How to Do Planned Giving When It's Not Your Frontline Job.

Slide 1 – Title

Today we're going to discuss how easy it is to reap the benefits of planned giving by using only a few fundamental tools that require very little time, but can have a huge payoff.

Slide 2 – What is Planned Giving?

Let's define planned giving: It is an effort to seek gifts that require planning and assets often transferred to charity through a legal instrument. Planned gifts come from wealth rather than income – we sometimes say it comes from assets not a checkbook. Planned gifts can include contributions of appreciated securities like stocks and bonds, bequests from wills and trusts, beneficiary designations in life insurance policies, investment, retirement, and banking accounts, along with outright gifts of life insurance, real estate and business ownership interests. These assets may also be used to fund arrangements that provide payments to the donor or a loved one.

Slide 3 – What Planned Giving Isn't

What isn't planned giving? Planned giving isn't only for those organizations that have many clearly wealthy donors – remember the book about "the millionaire next door?" Planned giving doesn't require staff with tax and legal credentials. And an organization does not have to offer the full "menu" of planned giving options to be successful in raising planned gifts.

Slide 4 – Cash is King

Why doesn't planned giving figure more prominently in many fundraising programs? Do you feel it figures markedly in yours?

If not, is it because planned giving may not be part of your fundraising culture? Perhaps there is a "cash is king" mentality that governs your development program. I've been there, even as a full-time planned giving officer.

The cash is king gestalt places great emphasis on money in the door through major, principal and corporate and foundation gifts, but ignores the long-term benefits of planned gifts, particularly in building a sustaining endowment. I look at some of the large trust and estate bequests from which Fred Hutch will benefit handsomely in the next few years - seven and eight-figure gifts. How much better could the Hutch survive sequestration if 20 years ago we had attracted even more interest in bequests to support our research.

Maybe planned giving is seen as being just too complicated and the administration of the gifts too onerous. That doesn't have to be the case. As you'll see, there are ways to just dip your toe in the pool of non-outright gifts and augment your current fundraising success.

Slide 5 – Too Busy

Maybe you don't have the time to make planned giving part of your job. If you've been on the ground at your institution for some time, you already are up to your elbows in alligators. You may think that adding a new venture is almost impossible. So let's start with only four hours per week – four continuous hours. Set that time aside on your calendar, even use the

recurrence tool if you rely on Microsoft Outlook. Then challenge yourself to have the discipline to stick to the schedule.

Slide 6 – The Power of <1 FTE

In a webinar a few weeks ago, PG Calc's Jeff Lydenberg and Ann McPherson discussed planned giving best practices through a benchmarking study. The key takeaway for our purposes today is the potential of high planned giving revenue when even less than one FTE is dedicated to securing those gifts.

In this slide, you can see that with less than one fundraiser devoted to planned giving, realized planned gifts can range from $500,000 to $5,000,000.

Slide 7&8 – Fear of Planned Giving

Maybe you're afraid of what you don't know. Planned giving can be intimidating, particularly if you've sat through a seminar where the presenter, and I've been guilty of this, gets too technical delving into CRUTs and CRATs, term lead trusts, and flexible deferred gift annuities. Also, a very lucrative industry has been built up around planned giving and that industry profits by making things seem complex.

Planned giving can be simple and you don't have to do it all. Attend a seminar or workshop at an introductory level. Focus on the general concepts not the details. Talk to a planned giving officer about basic resources such as books and web sites you can use as reference tools.

You don't have to go it alone. There are professionals out there, perhaps on your Board or volunteer committee who can handle the complexities, should they arise.

If someone is interested in funding your mission through the residue of a charitable gift annuity or remainder of a charitable remainder trust, there are for-profit and nonprofit firms who will handle the details for you, such as the trust department of a bank or a community foundation.

Slide 9 –2012 Contributions – By Source of Contributions

Why should you even care about planned giving?

Giving USA 2013 reported that of $316 billion in 2012 contributions, 72% were by individuals and 7% by bequests with the latter alone totaling approximately $22.1 billion. Certain types of life income planned gifts were included in the "individuals" category.

Moreover, in the October 2011 issue of Planned Giving Today, it was estimated that around 200,000 estates had provided bequests to one or more charities. It's clear that if you are not actively seeking bequests, you have an opportunity to get a bigger slice of the pie.

Slide 10 –2012 Contributions – By Type of Recipient Organization

In Giving USA 2013, the Health sector, my particular interest, comprised 9 percent of total estimated giving in 2012. The majority of the gifts in the Health sector went to support health research, especially for cancer and heart disease. But Health is only in 5th place behind religion, education, human services and private foundations. Still, there's plenty for us all!

Slide 11 –Benefactor Objectives

Why else should you care about planned giving? Planned giving offers many flexible giving options, particularly among those who would like to give you a large cash gift but just can't afford it.

It also allows donors to align their giving goals with their personal objectives of caring for family and friends. It can increase current income and save taxes.

When frontline fundraisers at Fred Hutch and at the Florida campus of Mayo Clinic get a "no" in response to an outright ask, the line I've drilled into them to say is, "If I can show you how you can increase your income, save on your taxes, and support (insert your nonprofit here), would you take a look?" It works every time. At least you'll have a chance for a second bite at the apple.

Slide 12 –Targeted Marketing – Types of gifts and ways to market

So, how do you prepare to get into a planned giving program?
Let's look at planned giving options and where and how you should focus your efforts.

Here's a matrix put together by Robert F. Sharpe, Jr. Traditionally, the focus has been on older, wealthier benefactors, reflected in the upper right hand corner.

The types of gift arrangements that comprise the world of planned giving range from appreciated stock, bonds, property like real estate to lead trusts to charitable gift annuities.

The activities for securing those gifts include visits, direct mail and social media. You don't have to pursue all these types of gifts nor do you have to use all these methods. You may want to limit what you seek to bequests, retirement plans, and life insurance policies through direct mail, your web site, and by placing ads in publications you already produce.

How can you enjoy the greatest return for your planned giving efforts without those efforts taking up a great deal of your time? Let's start with bequests. Bequests make up about 70% - 80% of planned gifts and as we saw earlier, they exceeded $22 billion in 2012.

Slide 13 –Last Will and Testament

At Fred Hutchinson Cancer Research Center, the average bequest is $258,000. Now, admittedly, the standard deviation is large – there have been some six and seven-figure bequests received by the Hutch over the last few years – but even if the median bequest were 20 percent of that, it would still be a respectable number. And if you were to receive three or more bequests of that magnitude each year, it could have a dramatic effect.

Your question now may be, "How do I manage the process of administering estates and trusts from which we'll receive a bequest?" That's a negotiated settlement among you, your chief financial officer and legal counsel. However, to satisfy a bit of professional curiosity, I'm currently looking into the potential of nonprofits, both large and small, outsourcing much of the responsibility for open estates and trusts. Stay tuned for the findings…

Slide 14 & 15 –Ads

Attracting bequests can be fairly passive and inexpensive, yet effective. Including an ad in your newsletter or special event program can build interest among your readers. In some cases, your constituents may not even have thought about including you in their estate plans even if they have made provisions for other nonprofits. You can nudge them to think about you in the next revision of their will or trust. Here is a recent ad we placed in our Hutch Holiday Gala catalog. Another example is this from a Nature Conservancy publication.

A United Way chapter in Montana with which I was involved started placing ads for bequests in their monthly newsletter and online. The chapter evolved from receiving an unexpected five-figure estate gift once every few years to learning of will and trust intentions at the rate of four to five each year.

Slide 16 –Annual Giving Insert

A small land trust in Arizona placed "buck slips" (here's one we use at Fred Hutch) in the envelopes containing receipts for annual gifts. In just the last year, their land under protection has grown by 2,000 acres by gifts generated through the inserts.

Slide 17 –Retirement Plans

Now that the Dow Jones Industrial Average and the S&P 500 have achieved record highs, many retirement investors are back above water. For some, their 401k, IRA, Keogh, SIMPLE, and other retirement accounts make up a large portion of their net worth. There are likely even some among your benefactors who are "overfunded" that is, their retirement income will be much more than they will ever need. And, once they've attained age 70 1/2, they'll have to pay income taxes on income (Required Minimum Distributions) they may not want or need. Moreover, even with a high gift and estate tax exclusion, there is still that nasty problem of ordinary income tax on qualified retirement plans left to friends and family

You can help your benefactors out of tax dilemmas. They want to help you and you can offer them a couple of ways to avoid the high taxes retirement funds bring.

Slide 18 –Life Insurance

Life insurance can be given outright to your nonprofit when the policy owner makes your charity the owner and beneficiary of the policy. The gift value of the policy is dependent on whether it is a paid up policy or if premiums are still due, but basically the value is what it would cost for a new policy with similar parameters or what you can get if you cash in the policy. The policy owner/donor may qualify for a charitable income tax deduction based on that value.

Life insurance policies require a bit more oversight than a charitable IRA rollover gift, but they can provide immediate liquidity or, if held until the death benefit "matures," it can provide quite a windfall into the hundreds of thousands or millions of dollars.

Slide 19 –Hot Prospects

Who are your hottest planned giving prospects?

Basically they are those who are most loyal to your organization. Those who have the greatest affinity to you are those most likely to include you in their wealth transfer plans.

How do you measure that loyalty? A tried and true screen for affinity is the longevity of annual giving. If someone has been giving to your nonprofit for seven, ten, 15, or more years, it's a good bet they really care. And it doesn't have to be a large annual gift though increasing giving over the years is an even greater gauge of their interest, their wealth, or both.

Slide 20 –Russell N. James Research at Texas Tech

Here is a table showing how bequest giving compares with annual giving. The study was by Russell James of Texas Tech University. The study quantifies estate giving as a multiple of annual giving, based on the value of the donor's total estate, the donor's total annual giving, and the total estate gift value for Americans over age 50.

Donors with estates valued at less than $100,000 made bequests that were less than their total annual giving. However, with growing estate value, the size of the total estate gifts and their multiple of annual giving grew.

To take advantage of your benefactors' annual giving loyalty, add one or two annual bequest mailings to a segmented list of your loyal donors. Partnering with the annual giving program can make this effort seamless and can reap great rewards.

Slide 21 –Segment Your Hottest Planned Giving Prospects

First select those with the highest loyalty. Refine them by their financial engagement, high annual giving, low cumulative; high cumulative giving, low annual; and high annual giving, high cumulative. If you're strapped for resources, focus on mailing to those in the third category. As you show success, that is more and more revelations of bequest intentions, you may be able to afford to expand your outreach to the other categories.

Slide 22 & 23 –Postcards

To the chagrin of the planned giving newsletter vendors with which I've worked, I have found that homegrown postcards have produced a greater response than newsletters or even personalized letters. Postcards are easy and inexpensive to produce and mail, they get your message across immediately, and can drive traffic to your web site where more information is available. The key is to not make the information too technical. Remember, your job is to at least hook 'em and a postcard can get them to hit your lure. OK, that's enough of the fishing metaphors.

Slide 24 & 25 –Chapman U Planned Giving Site

Your website should be your key touchpoint for information about how to make a planned gift to your Charity. If it is interactive, your visitors will more likely be engaged and it moves the visitor beyond static messaging.

Here are a few images of an award-winning web site hosted by Chapman University. In the announcement of the award, Chapman was given kudos for features including branding with campus photos, an engaging mission video, social media feeding live to their Heritage Society page, custom donor stories and free workshops.

If you're not heavy into planned giving right now, all this may seem over the top. However, once again, you don't have to do it all.

Slide 26 –Chapman U Facebook Page

Just having a link to your social media site may be sufficient to get your benefactors more involved.

According to *Fundraising Success Magazine* (April 2011), 90% of its survey participants indicated their organizations were active in social media. Social media allows you to reach new constituents and those who you may not communicate in other ways. It can truly attract new planned giving donors.

While by their very nature, planned gifts do not come directly through social media like online contributions may, it does support existing planned gift efforts. It builds relationships where your benefactors already visit. But as with every social media outlet, there is risk in opening yourself to the comments of your visitors, however, those risks are manageable in the same way other comments are handled by your charity.

Slide 27 & 28 –Email, eblast

Email is another cost effective method to reach your benefactors and once again, when you partner with annual giving, you can insert your message into the annual giving calendar and be responsible only for generating content.

Email outreach is effective because it allows benefactors to respond to a call to action. That action may drive them to your web site to help them learn more about your mission and perhaps review ways to give.

Slide 29 –Board of Trustees Engagement

One of the theoretically easy ways to get planned giving commitments is through your governing Board. Board members are often asked, and some are even required, to make an annual gift. Shouldn't planned gifts be encouraged from 100% of the Board?

I was recently added to the Board of Directors of a foundation for a national motorcycle enthusiast group. Before the vote was held on my nomination, I explained how easy it was for anyone to make a planned gift and then asked who among the Directors would now include the Foundation in their estate plans. Each of the nine members raised their hand. I was astonished. More surprising still was that despite my helping to encumber some of their assets, they still voted me in.

While the Board should be made aware of an organization's intent to seek planned gifts, it's best to solicit the members individually rather than making a broad presentation to the entire Board. Recruit a few Board members who have already made a provision in their estate plans for your Charity or have established a life income gift such as a charitable remainder trust to benefit your nonprofit.

Train your volunteers to offer the benefits of planned giving, both to your Charity and to the Board members themselves, through scripting and role playing.

Having your Board "on board" in planned giving will have many beneficial effects beyond just the dollar value of their commitment:

- As visible members in the community, they will more likely talk up your mission among their peers. This may lead to even more planned gift inquiries.

- Donor identification and qualification. In confidential settings, such as Board committee meetings, Board members can assist staff with the identification and qualification of potential planned gift donors.

- Board members can also be instrumental in helping you cultivate, and even solicit, your benefactors. They can also open doors through letters, emails, and phone calls to your prospects setting up your visit.

- They can offer testimonials for publication in your development publications, and on your web site and social media outlets.

Slide 30 – Getting Help

Again, you don't have to go it alone. And you don't have to learn all the technical nuance of planned giving. There are experts out there who will help, maybe even for free! Look to your Board or volunteer committee or legacy society for an attorney, a CPA, a bank or trust officer, and a financial planner. Let them know your nonprofit is diversifying its philanthropic revenue base to bring in more and bigger gifts and that you'd like their assistance with inquiries from potential benefactors.

Who knows, once you've shown how successful planned giving can be for your Charity, it may become a full blown program with dedicated staff and outside counsel.

Slide 31 – Parting Words

Now go out there and say to your benefactors, "If I can show you how to increase your income, save on your taxes, and help us, would you take a look?" You'll be amazed by the response. And by your success.

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