

The Importance of Donor Recognition Societies

Whether you call it a Heritage Society, Legacy Society, or a name associated with your mission or history, you most likely have, or need to establish, a recognition society that honors those who have made a long-term gift commitment. Membership in these societies is usually reserved for donors who have arranged for a gift through a bequest provision, gift annuity, trust or other life income gift, lead trust, life insurance or retirement plan gift, or other planned gift arrangement.

In many cases donors receive specific benefits when they become a member of a planned gift recognition society, such as personal mementos like lapel pins or plaques and/or invitations to special events such as luncheons and informational seminars. While donors may enjoy certain rewards from a recognition society, the eventual charitable recipient is the one that will benefit the most from creating and maintaining a donor recognition society.

Simple morale booster

Having a recognition society for planned gift donors lets them know you appreciate them and the gifts they have made. Donors who make planned gifts have most likely given in the past and, as such, may have grown accustomed over the years to being a member of a particular gift recognition society. Acknowledging donors for their planned gifts as well with special, separate giving societies is an easy way to show them they are important. Such programs also allow you to continue to recognize them publicly for their forethought and generosity—even as they may be reducing the amount and frequency of their current gifts.

Strengthening the ties that bind

Simply by the nature of most planned gifts, a person has made a long-term commitment to a charitable recipient, raising it to the level of a friend or family member. Maintaining a recognition society allows staff to keep in touch with planned gift donors and, therefore, provides



Come interact with Sharpe's experienced staff at "Integrating Major and Planned Gifts" on November 4-5 in Washington, D.C. For details, see page 3 or www.sharpenet.com.

an additional opportunity to strengthen long-term relationships with them.

Perhaps you invite recognition society donors to an annual luncheon in their honor. Or your CEO may host a holiday reception for these special donors. They may also be included in broader recognition events that have already been scheduled. A recognition society can provide more continuity of contact, which in turn can create opportunities to meet with your supporters and get to know them better one-on-one. And once you learn more about your donors, you may be in a better position to help them discover other planned gift ideas that may be of interest to them.

Reduce the risk of removal

If an organization is inattentive to donors of planned gifts due to staff turnover, poor record keeping, or other factors, it runs the risk of alienating them and perhaps losing their gifts altogether. Keep in mind that many planned gifts are revocable. For example, a bequest provision or retirement plan beneficiary designation is easily

Continued on page 7

Dos and Don'ts of Thanking Donors

In today's environment, it is more important than ever to spend as much or more energy retaining donors as acquiring new ones.

While you may be tempted to curb gift acknowledgment efforts in order to save funds, be wary of cutting back on thanking your supporters. We have observed that organizations that make attempts to thank as many donors as possible tend to raise more cumulative funds, both current and deferred, at lower overall costs than those that do not.

The final weeks of the year are traditionally the busiest season for charitable gifts, and for this reason thanking donors becomes even more critical at year-end. With that in mind, let's look at some of the dos and don'ts of thanking those who give.

Do acknowledge all gifts promptly. Once a gift has been received, timely acknowledgment is essential. While you may decide that gifts of larger amounts ideally call for a personal visit in addition to a handwritten letter and/or phone call, gifts of any size merit an appropriate and timely thank you.

Don't assume a small gift indicates a small interest in your mission. Many of those who make a gift of a smaller amount may be devoted to your cause. Treat all donors—even those of modest amounts—with the respect they deserve and thank them accordingly.

Keep in mind that older, long-term donors who may be living on a fixed income may be in the process of "downgrading" their giving. For example, someone who has been a loyal supporter for 25 years may feel she is only able to give \$10 currently. Thanking a long-term donor like this may yield tremendous benefits when that person decides how to distribute her \$250,000 estate to a handful of charitable interests that have acknowledged her generosity during her lifetime. For this reason, you may wish to append age information to your donor file and modify your gift acknowledgment process in a way that considers this important factor.

Do respect requests for privacy when thanking your supporters. Many organizations offer donors of various amounts membership in special giving societies (see page 1). Creating clubs or societies for donors—especially those who have made planned gifts such as bequests, life income plans, or other gifts from

long-range estate and financial plans—can be an effective way to maintain ongoing relationships.

While you may offer to include recognition society names in your communications pieces, be sensitive to the fact that some persons will wish to remain anonymous for religious and other personal reasons. Be sure your gift acknowledgment system is designed to preserve anonymity where appropriate.

Remember, however, that just because some do not want their names published does not mean they do not want and need to be thanked. Find less public ways to thank these donors, and they will appreciate your regard for their wishes.

Don't make a recognition society difficult to join. Membership should be as inclusive as possible. Donors who notify you that they have included your organization in their will or have made some other type of planned gift are showing faith in you and your institution. They are trusting that you will spend their money wisely and will allow them to therefore participate in the fulfillment of your mission.

In the minds of some, by asking donors to provide "proof," such as a photocopy of a page in their will or of a beneficiary form, you may not be returning the respect and trust they have placed in you. Some donors who are asked to show documentation may be offended by the request and may question their commitment.

Perhaps most importantly, many planned gifts are revocable. Even if "proof" is provided, a charitable interest may easily be taken out of a donor's will at a later date without its knowledge. It is best simply to take the donor at his or her word and use this opportunity to strengthen the bonds that already exist.

One exception may be in the context of a capital campaign or other special development efforts where recognition is being given for the gift and/or the institution will rely on the commitment when planning for future spending. In this case, donors will naturally understand the need for documentation.

Do communicate thanks by sharing news with your donors. Whether they have made a large or small gift to your organization, those who make contributions

Continued on page 7

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) 680-5343. 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. © MMX RFSCO, Inc.

Editor: Elaine Gumbert
Design: Jill Harvey



2011 Sharpe Seminars

Gift Planning Fundamentals	Memphis	December 2010
	Chicago	February 2011
	Washington, D.C.	April 2011
	New York	August 2011
	Chicago	November 2011
An Introduction to Planned Giving	Washington, D.C.	February 2011
	Chicago	May 2011
	Washington, D.C.	September 2011
Integrating Major and Planned Gifts	New York	March 2011
	Washington, D.C.	June 2011
	Los Angeles	July 2011
	Memphis	October 2011

An Introduction to Planned Giving

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

Beginning with an examination of the lifecycle of typical donors and personal priorities at different stages in life, this presentation emphasizes how effective gift planning can help donors make larger current gifts today, as well as plan legacies through bequests, trusts, gift annuities, and other popular gift planning techniques.

Nearly 25% of the U. S. population will reach the age of 75 in coming years. Learn the special considerations involved in working effectively with seniors who may quickly make up the majority of your constituency.

Learn ways to communicate the benefits of planned gifts through broad-based communication efforts, in addition to the use of individualized correspondence, the telephone, and personal visits. Ways to manage and steward ongoing relationships with planned gift donors and prospective donors will also be featured.

Gift Planning Fundamentals

The foundation of every gift is a motivated donor. Understanding who makes gifts and why they make them are critical skills for every successful fundraiser. However, it is more important than ever to understand the best property to give, the best vehicle to facilitate a gift, and how timing can determine its size and tax benefits.

This presentation has been designed to help equip those who encourage significant gifts, whether current or deferred, with a fundamental understanding of the *what, when, and how* of a gift.

Do you know the difference between a will and a trust, or how a tax deduction differs from a tax credit? Why are most stock gifts made by persons over age 65?

Do you know how you could be named in the will of a very wealthy person and actually receive nothing when they die? Do you know how to quickly determine the influence of an advisor? How can you be sure you are receiving all a donor intended from an estate when he or she passes away?

This seminar is designed to provide answers to these questions and many more that will be central to a successful career.

Integrating Major and Planned Gifts

This seminar is designed for the benefit of those responsible for major gifts, planned gifts, or both. Fundraising strategies will increasingly be formulated based on the age and wealth of donors rather than the size, timing, and use of gifts.

The next round of capital campaigns will depend heavily on aging "baby boomers" with complex financial and family responsibilities that may impact their real or perceived capability to make larger gifts. Simultaneously, institutional priorities will increasingly shift from traditional bricks and mortar campaigns to ongoing relationship-based endowment development.

Continued economic uncertainty and changes in tax laws make it necessary to develop programs that are more effective in helping donors plan and structure larger gifts, whether current or deferred.

Learn practical ways to assist donors in making gifts that are most appropriate in light of their age, wealth, and other factors while meeting current, capital, and endowment 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.

In Today's Economy, Gift Planner Finds 'People Are Giving What They Have'

Phillip Adcock is Assistant Vice President for Development at The University of Alabama. Before assuming his role with the University in 2002, Mr. Adcock spent a number of years working with the American Cancer Society and consulting with a variety of nonprofit groups. Here he shares with *Give & Take* how the current economic environment is affecting gifts to the University, including two of the more unique gifts his University has recently received.

Give & Take: I understand The University of Alabama recently obtained a valuable historical collection. How did the gift come about?

Adcock: In June we finalized the acquisition of a remarkable collection of rare American documents, photographs, and books—one of the largest private collections of such materials in the country. The donor is an alumnus of the University, and this collection is the result of his lifelong passion. He spent more than 50 years assembling the materials, starting with documents by or about American presidents. The collection now contains at least one manuscript signed by every former president, as well as thousands of documents, photographs, maps, diaries, and letters detailing life in the American South, particularly Alabama. Roughly 20,000 rare and valuable books are also included, featuring many first editions and signed copies.

Though it started out as a hobby, over the years the collection grew in size and value. At the time of the gift, the collection was valued at over \$12 million, substantially more than the donor had invested in it. In his retirement, maintenance of the documents had become a full-time occupation. Eventually, the donor grew concerned about the long-term fate of his collection. The threat of estate and capital gains taxes made him worry that his collection may have to be broken up and sold off to settle tax bills. He wanted to find a way to ensure that his life's work would remain together, intact, and available for future generations to learn from and enjoy. He also wanted to leave a portion of the monetary value of the collection to his family.

The dean of libraries approached the donor about giving the materials, and after learning of the donor's interest, involved me. We thoroughly reviewed the situation with both the donor and his advisors and decided that what is known as a "bargain sale" appeared to be the best solution for everyone. The donor received an amount equal to a portion of his initial investment, and our University acquired a world-class collection at a cost far below market value. Most importantly, the donor was able to ensure that the collection would remain intact.

A bargain sale is an often-overlooked tool that can help a donor receive something back from an asset while at the same time providing a valuable gift for the charitable recipient. In our case, a bargain sale allowed the donor to recover some of the funds he had invested in his collection, benefit from a substantial income tax deduction based on the fair market value, and avoid costly capital gains and/or estate taxes. And by doing so he was able to provide an institution-changing gift to our University.



Phillip Adcock

G&T: How have the weak economy and the uncertainty over estate and income taxes affected the types of gifts you're receiving?

Adcock: The fact that the future of estate and income taxes is still undecided has led to a lot of confusion. Many donors are worried about an increased tax liability in the future and so are speeding up income distributions. Others have decided to accelerate their charitable giving. No one seems sure how to handle the uncertainty.

As for the impact of the sluggish economy, I've seen more property gifts in the last two years than I've seen in my entire career. Real estate and other property is often expensive to maintain, so it can be an ideal gift for those whose income may be down but who have a deep love for and commitment to certain causes. We have received gifts ranging from the Americana collection I just mentioned to a vintage Ferrari, from primary residences to vacant land. People are giving what they have.

G&T: Can you tell us more about the Ferrari you were given?

Adcock: The Ferrari, valued at over \$1 million, was donated to the University by an alumnus who bought it for \$1,500 while he was a student here in the late 1960s. Although he drove it in college, the donor eventually decided to house it in a warehouse, where it remained for many years. After researching the car's history, he discovered the 1950 Ferrari had an impressive racing career that made it extremely valuable to collectors.

By donating the car to the University, the donor was able to establish a \$1.2 million charitable remainder

Continued on page 6

Year-End Giving: Fact vs. Fiction

Experienced fundraisers know how important the year-end giving season can be to their development efforts. Because the calendar year-end provides a natural deadline for donors to assess their financial situation for tax purposes, the number of regular and special gifts tends to increase during the final months of the year.

As the busy fall giving season gets into full swing, take the time to consider the following facts and fallacies about year-end giving that could help make your gift development efforts more successful.

Fact – While donors often make gifts using cash, you should also expect a significant number of gifts in the form of non-cash assets.

Though most donors will choose to give cash, give online, or write a check for their gifts, others who own non-cash assets such as appreciated securities will benefit from learning about effective strategies for giving these assets. Did you know that according to the IRS, America’s charities in some years receive more gifts in the form of appreciated securities than in the form of charitable bequests? Did you know the majority of these gifts come from donors over the age of 65? Inform your donors of the multiple tax savings available to them when they use appreciated assets to fulfill their charitable goals.

Fallacy – Because tax rates may increase in 2011, higher-income donors should put off their gifts until next year when their deductions may save them more.

While some commentators have raised this possibility, this can be a real mistake for many, if not most, donors. The scheduled return of rules requiring reduction of itemized deductions for higher-income donors and other proposed limits on charitable and other deductions may make it more important than ever that donors maximize the amount of their gifts in 2010. See page 2 of the September 2010 *Give & Take* for more information.

Fact – You can motivate immediate year-end gifts and discover donors who may be interested in making planned gifts at the same time.

The end of the year is traditionally a time when people may be reviewing their long-term financial plans. To economize and make the most of your year-end communications this fall, you may want to provide your supporters with a gentle reminder about planning for future gifts as well as outright gifts.

Donors may be especially receptive to ideas about giving through their will, retirement plans, life insurance policies, and other estate planning tools during

this time of year when they may be evaluating their overall financial and charitable goals.

Fallacy – Most savvy donors are already aware of the many benefits of and ways to make year-end gifts, so special year-end communications are not necessary.

Don’t assume that your donors—even the most sophisticated, wealthier ones—know about the most efficient, tax-wise ways to give before the end of the year.

A recent report published by the Fidelity Gift Fund, for example, reveals that only 38% of those capable of making stock gifts of \$10,000 or more are aware of the additional benefits of gifts of securities and certain other properties that are worth more than they cost. Be sure that you give your donors the opportunity, information, and assistance necessary to maximize their year-end giving.

Sharpe offers a wide variety of materials to help you maximize income from year-end gifts. See www.sharpenet.com/yearend for more information.



Getting to Know Your Donors

SharpeNet Data Services offers a quick, convenient, and affordable way to identify your best prospects and bring them into sharper focus. Sharpe's donor base file enhancement includes information on age, gender, marital status, and estimated income and net-worth rating. Turn to SharpeNet Data Services for the information you need to make the best use of your budget dollars. For details, call 1-800-238-3253.

Gift Planner . . . *continued from page 4*

unitrust that provides additional income for him in retirement and will ultimately fund a scholarship in honor of his father.

G&T: What led you to a career in gift planning?

Adcock: After college, I took a job with the American Cancer Society in southeast Alabama, which turned out to be one of the greatest experiences of my life. As a field representative, my duties ranged from recruiting volunteers to distributing materials at health departments and schools to working with community leaders in my region. It was that job that made me realize that fund raising is what I enjoy.

After a few years I was offered the position of Vice President for Development for the Virginia division of ACS. It was then that I became involved in planned giving. From Virginia I went to the national office in Atlanta, where I oversaw major gifts and planned giving nationwide. I was charged with the task of centralizing the program, which enabled us to minimize expenses and maximize revenue.

After several years of extensive travel and in an effort to afford more time with growing children, I made the difficult decision to leave the American Cancer Society and took a job with The Sharpe Group in Memphis, where I conducted seminars and consulted with a variety of nonprofits. After a few years, The University of Alabama contacted me, and I decided it may finally be time to come home to Alabama. Our goal at the University has been to take a very good planned giving program and turn it into one of the flagship programs in the country. I'm proud to say that with the help of a number of colleagues we have come a long way toward achieving that goal.

G&T: As someone with decades of experience in fund raising, what advice do you have for someone just starting out?

Adcock: Focus on your philosophy. This will dictate whom you seek counsel from, what service providers you use for marketing strategies, and the overall approach you have to gift planning. Some people believe donors are driven to give by the gift plan or the tax savings and other economic benefits they may enjoy by making the gift. They treat gift planning as selling products. Others feel that donors are motivated by a strong commitment to and love for the organization. They believe that for most donors, the way the gift is made—the gift plan—is secondary. I am of this opinion as well. Most of the donors I've worked with through the years—whether at the American Cancer Society or at The University of Alabama—are motivated to give by their strong commitment to the mission. They want to create their legacy.

With the American Cancer Society, many times donors were motivated by a desire to cure a disease that had negatively impacted their lives. The investment was for future generations in a hope that others will not suffer as they or possibly a loved one had suffered. In the case of the University, the experience is more positive. Often they met their spouse while on campus. Many credit their education with their ability to achieve financial success, and there is a strong affinity with other alumni and a desire to give back to an institution that has held a special place throughout their lives. Helping them achieve these goals in the most cost-effective manner is where the real satisfaction in charitable gift planning comes into play.

The key to success as a gift planner is to be a good listener. Listen to what your donors want to accomplish. Some need no income and have no heirs to provide for. Others have a special situation that the right gift plan can help address. For each gift, strive to balance the needs of the charitable recipient with the interest of the donor. Not every gift is necessarily a good gift. It's important to ensure that every gift is a positive experience for everyone involved.

Recognition Societies . . . continued from page 1

changed during the donor's lifetime, as are the remainder interests of many otherwise irrevocable charitable remainder trusts.

With an effective, ongoing recognition society in place, you can reduce the risk of being removed from a donor's estate plans. As noted above, planned gift donors may be reaching the age at which their current giving may be decreasing. A planned gift recognition society can be key to managing the natural "downgrading" of donors. The society provides a way to continue to acknowledge a donor's past and future involvement. In addition, you may see more planned gift commitments from prospective donors when they see that planned gift donors—not just donors of current gifts—are also given the recognition they deserve.

Conduct a reality check

No matter how many "benefits" you offer to donors through membership in a planned gift recognition society, realize that few people will face mortality, change their estate plans, and/or incur a legal fee to make a gift that "earns" them a lapel pin or certificate. As a matter of fact, many bequest and other planned gift donors will never tell you of their gift during their lifetime, and a percentage of others who do inform you will normally wish to remain completely anonymous and may not want to participate in a recognition society—publicly or at all. Informal surveys have shown that, at most, 20-30% of estate donors will inform you of their gift provisions in advance. For many broad-based organizations, that percentage may easily be 10% or less.

Though relatively few planned gift donors will provide advance notification of their gifts, and many of those who do tell you may not want recognition, the donor recognition society remains a vitally impor-

tant tool in managing gift planning relationships. Those who will inform you of their gift commitments and who do enjoy membership in your recognition society are a very special group. They have set themselves apart and are demonstrating to you that they want to be more involved with you during their lifetime. This increased level of dedication may be the reason why studies have also shown that bequests received from donors who informed charities in advance of their bequest, whether or not they accepted membership in a recognition society, are often two or three times the amount of bequests received from those who do not notify charitable interests in advance of their gift.

So while your recognition society may honor only a relatively small group of bequest and other planned gift donors, remember that this type of relationship building can help strengthen and cement long-term donor friendships, which can lead to significant additional gift income in the future.

Editor's note: The preceding article is excerpted from Session X of "An Introduction to Planned Giving." See www.sharpenet.com/seminars for the latest information about upcoming Sharpe training opportunities.

Don't miss the chance to attend one of Robert Sharpe's upcoming speaking engagements:

National Conference on Philanthropic Planning
Orlando, October 14 www.pppnet

Minnesota Planned Giving Conference
St. Paul, November 3 www.mnpgc

Dos and Don'ts . . . continued from page 2

have indicated an interest in your cause. They may have made a sacrifice when giving funds that they could have used for themselves in many ways. Remember that any amount that is given to charity could have been spent, saved, or given to a non-charitable beneficiary instead.

Consider sending your donors information about how their gift will make a difference in furthering your mission. Invite them to special events where possible. Mailing newsletters and other updates, for example, can also be a good way to say thank you on an ongoing basis while informing donors about how their gifts are being used.

Bottom line

More nonprofits than ever are asking people to give from income and assets that may be increasingly uncertain. Maintaining a close relationship with supporters by expressing your gratitude sincerely and appropriately can go a long way toward growing the regular or occasional donor into a major and/or planned giver. Help people feel good about their association with you, thank them in meaningful ways, and you will nurture a constituency of long-term, committed donors who are happily devoted to your cause.



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

To update your mailing information,
visit www.sharpenet.com/address.

Sharpe Gift Planning Seminars

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 Seminars:

November

Integrating Major and Planned Gifts

Washington, D.C.

November 4-5

December

Gift Planning Fundamentals

Memphis

December 13-14

Registration is always limited to allow for more interaction between participants and instructors. 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.