent seminar! Presenters were engaging and entertaining. Kept the group motivated throughout."

—Barbara Taylor, Lutheran Social Services, York, PA

UPCOMING SEMINAR TRAINING DATES

An Introduction to Planned Giving

Orlando
October 8-10

Washington, D.C.
November 5-7

Integrating Major and Planned Gifts

Chicago
November 17-18

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

Grief and the Gift Planner

We expect that people in certain professions will deal with human mortality on a regular basis—doctors and health care professionals, hospice volunteers, clergy, etc. However, when you tell someone you’ve just met that you work in fund development, their first thoughts of your job probably do not include images of visiting donors in hospitals, or all too often attending donors’ funerals.

But for those in planned gift development who work with older individuals, dealing with people who are nearing the end of their days is an inevitable part of our work. Unfortunately, we see many donors become ill and pass away, and the longer we are in one position, the truer that becomes. We will also be working with the spouses and other survivors of donors who have died.

How do you learn to handle the grief associated with the death of donors who have become your friends? And what should you know about the grief that surviving loved ones may be feeling when their loved one passes away?

Losing a friend

In the role of gift planner, becoming close to donors is a natural part of building relationships. As you assist someone with planning what may be the final gifts of their lifetime, you likely learn some of the most intimate details of donors’ lives—their financial situation, their family dynamics, their personal dreams and aspirations, and their value system. Much like other advisors such as attorneys or trust officers, gift planners build a high level of trust with donors.

In addition to becoming one of a donor’s trusted advisors, a gift planner may also form long-lasting,

deep friendships with the supporters of their organization or institution. A gift planner and donor share something very important—a mutual interest in the goals and future success of a charitable organization they believe in. When such a friend passes away, grief is only natural.

“Relating stories of the donor’s generosity helps me celebrate the memory of the friend I miss.”

-Leslie Davidson

For Leslie Davidson, senior philanthropic advisor at St. Jude Children’s Research Hospital for 24 years, handling the grief that comes with her job is never easy because “you do get very close to some donors.” But she has a few suggestions for fellow development officers when it comes to managing grief.

“If you are aware that a donor is terminally ill, being able to have a final meeting with a donor can help you cope with losing them,” Ms. Davidson says. “That way you have an opportunity to tell them how much you care about them. It’s important to let them know how much we appreciate them while they are still with us.

“I also manage my grief by sharing stories about the person I’ve lost with others. Relating stories of the donor’s generosity helps me

celebrate the memory of the friend I miss. I also like to send a tribute card to the donor’s family.”

Interacting with those in mourning

While gift planners are dealing with their own grief when donors pass away, they will often be called upon to work with the donors’ bereaved loved ones. The family members may be in one of a number of stages of grief—disbelief, anger, acceptance, yearning, and depression are common. The duration of each stage differs depending on the person.

When communicating with grieving loved ones, development professionals must be prepared for a variety of behaviors, from uncharacteristic emotional outbursts to withdrawal or an unwillingness to express any emotion. Being prepared for unexpected behaviors is crucial.

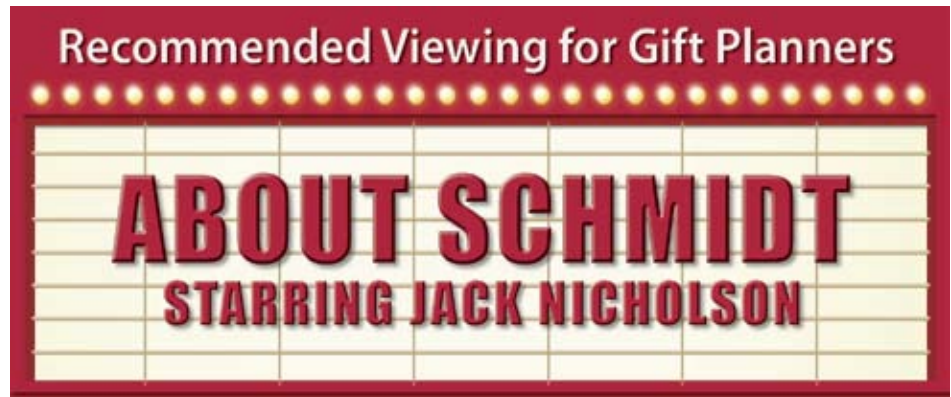
“A colleague and I had a visit scheduled with a donor whose husband had just passed away a couple of months earlier,” Ms. Davidson says. “The donor called the day before the visit and very gruffly told us not to come. She was very short with us, which was not like her at all. But we realized she was in the anger phase of her grief, and she needed to vent. Later, when we talked with her, she apologized, and said she had just needed some time alone.”

Ms. Davidson notes that it is important to recognize such cues and respect the family’s wishes. “If they don’t want to see you or talk right then, send them a note,” she advises. “Just let them know you care.”

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Grief and the Gift Planner . . . continued from page 4

Remember that when donors include a charity as part of their estate plans, donors are, in effect, elevating the charitable interest to the status of family member. When donors pass on and their gifts are realized, part of the role of the development officer can be to share their survivors' natural grief and help celebrate their loved one's life through gratitude for their gifts and the ways in which they have enriched the life of the charitable institution.



This Oscar-nominated film explores the themes of loss, grief, and the longing to add meaning to an unfulfilled life. Not for family viewing, but worth the rental.

Draw, Hold, or Call? . . . continued from page 2

deduction on the \$98,000 cost basis rather than its market value:

FMV	\$100,000
Special Election Value	\$98,000
Revised Charitable Deduction	\$48,611
AGI	\$30,000
50% AGI Election	\$15,000
Years to use deduction	4

Note that she is taking \$45,000 in deductions in 3 years vs. 5 years to deduct \$45,000 under Scenario 1. Her gift payments, on the other hand, are the same under each scenario.

Scenario 3—Finally, an 80-year-old donor inherited a security several years ago that was valued at \$150,000. The stock's value has since fallen to \$100,000. In this case, the donor should sell the stock and realize a capital loss for tax purposes. The loss can be used to offset other capital gains or even used against ordinary income at the rate of \$3,000 per year.

Here is how the numbers look when funding a gift annuity in this way:

FMV	\$100,000
Long-term loss for tax purposes	\$50,000
Charitable Deduction	\$49,611
AGI	\$30,000
50% AGI	\$15,000
Years to use deduction	4

She is pleased to learn that the \$50,000 loss can be used to offset \$50,000 of long-term capital gain or to shelter \$3,000 per year of ordinary income. She also enjoys potential additional tax savings of between \$7,500 and \$14,800 using 15% capital gains tax rate or 28% income tax rate.

Help them choose wisely

Depending upon the circumstances, those assisting in the gift planning process should consider whether the donor's objectives

will be better served by funding the gift annuity with stock, using the special 50% of AGI election to use a deduction more quickly, or selling the stock and funding the annuity with cash. The choice made can have an effect on the overall attractiveness of the arrangement.



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 non-profits, presents seminars, and authors many articles on gift planning.

Year-End Appeal . . . continued from page 1

explains. “For the past two years, our year-end mailings have helped explain to the community who we are and why we exist.”

This year, Ms. Messick is eager to not only continue spreading the word about the Foundation’s mission, but also to explain to donors how their past gifts are impacting patients today. “This year’s end-of-the-year appeal will take much more of a human interest approach because we have our own stories to tell,” she says. “In our cover letter, for example, we will be able to tell our donors how the Foundation helped a 42-year-old mother of four

fighting breast cancer afford her chemotherapy treatments after her husband died suddenly and she needed financial assistance. These are the kinds of stories that donors want to hear about.”

With the loss of manufacturing jobs affecting the local economy, Ms. Messick also plans to focus this year’s mailing on past supporters rather than non-donors. “We plan to reach our non-donors through other means, such as our newsletter,” she says. “We are very aware that people often don’t give simply because they are not asked, and they don’t give a second time because of how they

were treated when they gave the first time. We must be responsible stewards.”

Congratulations

...to John Jensen, senior vice president and consultant with The Sharpe Group, based in Washington, D.C., on being named to serve on the national board of the National Committee on Planned Giving.

Tips for year-end success

We asked Ruth Messick for some advice about how to implement a successful year-end mailing. Here are a few of her tips:

- **Use your cover letter(s) to tell your story.** Don’t use your cover letter to simply reiterate what is in the brochure about how to best make gifts. Tell your donors about the good work your organization is doing.

Ms. Messick plans to segment her donor base this year according to those who have contributed to specific programs, and then use special cover letters to explain how gifts to each program are helping real people. “We have received several gifts earmarked for our cancer center, which is two years old now,” she says. “So I will write one year-end cover letter detailing the story of a specific cancer center patient who was helped by the Foundation. That letter will be sent only to cancer center



Ruth Messick

donors. I will write other program-specific cover letters as well, and we will segment our list accordingly.”

- **Follow-up with those who give.** Thanking donors for their year-end gifts is not only part of successful stewardship, it

can also lead to more gifts in the future.

“After receiving a \$50 year-end gift from a first-time donor, I called to let him know we appreciated his generosity,” says Ms. Messick. “Later, this donor helped establish a fund at the Foundation that helps patients pay for things not covered by insurance, such as home and auto repairs and utility bills. He has helped raise \$17,000 for this fund so far. And all of his giving began with that one \$50 gift in response to a year-end appeal.”

- **Keep in touch with your donors throughout the year, not just at year-end.** Ms. Messick says it best: “If our donors don’t just hear from us when we want money, and we are listening to them and being responsible stewards throughout the year, then the year-end appeal will be more successful.”

Year-End Pieces Fit Your Budget and Donors' Needs

On page 1, *Give & Take* interviewed a gift planner who pointed out the importance of her year-end efforts over her 29-year career in fund raising. Are you making plans to inform your donors about the benefits and opportunities available through year-end giving?

The Sharpe Group makes reaching out to your donors in 2008 easy with five special year-end giving brochures. These 6-panel brochures are cost-effective, attractive publications that can be used to motivate and educate a broad range of constituents to consider giving before the close of the year.

“**Giving at Year-End**” is offered in two appealing designs this year. This brochure reviews the benefits of funding gifts using not only cash, but also other assets such as stocks and retirement plans.

Focusing on the theme of Thanksgiving, “**Giving Thanks at Year-End**” helps motivate charitable gifts in the fall, before the busy December holiday season.

Offered in two designs appropriate for the end-of-year season, “**Giving Before December 31**” focuses on the importance of timing your gifts before the close of the year for increased tax benefits.

These publications may be imprinted with your logo and contact information on the front and/or back covers, or you may opt to completely customize a year-end brochure to fit your unique needs. Call us for more details.

Be ready for what some gift planners say is the most charitable time of year. To view each year-end brochure, visit www.sharpenet.com/yearend. Or, to speak with a Sharpe representative for more information or to place an order for year-end brochures, please call 1-800-238-3253.



“Gift Planning 101”—in Booklet Form

If you are looking for one piece that can provide donors with a concise overview of the most popular gift planning options available today, consider the booklet “**Reflecting on Tomorrow**.”

“Reflecting” explores nine commonly used gift planning alternatives, from bequest gifts, to gifts of retirement plans, to gifts that provide income to the donor or others. To illustrate how the gift plans may be used to achieve donors’ goals, “Reflecting” includes examples that demonstrate how donors benefit from each giving option.

Like all Sharpe booklets, “Reflecting” may be personalized with your logo and contact information imprinted on the front and/or back of our standard cover. Or if you prefer a custom cover or personalized copy, the Sharpe team can work with you to create a piece tailored to your specifications.

To learn more about how the versatile “Reflecting on Tomorrow” can assist you in your donor education efforts, please call 1-800-238-3253 or visit www.sharpenet.com/pubs.

REFLECTING
ON
TOMORROW

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:

October

An Introduction to Planned Giving	Orlando	October 8-10
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November

An Introduction to Planned Giving	Washington, D.C.	November 5-7
Integrating Major and Planned Gifts	Chicago	November 17-18

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.

Watch for 2009 Dates Coming Soon!



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