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Getting Started with Planned Giving

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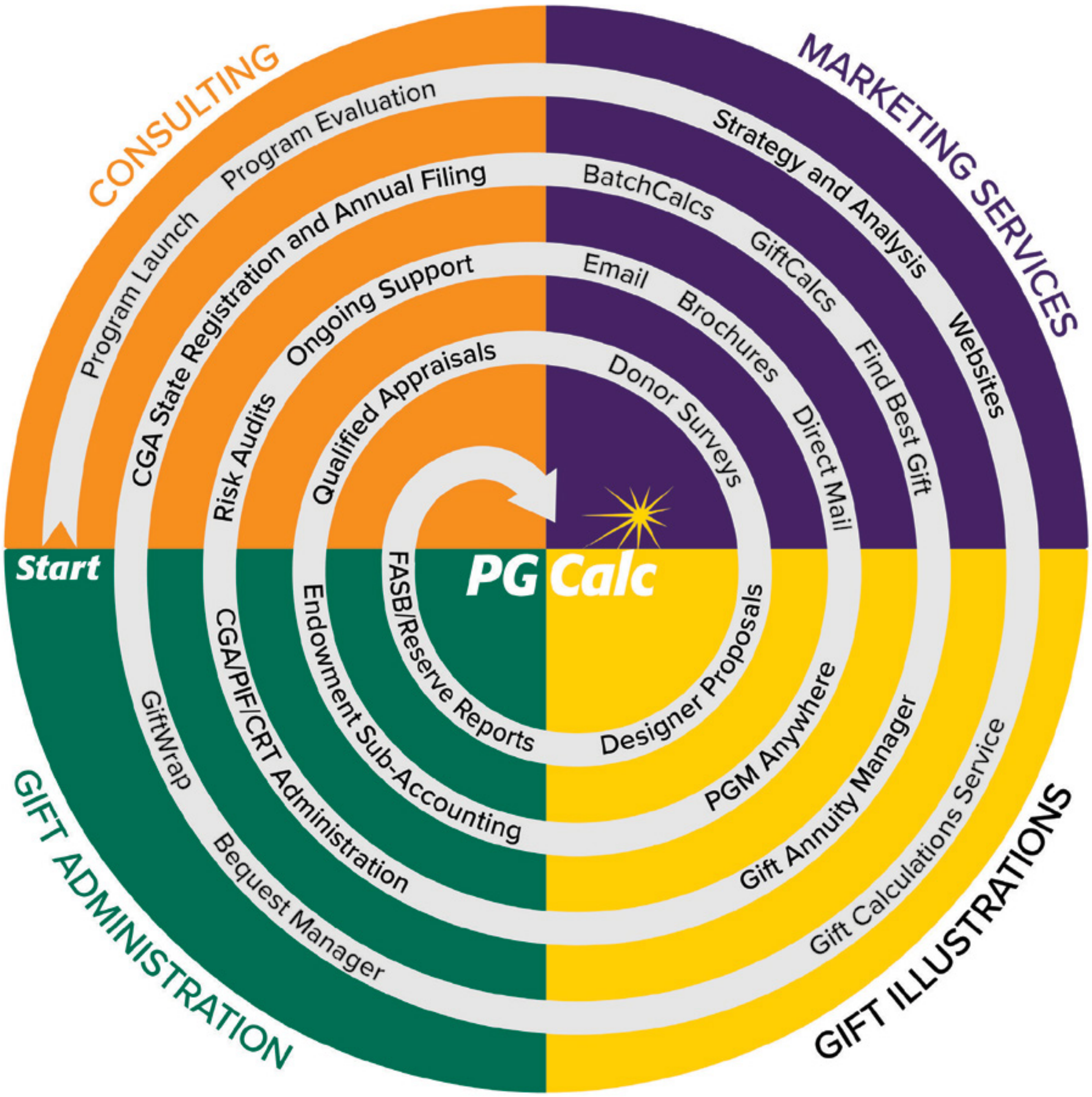

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Getting Started with Planned Giving

As baby boomers age, trillions of dollars are set to transfer between generations in the next several years. So, lots of charities want to get serious about seeking bequests and other planned gifts.

Even if you don't have someone on staff designated to oversee legacy gifts, you can get started by simply spreading the word. Experts advise fundraisers to include language in all outgoing communications indicating that planned gifts are welcome.

Many nonprofits combine planned giving and big-gift fundraising. If you take this approach be sure not to overlook loyal donors who give smaller contributions year after year. Many groups find that these supporters are great candidates to cultivate for legacy gifts.

For more advice on how to inspire donors to create their legacy through your organization, consult this collection. You'll find key concepts and smart ideas for building a planned giving program from the ground up — and help give your organization a more secure future, too.

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Setting Up a Planned Giving Program

By EDEN STIFFMAN

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There's a lot to think about when starting a planned giving program. Experts recommend nonprofits take these first steps.

Pick the right gift types for your organization. There are many different kinds of planned gifts, and not all of them are complicated.

Bequests are a good place to start, says Charlotte Meyer, director of planned giving at the Ocean Conservancy. They don't have to cost the organization anything, and they require little effort.

"Many are as easy as signing [a donor's] name or changing a beneficiary designation," she says. Nonprofits "don't need to have a lot of expertise. You just need to let people know that you accept bequests."

Launching a program to seek gift annuities, which provide income to donors and an eventual large gift to charity, is a typical next step for organizations that actively promote bequests. The American Council on Gift Annuities has a list of things to consider when deciding whether gift annuities are right for your organization.

Nonprofits should establish gift-acceptance policies early on to help outline the types of gifts they accept.

Assign a point person on staff. The era of the planned giving expert and specialist on staff is passing, says Jeff Lydenberg, a consultant with a planned giving software company. Nonprofit fundraisers are asked to handle multiple types of donations—annual gifts, planned gifts, major gifts—all at the same time.

But he still recommends designating one person to be the resource and the point of contact to answer any questions.

You may also want to include planned-gift efforts in your internal metrics and give credit to fundraisers who are speaking with donors about planned giving, even though the payoff will be deferred.

"People will focus on the things for which they are rewarded and measured," says Mr. Lydenberg.

Talk about your planned giving program. When an organization consistently communicates that it's interested in planned gifts, the group is more likely to reach donors at the right time. Planned gifts are often triggered by life events—the birth of a grandchild, the sale of a business, a retirement.

Whether that contact comes through newsletters, e-mail, postcards, personal visits, or phone calls, the key is to include a sentence or two in all communications.

There are many different kinds of planned gifts, and not all of them are complicated.

"You never know when the donor's going to be in the right frame of mind to hear that message," says Karen Gallardo, a planned-gifts fundraiser who has worked at organizations including the AARP Foundation, the Aspen Institute, and the Nature Conservancy.

A parting comment at the end of a donor meeting—something like, "By the way, if you have ever thought about creating a legacy, we're here to help you"—is easy and can have high impact, says Ms. Meyer of the Ocean Conservancy. "You have to inform people now, in order to reap the rewards later."

A 2013 study of 1,200 nonprofits, conducted by the Nonprofit Research Collaborative, found that only a third of charities made formal efforts to solicit planned gifts or bequests, with larger organizations more likely to do so.

Find planned giving prospects. While each organization has a different donor profile, you can start seeking out planned giving prospects by taking a look at who's been giving to your organization the longest and their age. Americans age 55 and older who have a will are more likely to leave a legacy gift, according to an analysis of data from the Health and Retirement Study by Russell James, director of graduate studies in charitable planning at Texas Tech University, though it may be wise to focus some efforts on even younger donors.

The idea that planned giving donors are always major donors during their lifetime is a myth, says Ms. Gallardo, who has also served as president of the National Capital Gift Planning Council.

When donors are recognized and thanked regularly and their relationship with the organization is strengthened, they may be more likely to give a cash gift during their lifetime.

"Anybody who is a donor is a prospect for planned giving."

She often hears that organizations are getting six- or seven-figure bequests from donors who consistently gave small amounts during their lifetimes.

Schedule meetings with donors. It's usually easy to get in the door with planned giving prospects because they tend to be donors who are passionate about the cause, says Ms. Meyer. She typically meets with donors who have been giving $100 or less annually for a number of years.

The goal of these meetings is to thank donors and give them an update on the organization's programs. If it seems appropriate, toward the end of a meeting Ms. Meyer will ask if they've considered making a gift through an estate plan. Whatever the donors' response, the question presents an opportunity for follow-up.

Provide proper acknowledgements. Creating a planned giving legacy society is key to building a strong program, no matter the size of the organization. The groups usually offer members perks like access to special events, pins, and publications, and donors are generally recognized publicly.

If you know people who have already included your organization in their estate plans, you're ready to start one now, says Mr. Lydenberg.

A legacy society also presents an opportunity for fostering stronger donor ties. When donors are recognized and thanked regularly and their relationship with the organization is strengthened, they may be more likely to give a cash gift during their lifetime.

That's been true at the Ocean Conservancy, where planned giving donors also give more through direct mail than donors who haven't made deferred gifts, says Ms. Meyer.

Important Planned Giving Terms and Phrases

By EDEN STIFFMAN

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- **Deferred gift:** An agreement to give a donation at a later date. Bequests, trusts, gift annuities, and donations of life insurance are all types of deferred gifts. The term is often used interchangeably with planned gift.
- **Bequest:** A gift from an estate, which might include a transfer of cash, property, or other assets to charity that is stipulated in a will. Some bequests specify an amount of money to donate, while others earmark a percentage of an estate or the amount left after other specific payments are made.
- **Trust:** A legal agreement that assigns a third party, like a bank, to hold assets on behalf of a beneficiary. The individual who sets up the trust is called the grantor. The outside entity who manages the fund is called the trustee. In arranging a trust, the grantor designates one or more beneficiaries of the funds. These might be individuals, a charity, or a combination of both.
- **Revocable trust:** Also known as a "living trust," a trust arrangement in which the donor can cancel or change the terms up until death.
- **Irrevocable trust:** The opposite of a revocable trust. Donors cannot modify the terms of these trusts after they are established. Because the assets are transferred out of the estate, donors of these trusts are not taxed for any income their assets generate.
- **Charitable remainder trust:** A trust that provides income for a donor, usually for the lifetime of that person, and in some cases also for a spouse or another individual for his or her lifetime, before generating a gift to charity.

  Donors may receive immediate income-tax and gift-tax deductions. Income from the investment is also tax-exempt, and the assets given to the charity are not included when determining the donor's estate tax. Unlike bequests, which can be altered or withdrawn when a donor changes his or her mind, charitable remainder trusts are irrevocable.
- **Charitable gift annuity:** An arrangement in which a donor gives cash, securities, or other assets to a charity to invest and, in return, receives a tax break and fixed, regular payments for life. Annuity payments are typically worth more than donors would receive from treasury bonds, certificates of deposit, or money-market funds, but because the payments are fixed, their value may diminish over time due to inflation.

Bequests, trusts, gift annuities, and donations of life insurance are all types of deferred gifts.

  The American Council on Gift Annuities suggests maximum payment rates that will leave 50 percent of the original contribution to the charity. Payment amounts are established based on a variety of factors, including the value of the contribution and the donor's age.
- **Blended gift:** A gift that combines a cash or in-kind outright donation with a bequest or other planned gift. Donors who make a major gift during their lifetime may do this to ensure that their support of the organization continues into the future.
- **Legacy society:** A way for organizations to recognize a group of donors who have arranged for planned gifts. These donors often receive special perks, like access to events, and are generally recognized publicly.

New to Planned Giving? Watch Out for These Common Pitfalls

By EDEN STIFFMAN

Getting started with planned giving may seem daunting, but it doesn't have to be. There are many things you can do to incorporate planned giving into what your organization already does.

We asked the experts about some common errors and misconceptions of those new to planned giving. Here are some things to avoid.

1. Skimping on marketing. If your organization accepts planned gifts, say it loud and proud.

Promoting that your organization is in the business of legacies is one of the most important things you can do, says Karen Gallardo, a planned-gifts fundraiser who has worked at the AARP Foundation, the Aspen Institute, and the Nature Conservancy.

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Creating stand-alone planned giving communications is not always necessary. Marketing the program can be as easy as including a sentence in other appeals that asks donors to consider giving to your organization in their estate plans.

2. Delaying your follow-up. "When donors are ready to make a planned gift, they are ready," said Megan Contakes, a consultant with Integrated Direct Marketing, during a Chronicle webinar. "If you don't call them back, they're going to move on to the next organization."

Show donors that the organization is interested by responding quickly to their requests for information, says Charlotte Meyer, director of planned giving at the Ocean Conservancy.

"This is a service that you're providing to them," she says. "You're helping them make gifts that they've always wanted to make and won't be able to make until they pass away."

"You're helping them make gifts that they've always wanted to make."

3. Being impatient and expecting short-term returns. With the pressure to secure gifts, fundraising can be stressful. But patience is key, says Peter Ticconi, senior director of gift planning at the Georgia Institute of Technology.

New planned-gift officers need to be particularly careful in determining when to ask a donor for support: "If you're doing your job right, you hardly ever have to ask," he says. Fundraisers, says Mr. Ticconi, need to share information without putting donors in a position where they feel pressured or defensive.

It's tough to predict when organizations will receive the planned gifts, but chances are you'll have to do some waiting.

And don't worry if you don't hear much at first. A majority of deferred-gift donors will not inform the organization in advance, says Jeff Lydenberg, vice president of consulting at PG Calc, a firm that provides planned giving software, marketing, and consulting. His rule of thumb: For every donor who self-identifies, he assumes there are three more out there that he isn't aware of.

4. Asking for planned gifts when you don't have an endowment. Organizations that don't have an endowment are going to have a tough time convincing donors to include them in their estate plans, Mr. Lydenberg says.

"If they think they're going to make this gift and you're just going to blow it the minute you get it, it's not a very compelling argument—it's not exactly a legacy," he says. "It's just there and then it's not."

If you do have an endowment, planned gifts are a great way to increase it, he says.

5. Letting the complexity bog you down. For some people, talk of planned giving immediately creates anxiety, but not all types of planned giving are complicated.

Bequests, for example, are a great starting place, Ms. Meyer says. For many, the donor simply signs a document or changes a beneficiary designation in a will.

"You don't have to be afraid or nervous about letting the world know your organization accepts bequests," she says. "You don't need to have legal counsel. You don't need to have a lot of expertise. You just need to let people know that you accept them."

At the same time, don't get in over your head. If you don't have the specialized training to handle a charitable lead trust or charitable remainder trust, don't talk about them in your newsletter.

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5 Ways to Inspire and Show Appreciation for Planned Gifts

By EMILY HAYNES

More and more charities are working to snag a portion of the estimated $9 trillion of wealth that baby boomers are expected to transfer in the next 10 years or so. The process of securing a planned gift, like a bequest or charitable gift annuity, is more of a marathon than a sprint. The time investment is worth it, however, because these gifts typically have substantial value.

A recent report by FreeWill, a company that provides free online estate-planning tools, found that bequests made on its platform from June 2017 to May 2019 had an average value of $78,630.

In pursuit of a planned gift, be prepared to have wide-ranging and ongoing conversations with prospective donors, fundraisers say. Here are five tips from planned giving officers on how to talk to donors about this sometimes sensitive subject.

Look to your loyal donors — not necessarily your richest ones.

"Wealthy people are giving you their money now," says Nicole Engdahl, senior vice president for planned giving and annual giving at the National Park Foundation. While major donors may seem like the best prospects for planned gifts, some fundraisers encourage a broader approach.

> "We set out to earn $50 million in planned-gift pledges and ended up raising $117 million."

Donors who consistently give even $50 a year can be among the strongest prospects for a planned gift, according to Brian Peterson, associate director of planned giving at Human Rights Watch. But often these donors simply don't know about the options to direct a donation through their wills.

For that reason, Peterson said, Human Rights Watch focused on informational outreach to longtime donors when it began its planned giving program in 2014. They spread the word by mail, email, and Facebook ads and added a line to donation forms for donors to express interest in learning about planned giving options.

"I'd say a good part of my time is just getting people to raise their hand and say they're interested," Peterson says.

Listen for moments when a donor shares a personal connection or devotion to your cause.

Planned giving conversations, Peterson says, should be "heavily mission-driven." Reflecting on their life and considering their legacy, donors will often explain their loyalty to your charity's cause through personal stories. Longtime donors to the National Park Foundation, for example, often tell Engdahl about their first trip to a national park. This is an ideal time to ask about planned gifts.

"They get almost quiet and almost reverent," she says. "Then I know this is something that they're passionate about. We are something that means something to them."

Engdahl says most organizations' supporters have similar stories that explain their loyalty to the mission. For example, a donor who has long supported a cancer-research organization may share a story about a time the disease touched his or her life.

Treat these moments as gateways to a conversation about planned giving, Engdahl advises.

Build trust first, then just ask.

While starting a conversation about end-of-life planning is daunting, Engdahl has found success by closing out conversations about a donor's ties to the charity with a direct question.

"I wouldn't be doing my job if I didn't ask," Engdahl often tells donors before asking them whether the National Park Foundation is a beneficiary in their will. Donors, she says, generally appreciate her candor.

Engdahl acknowledges that broaching the subject is easier for her because her title includes the terms "planned giving" so donors expect the topic to come up. Even so, she says she finds most donors willing to talk about the topic.

"Don't be afraid to go there," she says.

Encourage planned gifts through a challenge grant.

In September 2016, the Institute for Justice launched a two-year campaign that matched bequest pledges with an immediate gift. Donors Bernard and Lisa Selz gave $2 million, which covered matching gifts at 10 percent of each pledge value up to $25,000. The campaign, which ended in December 2018, enabled donors to make an immediate impact with their deferred gift by triggering a gift from the Selzes; it also gave the charity more data on the number and structure of bequests it was slated to receive.

"The majority of charitable bequests will come from donors who never tell you that they've done it," says Peterson. A challenge grant can help a charity more realistically budget for expected bequests. With the help of the matching-gift incentive, the Institute for Justice now knows the value of 273 pledged bequests. Before the campaign, it knew the value of just 14.

"We set out to earn $50 million in planned-gift pledges and ended up raising $117 million," said Melanie Hildreth, vice president for external relations at the Institute for Justice. "For people who were not in a position to be major annual supporters but had left us part of their entire estate, it's a pretty cool way to make a big impact right now with that gift."

Stay in touch with donors and show impact.

After a donor makes a bequest pledge, the charity may not see the value of that gift for years, or even decades. "Where organizations go wrong is not keeping in touch with their legacy members," Peterson says, referring to donors who have committed to making a planned gift. "It's very important to treat that commitment like they've already done it."

Human Rights Watch sends those donors reports on mission work and birthday greetings and makes personal phone calls when they make a donation separate from their bequest. "It's a way to keep our donors informed of our work. It's sort of like treating them like insiders," Peterson said.

Like many charities, Human Rights Watch inducts donors who pledge to make a planned gift into a legacy society. Members of this group are acknowledged in the annual report alongside those who gave major gifts. This helps underscore the value of planned gifts, especially to donors who may be considering making one, Peterson says.

On donor calls, Engdahl makes sure to ask whether a donor who has made a pledge has moved states, experienced any life-changing events, or made changes to their estate plans. These questions can help start a conversation about whether the pledge still stands.

Sharing data on the work can also help ensure that a donor follows through on the pledge. She advises: "The more we talk about specific things that we're funding right now, the more likely I am to get an unrestricted planned gift later."

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