

# GIVE & TAKE<sup>®</sup>

News and Ideas for Development Executives of Nonprofit Organizations

April 2009

Vol. 42 No. 4

## New Study Reveals How Wealthy Are Giving

**B**ank of America and the Center on Philanthropy at Indiana University recently released *The 2008 Bank of America Study of High Net Worth Philanthropy*. The study, similar to one published in 2006 by the same sources, was based on survey responses from 700 affluent households that either earned \$200,000 or more annually or had assets of \$1 million or more, excluding the value of their home.

The survey, conducted in July and August of 2008, focuses on gifts made in 2007. Although the report examines the giving behavior of the wealthy before the current recession was widely acknowledged, many of the findings are likely relevant regardless of economic factors.

### A profile of the rich and generous

It can be helpful for those involved with gift development to learn as much as possible about top wealth holders because, as a group, they contribute significantly to charity. For example, of the respondents to this survey, 98.2% give to charitable organizations and institutions. In comparison, some 70% of all Americans contribute to charitable causes.

High net worth individuals volunteer for and serve on the boards of charitable groups in significant numbers—three-fourths volunteer and roughly half are board members. The more hours the wealthy spent volunteering and serving on boards, the more they donated on average to charity.



The popular Sharpe seminar “Integrating Major and Planned Gifts” will be held in Washington, D.C. in May. For more information, see page 3.

### Multiple motivations for giving

You might assume that charitable giving among the very wealthy would occur because of the motivation to give due to tax savings and public recognition. According to the findings, however, that is not the case.

Over 80% of affluent donors said they gave to charity in order to better their communities, and approximately 70% felt that their loyalty to a cause led to their gifts. In contrast, only 5% claimed that being publicly recognized was a motivating factor in their giving.

When asked how their donations would change if tax deductions were no longer available, more than half of the top wealth holders claimed this would have no effect on their giving

whatsoever. Significantly, however, 47% said they would decrease their giving somewhat or dramatically if there was no tax deduction and they had to pay income tax on the amount they gave to charity.

When the question was rephrased to reflect estate taxes specifically, 54% said their giving would stay the same if the estate tax were repealed, and over 35% noted that their giving would increase if the “death tax” were gone. Only 15% said they would somewhat or dramatically decrease giving through their estates. This may reflect the fact that, unlike the income tax, if there was no estate tax, no tax would be due on the amounts left to charity, whether or not there was a deduction.

*Continued on page 6*

**INSIDE:** [Home sweet gift?](#)

[Foundation president believes in planned giving](#)

# Tax Benefits Can Begin at Home by Robert F. Sharpe, Jr.

With all the talk about how lower discount rates encourage the creation of charitable lead trusts and create more demand for gift annuities among donors who have seen their incomes shrink, many have overlooked another gift opportunity that presents itself in times of lower interest rates.

Gifts of remainder interests in homes can be especially attractive in today's environment. That is because the value of the retained interest to the donor is calculated based on the adjusted applicable federal mid-term rate (AFMR) that has been as low as 2% for February 2009. That rate can be used through April of this year.

## How does it work?

To give a remainder interest, a donor simply deeds property to a qualified charitable recipient and retains the right to the full use and enjoyment of the property for a period of time, usually for the lifetime of one or more persons. At the end of the period of the retained interest, the property is immediately owned by the charity. The donor continues to be responsible for all maintenance, taxes, and other expenses for the period they continue to enjoy its use.

## The gift of the remainder interest in a primary or secondary residence can be a way to “accelerate” a bequest.

### For example...

Let's look at how a couple might make use of this plan to fund a gift to a capital campaign over a five-year period:

Mr. and Mrs. Donor, both age 60, plan to retire to Florida when they are 65. They own a primary residence and a vacation home recently appraised at \$595,000. They would like to continue to use the home on weekends and holidays until they retire, when they plan to sell both homes.

The Donors have been asked to consider a gift to a campaign in the range of \$500,000. While they believe they may be able to afford a gift of this amount, they want to make sure they do so in a way that has the least impact on their near-term economic security. They are also concerned about possible tax increases and would like to make a gift that maximizes their tax benefits.

It was suggested they consider making a gift of their vacation home while retaining the right to use the property for five years. Because of lower prevailing interest rates, the IRS values the right to use the property at a relatively low amount

### Percentage Deductible for Various Terms Assuming 2% AFMR

Years	Percent Deductible
1	97%
2	94%
3	91%
4	88%
5	85%
6	83%
7	80%
8	78%
9	75%
10	73%

assuming a discount rate of 2%. In this case the donors would be entitled to an immediate income tax deduction of \$508,000. The home would also be removed from their taxable estate, saving over \$250,000 in federal estate tax their heirs could otherwise be forced to pay to inherit an illiquid asset.

At the end of five years, when the donors move to Florida, the charity will own the home and can sell it at the time the campaign will be coming to an end. The campaign guidelines give full credit for gifts completed within the five-year time frame of the campaign, so this gift would qualify for full credit for the estimated value of the property at the end of the campaign.

*Continued on page 6*

## GIVE & TAKE.

A client service publication published monthly since 1968 by The Sharpe Group, 8700 Trail Lake Drive West, Suite 222, Memphis, TN 38125, (901) 680-5300. Fax (901) 761-4268. E-mail info@sharpenet.com or through our Web site at <http://www.sharpenet.com>. The publisher of *Give & Take* is not engaged in rendering legal or tax advisory service. For advice and assistance in specific cases, the services of your own counsel should be obtained. Articles in *Give & Take* may generally be reprinted for distribution to board members and staff of nonprofit institutions and other non-donor groups. Proper credit must be given. Call for details.

© MMIX RFSCO, Inc.

Editor: Elizabeth H. Smithers  
Design: Jill Harvey



## On the Agenda for 'Integrating Major and Planned Gifts'

### Day One

- The Changing Environment for Major and Planned Giving
- Tax Incentives for Charitable Gifts—"What's Left?"
- Managing the Donor Matrix
- The Best Planned Gifts in Today's Environment
- Helping Baby Boomers Make Cost-Effective Gifts
- Making Gifts From Existing Estate and Financial Plans

### Day Two

- Meeting the Needs of the Silent Generation
- Gift Planning for the G.I. Generation
- Making Gifts While Providing Inheritances for Loved Ones
- Maximizing Existing Deferred Gifts
- Integrating Current and Deferred Gift Marketing
- Working With Donors' Advisors—Are They Friends or Foes?

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

# Sharpe Gift Planning Institute

## Featured Seminar: Integrating Major and Planned Gifts

This informative seminar, which will be held in D.C. May 18 and 19, is designed for those responsible for major gifts, planned gifts, or both. Managers with a need to better integrate the efforts of specialists in these areas will also find it of benefit.

The number of donors in the traditional age range for bequests and many other planned gifts is now stagnant 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 increasingly be constructed around the age and

wealth of donors rather than the timing and use of gifts.

Ongoing economic uncertainty and changes in tax laws make it necessary for development executives with various responsibilities to do a better job helping donors plan and structure larger gifts.

Learn practical ways to assist donors in making gifts most appropriate to their age, wealth, and other factors while meeting institutional funding needs. 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.

## What Attendees Are Saying . . .

*"Sharpe and Tidd are masters of their craft! You'll go home chock full of information, ideas, and renewed enthusiasm."*

—Ron Secrist, Boulder Community Hospital Foundation, Boulder, CO

*"Incredible conference. Two days of a wealth of knowledge."*

—Virginia Mullins, American Red Cross, Washington, DC

## Upcoming Seminar Training Dates

### An Introduction to Planned Giving

**Indianapolis**  
June 15-16

**Boston**  
August 3-4

### Integrating Major and Planned Gifts

**Washington, D.C.**  
May 18-19

### Planning Major Gifts

**Chicago**  
April 27-28

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)

# Gift Planner Remains Optimistic About Giving

This month *Give & Take* talks with Chris Broughton-Spruill, president of Children's Hospital Foundation in Richmond, Virginia. A development officer with over 30 years of experience, Mrs. Broughton-Spruill discusses the challenges and rewards of creating a development program from the ground up, as well as fund raising during tough economic times.

**G&T:** Tell me a bit about Children's Hospital.

**Broughton-Spruill:** Children's Hospital is a pediatric specialty facility serving children from birth to age 21. The Hospital was founded in 1920 and provides care to children in five specific core services: inpatient skilled nursing care, therapy services (physical therapy, occupational therapy, speech and psychology), dentistry, Children's Feeding Program, and physician clinics including rehabilitation, spina bifida, muscular dystrophy, cerebral palsy, and spasticity. Children's Hospital Foundation provides the philanthropic support needed by the Hospital.

**G&T:** How did you come to be at the Foundation?

**Broughton-Spruill:** I started my career as a planned giving officer and then worked as development director at Peace College in North Carolina. When I moved to Richmond, I came to Children's Hospital as director of development. Children's Hospital Foundation became actively engaged as a fund-raising entity in April 2006 and I was named president last year.

When I first came to Children's Hospital, the Board of Trustees challenged me to establish a development office. That was appealing to me because that kind of opportunity rarely happens in a career. It was a chance to build something from the ground up.

**G&T:** Where did you begin?

**Broughton-Spruill:** In the first year, I focused on building an annual gifts program. We built the base for that program and have been adding components to improve it each year.



**Chris Broughton-Spruill**

During the second year, I wanted to focus on building a planned giving program. I know that planned giving can enable people to make large gifts that can have a big impact on the organization, so I knew it would be critical to focus on that area of giving.

We began with a newsletter called *The Legacy*. It featured planned giving ideas and ways in which to make gifts through a variety of vehicles. We also created the Dooley Society (named in honor of our first benefactor) to recognize those who have included the Foundation in their will, trust, or life insurance policy. Currently we have 150-160 members in this legacy society.

During the third year, we began our capital program to enhance giving to projects like hospital equipment, construction, and program development. From then on we have continued to refine and grow these three primary areas of development.

**G&T:** What have been the most successful ways that you have educated donors about planned giving?

**Broughton-Spruill:** We had limited resources at first, so in order to accomplish the goals we had set for ourselves, I knew that we should seek professional advice, especially when it came to being able to publish a planned giving newsletter on a regular basis. Tax law changes can affect planned giving almost annually, so it is very important to stay current with information. We decided to work with Sharpe to provide the information for our newsletter and other related publications. We've now been working together for 18 years.

I believe that *The Legacy* newsletter has been critical to our success. We mail it two times per year to individuals who have already expressed some interest in the Foundation. Because of its consistent message and frequency, I find that we are able to engage several people in making a planned giving commitment with each mailing.

As an example, after our most recent newsletter, I received two commitments from individuals who will include us as a beneficiary in their wills. They indicated that the newsletter was the catalyst for them to make the commitment. Knowing that an average bequest could range from \$100,000 to \$500,000, I am convinced that's a pretty good return on the financial investment in the newsletter.

In addition, we have also used the Planning Perspectives gift planning Web services provided by Sharpe to make information available on our Web site for those who would like to learn more.

The philosophy of our development office is to create relationships

*Continued on page 5*

# Gift Planner Remains Optimistic *... continued from page 4*

with donors that provide funding on an annual basis and to provide opportunities for the long term. That is what the planned giving program helps us achieve. We may not realize gifts from our Dooley Society members for several years, but we know that over the long term those gifts enable us to grow our Foundation so that we can provide needed resources to Children's Hospital for patient care.

**G&T:** Why is it so important that you find out about planned gift expectancies?

**Broughton-Spruill:** It helps us plan for the future. We know that we have donors who have made a commitment and while we may not know when the gifts will be realized, we know that their support will be there at some point in the future.

Knowing about these gifts also helps us to recognize individuals for their generosity and keep them informed about Foundation and Hospital activities. If we know that they are planning to remember our Foundation in their wills, we also know that we need to keep in contact with them. We want them to receive all of our communications and to completely understand how their future gifts will be used.

**G&T:** Do you think bequests will continue to be a viable source of funding in this current economic climate?

**Broughton-Spruill:** Yes. Bequests remain one way for donors to make a significant commitment while still maintaining their current lifestyle. Bequests enable donors to make a gift in the future that might not be possible for them at this particular time.

**G&T:** What is the mood among your donors right now?

**Broughton-Spruill:** We have seen that people still want to give, but some are just not able to give at the same level as they have in the past. We have reached out and communicated with our donors that we are very optimistic about our future and our ability to continue to grow services and serve more children. At this point in time, our donors continue to be very generous and to show their support through gifts that are commensurate with their ability to give. We are very fortunate to have such loyal and supportive donors.

**G&T:** What kind of advice could you give to those who may be just starting out in fund raising who have never experienced an economic downturn before?

**Broughton-Spruill:** I would advise them to evaluate their program and focus on what has been successful for them in the past. Keep moving forward even if you have to take small steps. Continue to concentrate on growth and what you can accomplish in the future.

Instill in your donors a sense of the optimism you have for your organization. If you feel positive about your organization, then your donors will feel much of the same. Because of current economic conditions, they may not be able to give at the same level as in the past, but if you can keep people believing in what you do, giving will improve when the economy rebounds.

**G&T:** What attributes does a successful fundraiser need to have?

**Broughton-Spruill:** I believe a development officer needs to be a very focused and goal-oriented

person. In the daily activities of a development office, there are many distractions that can divert you from accomplishing your goals, but the key is to keep focused on the mission of your organization and share that mission daily with your constituency.

In addition, I believe that a development officer should be optimistic. You should believe in what you're doing and believe in your organization. If you are sincere, your optimism is going to be contagious.

Working with organizations like Sharpe helps me to stay current on the technicalities of planned giving. I have learned that in the final analysis development is all about relationships. If you can communicate your mission with potential and current donors and get them excited about your organization, all the technical requirements of a planned gift can fall into place later on.

**G&T:** What do you enjoy most about your job?

**Broughton-Spruill:** It is truly an honor for me to work at Children's Hospital Foundation. This organization and the children we provide for has become much more than a job for me—it is my vocation. To see the difference we can make in the lives of children and their families is a personally rewarding experience.

We have a mantra that we live by everyday in our organization and that is to create transforming moments in the lives of the children we serve. Every day I see a transforming moment at the Hospital. It can be something of great magnitude or it can be something small, but each moment makes a difference in people's lives and that's what makes me really happy.

# How Wealthy Are Giving . . . continued from page 1

## Are you in the will?

Perhaps of most interest to gift planners is that about 56% of top wealth holders reported that they have named a charitable organization in their will. In addition, 37% of the respondents said they would consider including a charitable provision in their will in the next three years. This news about bequest provisions bodes well for those in gift planning for a number of reasons.

The fact that more than half of high net worth individuals have already included bequests to charity indicates that they have confidence in the direction and mission of the organizations that will receive their ultimate gifts. Bequests are often touted as “ultimate” gifts, as they result in elevating a charitable organization to the level of a close friend or family member in the donor’s eyes. Development professionals, as a group, should feel proud of their efforts over the decades to educate all donors about the benefits of giving through their estate plans.

There is, however, a disconnect between the survey results and actual

behavior reported by the IRS based on estate tax returns. Over the years, about 20% of taxable estates have reported bequests for charitable purposes. This may indicate that many of the donors are changing their minds later in life or that their bequest may be contingent on some event that does not occur, rendering the bequest void.

Fundraisers should see a great opportunity presenting itself when 37% of the wealthy acknowledge their willingness to consider making bequests to nonprofits. Now may be the time for nonprofits to redouble their efforts of communicating the benefits of bequests to the appropriate persons at the most opportune time.

## Final thoughts

Unfortunately, 38% also said that they discontinued their support to one or more charitable causes in 2007. The number one reason why? Some 58% said they no longer felt connected to the organization. Only 15% said they discontinued their gifts because of less financial resources.

The results of the survey are very encouraging. The data indicates that wealthy Americans are generous and thoughtful when it comes to their charitable giving. It is important to emphasize your mission in your fund raising, and may be a mistake to overemphasize recognition and other less important motivators.

It can also be a misstep to overemphasize tax savings that come as a result of giving, but ignoring this issue altogether is not recommended, either, as nearly half of the wealthy indicate this is a significant factor in their planning.

Finally, it is important to stay with donors throughout their life cycle. Other studies of data from Sharpe clients indicate that many of the donors who stop giving because they no longer feel connected may be older persons who are no longer giving at top levels that attract attention from fundraisers. They are, however, also at the point in life when they are making their final estate plans. Remember, out of sight, out of mind may also mean “out of will.”

# Begin at Home . . . continued from page 2

Gifts of remainder interests require a qualified appraisal and would need to be cleared for any environmental issues. An agreement should be entered into making it clear that the donors are responsible for all taxes, upkeep, repairs, etc. while they retain the right to enjoy the property.

While gifts for a term of years can be a good alternative to an outright gift to fund a pledge (see chart on page 2), this type of gift can be

especially attractive to older persons who are considering a large bequest. The gift of the remainder interest in a primary or secondary residence can be a way to “accelerate” a bequest while enjoying current tax benefits as well as any estate tax savings that might come as a result of a bequest.

*Editor’s note: This material is excerpted from the popular Sharpe seminar “Planning Major Gifts.” See page 3 or [www.sharpenet.com/](http://www.sharpenet.com/) seminars for more information.*



**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.**

## 'I'd Like to Give, But...'

How many times have you heard your donors say something like this lately? In these difficult economic times, probably more than you would like.

Would you like to take a proactive approach to helping your donors continue to support your mission? What if you could provide them with information explaining gift planning options that are available to donors in today's current economic environment?

With the Sharpe booklet **"Giving Alternatives for 2009,"** you can offer donors up-to-date ideas and strategies for giving that fit more appropriately into their overall financial plans in this recessionary period.

### Facing challenges head on

"Giving Alternatives for 2009" acknowledges from its introductory paragraphs that donors are facing challenging times. The booklet then proceeds to focus on three basic gift planning themes:

1. Choosing what to give—cash, securities, retirement assets, other assets
2. Meeting multiple needs through giving—retaining income for themselves or others, providing for heirs, minimizing estate taxes
3. Giving at the appropriate time—future gifts through a will or trust, current gifts of cash or other assets, or gifts that are received over time

Readers will find descriptions of various giving alternatives, along with helpful examples explaining how certain gift arrangements can be set up to achieve both the donor's personal and philanthropic goals in the most tax-efficient ways.

### Thank donors, assist donors

Because this booklet begins by thanking donors for their past support, "Giving Alternatives" may be especially appropriate to include with gift acknowledgment letters. Or you may decide to make the booklet the feature of a special informational mailing to top donors to assist them as they make their giving plans.

"Giving Alternatives" may be personalized with your organization's logo and contact information on the front and/or back cover. As always, booklet prices are based on the total quantity ordered, so you may want to replenish your supply of other booklet titles to restock your gift planning library at significant savings.

To view "Giving Alternatives" online, visit [www.sharpenet.com/booklets](http://www.sharpenet.com/booklets). For more information or to order, please call 1-800-238-3253 to speak with a Sharpe representative.

## GIVING ALTERNATIVES FOR 2009





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

To update your mailing information,  
visit [www.sharpenet.com/address](http://www.sharpenet.com/address).

---

## 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:

### April

Planning Major Gifts

Chicago

April 27-28

### May

Integrating Major and Planned Gifts

Washington, D.C.

May 18-19

### June

An Introduction to Planned Giving

Indianapolis

June 15-16

### August

An Introduction to Planned Giving

Boston

August 3-4

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](http://www.sharpenet.com/seminars).