

Integrating Gift Strategies and Techniques Before, During and After the Capital Campaign

❖ **Key to successful integration of planned giving with capital efforts is to *take charge of the process at an early stage* to make sure that the appropriate gift cultivation, gift opportunities, and gift types are age and wealth appropriate for the prospect/donor.**




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Phases of a Capital Campaign: Preparation and Research Phase

❖ **Test PG opportunities**

- Should ABC Hospital consider estate gifting options in its campaign plan?
- If ABC Hospital includes gift annuities and charitable trust options would these techniques help it achieve the goal?
- Should ABC Hospital include endowment gift options in its campaign plan?
- Would planned gift options combined with cash gift options help you raise your gift sites for the ABC Hospital campaign?



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Integrating Gift Strategies and Techniques Before, During and After the Capital Campaign

❖ **Likely hurdles to including gift planning options**


- Leadership only wants *current cash*
- Capital campaign consultants reluctant mentioned planned giving strategies
- Charity has no internal or consultant expertise in planned giving or charitable gift planning



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Counting, Valuation and Accounting Issues to Consider


What gets measured gets done!!



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Gift Acceptance and Counting Procedures

- ❖ Sample gift guidelines
 - Gifts with retained life income
 - ✓ Remainder trusts
 - ✓ Gift annuities
 - ✓ Pooled income funds
 - Gifts of life insurance
 - Gifts with retained life estates
 - Bequests and testamentary trusts received during the campaign period
 - Bequest and bequest designations confirmations received during the campaign period
 - Gifts from charitable lead trusts
 - Gifts from donor advised funds
 - Corporate matching gifts



Planned Gifts and a Campaign

- ❖ Goal is best possible gift from each donor
- ❖ Suggest the **most appropriate option** to make a contributions and which assets to use to fund the contributions
- ❖ The nature of a **donor's personal objectives** leads the gift planner towards some and away from other charitable plans or methods



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Planned Gifts and a Campaign

- ❖ Goal is best possible gift from each donor
- ❖ *Understanding lead gift donor's*
 - personal goals
 - personal financial situation
 - family goals
 - assets
 - plans in place

**Planned Gifts and a Campaign
Financial and Estate Decisions**


- ❖ *How will it effect me?*
- ❖ *How will it impact my heirs?*
- ❖ *What effect will it have on my security?*
- ❖ *What will my children think?*

Barriers to Philanthropic Planning

- ❖ Resistance of advisors
 - poor knowledge or expertise
 - planning bias
 - no personal giving
 - bad experience with charity

Barriers to Philanthropic Planning

- ❖ Donor emotional barriers
 - Not wanting to relinquish control
 - Fear of facing death...indecision
 - Fear of what children will think
 - Analysis paralysis



#3 The solicitation conversation:
Solicitation Horizon

Mission - Vision - Values - Goals

What & Why

Solicitation Horizon

Who & How

Strategic, Tactics & Tools

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Gift Decision Cycle
Age, Wealth and Interest Based Matrix

Segmentation by age

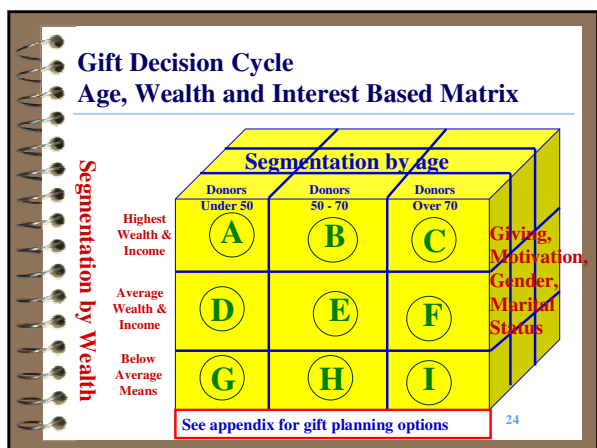
	Donors Under 50	Donors 50 - 70	Donors Over 70
Highest Wealth & Income	(A)	(B)	(C)
Average Wealth & Income	(D)	(E)	(F)
Below Average Means	(G)	(H)	(I)

Segmentation by Wealth

Giving, Motivation, Gender, Marital Status


See appendix for gift planning options

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#3 The solicitation conversation:
Philanthropy has many faces

❖ <i>Communitarian</i>	26%	★ ★ ★
❖ <i>Devout</i>	21%	
❖ <i>Investors</i>	15%	★ ★ ★ ★ ★
❖ <i>Socialites</i>	11%	
❖ <i>Repayers</i>	10%	★ ★ ★ ★
❖ <i>Altruists</i>	9%	
❖ <i>Dynasts</i>	8%	★ ★

Source: Russell Prince study *Thank you* 

#3 The solicitation conversation:
Why do people give to us?

- Someone they respect **asked** them to give.
- They believe in the **mission** of the organization.
- They have a sense of **community responsibility** and civic pride.
- The **fiscal stability** of the organization is well known.
- They hold the volunteer leadership and staff in **high regard**.
- They were **involved** with us before we asked them.



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#3 The solicitation conversation: Five Requirements for Making Wise Choices

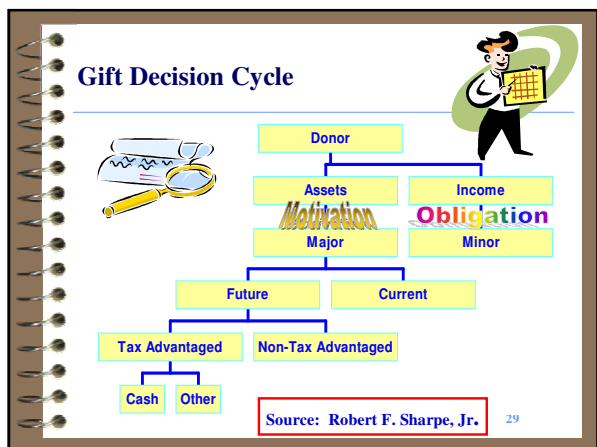
- Trust** – in the individual who seeks philanthropic support
- Clarity** – in what is trying to be accomplished
- Competence** – judgment about the team and leadership
- Management** – some assistance in the gift process to meet the intended result
- Confidence** – when all of the above are in place then the wealth holder is empowered to make wise choices

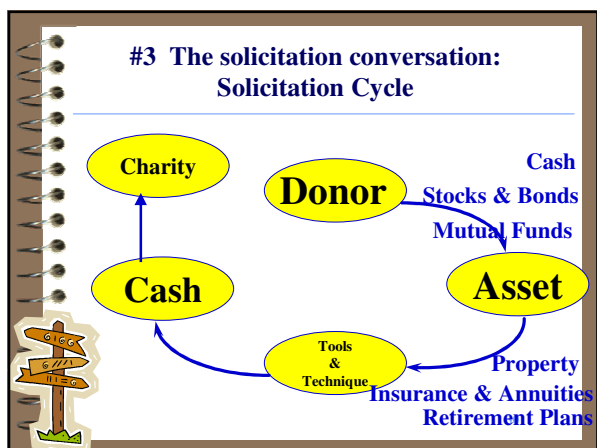
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**Planned Gifts and a Campaign:
Financial and Estate Decisions**

❖ You now know about our campaign we hope you will consider a \$100,000 commitment to help us build the new Heart Center?







**Planned Gifts and a Campaign
Financial and Estate Decisions**

❖ **Maximizing gift participation from lead
and major gift donors...instead of**

*“Can we count on
you for a gift in
the \$100,000 range?”*



**Planned Gifts and a Campaign:
Financial and Estate Decisions**

❖ **Prospective donor hears.....**


➤ *“Do I have \$20,000 a year
in discretionary income
(or securities) to give
each year for 5 years?”*



**Planned Gifts and a Campaign
Financial and Estate Decisions**

❖ **Interested but not willing to
make an outright gift so we
say...**


➤ *“Would you consider
an **estate** gift
of \$100,000?”*




Planned Gifts and a Campaign Financial and Estate Decisions


- ❖ Maximizing gift participation from lead and major gift donors....*consider*....

*“Would you consider a gift of **\$250,000** if we can show you how you can do it?”*



Conversation Icebreakers: I do not know much about you but.....


- ❖ If you are like most people you are concerned about **outliving your assets**....
- ❖ If you **hold lots of CD's** I have got some great information for you about charitable plans that probably will give you more income....
- ❖ If you are concerned about **your family's management of assets** after you're gone and want your spouse or children to enjoy income from diversified sources, I have some ideas for you...



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Conversation Icebreakers: I do not know much about you but.....


- ❖ There are **many way** to satisfy a **capital campaign pledge** and if you want to see the effects of your giving, I got some ideas for you....
- ❖ If you own **too much of a stock or real estate** that you would like to diversify with optimal tax implications, and effect on our campaign I have some ideas for you....



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Conversation Icebreakers: I do not know much about you but.....

- ❖ If you have recently retired, received a severance package, lottery winnings or an inheritance, I have some planning ideas that will help you support our campaign....
- ❖ If you own a lot of savings bonds I can suggest some planning ideas for them....
- ❖ If you are looking to reduce the size and complexity of your estate without sacrificing retirement income I have some suggestions for you.....



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Planned Gifts and a Campaign

- ❖ Focus on prospective lead and major gift donors
- ❖ Select priority needs with likely lead and major *Gifts in Mind*
- ❖ Calculated before current needs are prioritized and selected



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4 Tools and Techniques: Capital Campaign --Cash now

- ❖ Cash
- ❖ Securities
- ❖ Closely held stock
- ❖ Gift and sale of property
 - Charitable deduction offsets capital gain from property sale



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4 Tools and Techniques:

1. Bargain sale
2. Hidden assets
 - a) Life insurance
 - b) Savings bonds
 - c) Variable annuity agreements
3. Charitable gift annuity strategies
 - a) The campaign pay CGA
 - b) Income substitution
 - c) CGA reinsurance for current cash
4. Charitable lead annuity trust
5. Term endowments
6. Tax-free loan




4 Tools and Techniques:

Bargain Sale


❖ Charity acquires property for less than the fair market value

❖ Donor is able to transfer property and receive cash plus an income tax charitable deduction

❖ Donor benefits

- no market wait
- minimum closing costs
- no commission
- no selling stress

❖ Charity sell property and retains proceeds




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4 Tools and Techniques:

Bargain Sale


❖ Mr. & Mrs. Summers sell their vacation home to charity

- value \$ 300,000
- cost \$ 100,000
- gain \$ 200,000
- tax \$ 40,000(20%)
- net \$ 260,000
- (does not include selling expenses)


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4 Tools and Techniques:
Bargain Sale




❖ Mr. & Mrs. Summers sell their vacation home to charity *for \$100,000*

- cash \$ 100,000
- cost \$ 33,333
- gain \$ 66,666
- tax \$ 13,333(20%)
- net \$ 86,667
- taxes saved \$ 72,000(36%)
- total to donors \$ 158,667



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4 Tools and Techniques:
Bargain Sale




❖ Mr. & Mrs. Summers sell their vacation home to charity *for \$100,000*

❖ Cost of gift

- \$ 260,000 - \$ 158,667 = \$ 101,333

❖ Charity sell house and nets cash after transaction fees


4 Tools and Techniques:
Bargain Sale Options



❖ Bargain sale with payments over a term of years with no interest on the principal generates additional charitable deduction for donor

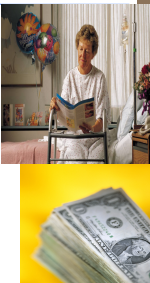
4 Tools and Techniques: Hidden Asset Discussion

- ❖ Do you have?
 - *Savings bonds* producing no income?
 - *Life insurance* you no longer need?
 - A *variable annuity contract* you have not yet activated for income?
- ❖ Do you know cashing in contracts/bonds create taxable income?
- ❖ Make gift of cash and use deduction to offset/soften taxes




4 Tools and Techniques: Hidden Asset Discussion

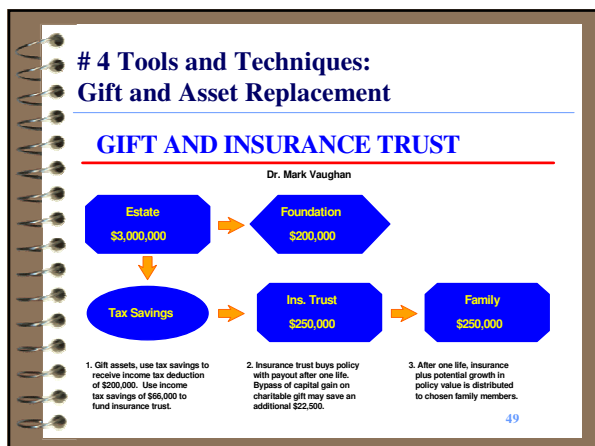
- ❖ Sarah purchased a \$10,000 saving bond in November 1980 for \$5,000 the current value is \$24,680.
- ❖ Sarah cashes the bond, reports the \$19,680 in accumulated interest and uses the cash to fulfill her \$20,000 pledge to the campaign, receives a \$20,000 deduction which offsets in full the tax liability on the reportable accumulated interest
- ❖ Same principal applies to life insurance and variable annuity contracts

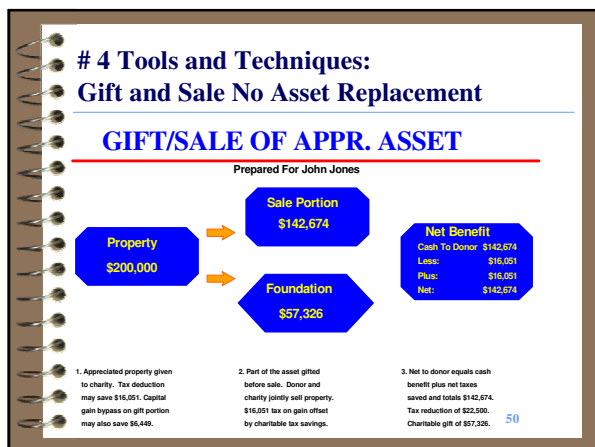


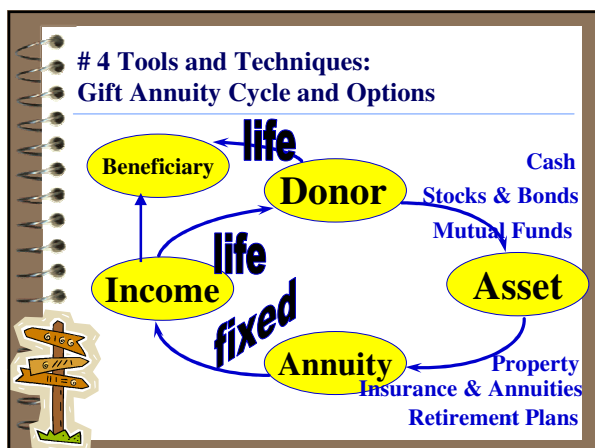
4 Tools and Techniques: Endowments for Term of Years to Campaign

- ❖ Donor establishes or has established an endowment for their favorite project
- ❖ Spending amount normally 4% - 5% is allocated to the campaign for a term of years









Annuity payment rates

Single Life Agreements

Age of Donor	Payment Rate
60	5.70%
65	6.00%
70	6.50%
75	7.10%
80	8.00%

Two Life Agreements

Age of Donors	Payment Rate
60/60	5.40%
65/65	5.60%
70/70	5.90%
75/75	6.30%
80/80	6.90%

ACGA approved July 1, 2003 rate structure

4 Tools and Techniques: Annuity Payments to Campaign for Term of Years

❖ Donor established CGA with assets (cash, bonds, mutual funds or property) and payments are made to campaign for a term of years to fulfill pledge

4 Tools and Techniques: Annuity Payments to Campaign for Term of Years

Charitable Gift Annuity

Mr. Thomas - Age 65
6.00% Annuity

Property
\$50,000

➔

Principal
\$50,000

➔

Foundation
\$50,000
(Approximate Value)

One Life

1. Gift property to charity. Partial bypass \$30,000 gain may save \$1,652. Income tax deduction of \$18,353 may save \$4,585.

2. Annuity of \$3,000.00 for one life. Taxable amount \$649.25. Estimated one life payout of \$63,000. Effective payout rate 7.4%.

3. Annual payments for one life. Property passes to charity with no probate fees. There are also no estate taxes.

4 Tools and Techniques: Annuity Payments to Campaign for Term of Years

- ❖ **\$50,000** of stock paying **2%** income is used to fund CGA for donor age 65
- ❖ Generates **\$3,000** year income
- ❖ Donor's IRA starts in five years, **age 70**
- ❖ Donor makes **pledge of \$15,000** to be paid over 5 years with gift annuity income
- ❖ Donor saves **\$1,652** in capital gains taxes
- ❖ Donor receives income tax deduction of **\$18,353**
- ❖ Tax savings are **\$4,588**
- ❖ Tax savings are equal to **4 ½** years of previous dividend income
- ❖ Annual income tax deduction of **\$3,000**, saves **additional \$750** annually

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4 Tools and Techniques: Gift Annuity with Reinsurance

- ❖ Donors both age 70 contribute **\$100,000** in cash or stock to establish a two-life joint and survivor annuity for
- ❖ Charity takes a portion of the gift and reinsures the annuity selecting a joint life only or with period certain payments

<http://www.immediateannuities.com/>

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4 Tools and Techniques: Gift Annuity with Reinsurance

Charitable Gift Annuity

Helen Wilson - Age 70 Bill Wilson - Age 70

Property \$100,000 → 5.90% Annuity → Principal \$100,000 → Foundation \$100,000 (Approximate Value)

Two Lives

1. Gift property to charity. Partial bypass \$75,000 gain may save \$3,537. Income tax deduction of \$31,436 may save \$7,859.
2. Annuity of ~~\$5,900.00~~ for two lives. Tax-free amount \$636.86. Estimated two lives payout of \$126,620. Effective payout rate 7.1%.
3. Quarterly payments for two lives. Property passes to charity with no probate fees. There are also no estate taxes, if married.


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4 Tools and Techniques:

Gift Annuity with Reinsurance

- ❖ **Reinsurance costs**
 - Joint life only..... \$77,998
 - Joint life, 5 yrs certain... \$78,085
 - Joint life, 10 yrs certain.. \$78,714
 - Joint life , 15 yrs certain. \$80,560
 - Joint life, 20 yrs certain...\$84,243
- ❖ **Campaign cash \$ 22,002 - \$15,757**
plus possible payments to end of payment
certain period selected


<http://www.immediateannuities.com> 58




4 Tools and Techniques:

Income Substitution

- ❖ Charlie 2/18/1940 (65)
- ❖ Barbara 7/4/1940 (64)
- ❖ Newly retired with significant retirement assets
- ❖ Lives primarily from pension and income produced by stock dividends




- ❖ Will start IRA withdrawals at age 70 1/2
- ❖ Donor tired of changes in asset value of some stocks in their portfolio



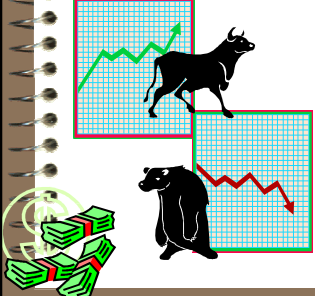
4 Tools and Techniques:

Income Substitution

- ❖ Hospital needs cash for new cancer project and Charlie and Barbara have been asked for a major leadership gift based on the recommendation of their financial advisor knowing of Barbara's recent breast cancer experience
- ❖ Charlie and Barbara have retained John as their financial advisor who has exerted significant influence over their financial affairs




4 Tools and Techniques:
Income Substitution



❖ **Wachovia High - Low**
❖ **1996 - 2005**

- > 1996 \$37.93 - **\$31.31**
- > 1997 \$50.13 - \$40.43 split
- > 1998 \$61.25 - \$40.94
- > 1999 **\$60.75** - \$32.00
- > 2000 \$34.92 - \$23.50
- > 2001 \$35.30 - \$25.22
- > 2002 \$38.15 - \$28.57
- > 2003 \$46.00 - \$32.12
- > 2004 \$51.60 - \$43.05
- > 2005 \$56.28 - \$46.30
- > 2006 \$? ⁶¹

4 Tools and Techniques:
Income Substitution



❖ **own Wachovia**

- > 3,000 shares
- > Dividend \$1.48 per share
- > pretax gross income \$5,340
- > Income net of taxes \$4,635

❖ **cost basis \$50,000, value \$150,000**

❖ **Solution split Wachovia shares**

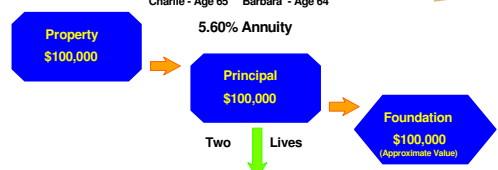
- > 33% outright to charity \$50,000
- > 66% to gift annuity \$100,000

❖ **Charitable deduction for outright gift of \$50,000 @ 25% saves \$12,500 in tax payments**

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4 Tools and Techniques:
Income Substitution

Charitable Gift Annuity



Charlie - Age 65 Barbara - Age 64

5.60% Annuity

Property \$100,000 → Principal \$100,000 → Foundation \$100,000 (Approximate Value)

Two Lives

1. Gift property to charity. Partial bypass \$66,667 gain may save \$2,603. Income tax deduction of \$26,026 may save \$6,507.



2. Annuity of **\$5,600.00** for two lives. Tax-free amount \$970.42. Estimated two lives payout of \$149,520. Effective payout rate 6.6%.

3. Quarterly payments for two lives. Property passes to charity with no probate fees. There are also no estate taxes, if married. ⁶³

4 Tools and Techniques:

Income Substitution

- ❖ Use \$100,000 to establish a two-life charitable gift annuity to replace lost retirement income from outright donation of \$50,000 in Wachovia stock
- ❖ Charitable deduction for \$100,000 gift annuity is \$26,026 @ 25% saves \$6,507 in tax payments
- ❖ Total taxes saved \$19,007 or a government return of 38% of your outright \$50,000

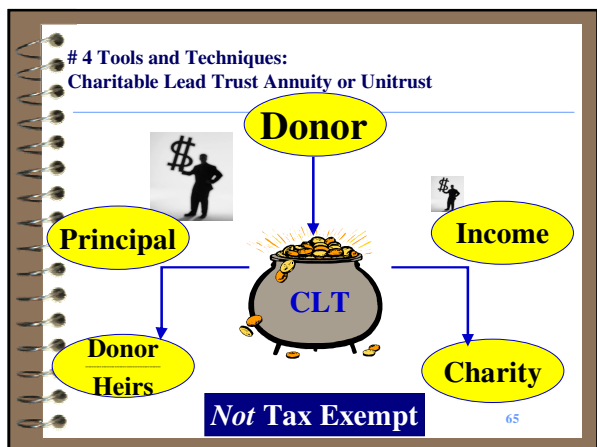



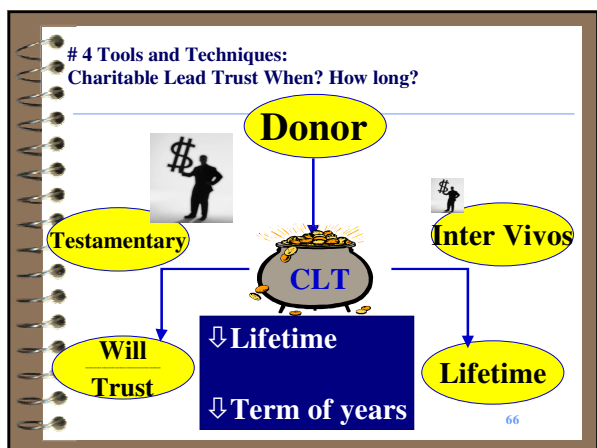
Pre-gift status

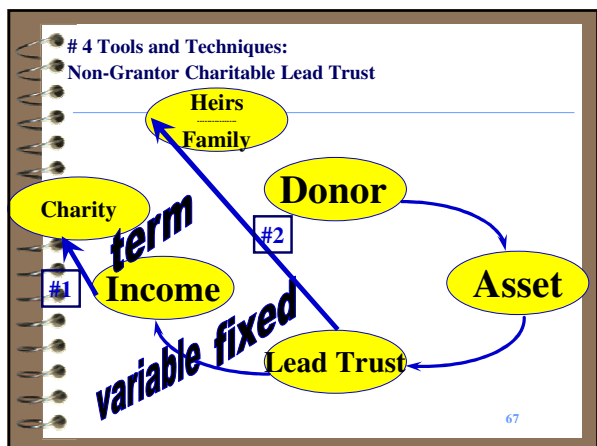
- > income \$5,340
- > after tax \$4,635

Post-gift status from gift annuity

- > income \$5,600
- > after tax \$4,625
- > **increase +\$96**








4 Tools and Techniques:
Interest Free Demand Loan

- ❖ Donors may lend charity any amount up to \$250,000 per individual per charity interest free (Reg. 1.7872-1(b)(9)).
- ❖ Charity invest the funds and uses earning to fund campaign purposes
- ❖ Donor may bequeath demand note to charity at his/her/their death

Creating Current Cash for your Capital Campaign from the Planned Gift Conversation


Thank You

Thank you




Katrina Emergency Tax Relief Act of 2005 (KETRA)

- ❖ Temporary suspension of limits for cash charitable gifts
 - Old 50% limit becomes 100% for gifts made to public charities between Aug 28 and Dec 31, 2005
 - 3% phase-out of charitable gifts eliminated for those who make over \$146,000
- ❖ No gifts of appreciated assets, no gifts to donor advised funds, private foundations or Sec. 509(a)(3) supporting organizations




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Katrina Emergency Tax Relief Act of 2005 (KETRA)

- ❖ Where to get the cash for no AGI increase?
 - Assets held in money market funds
 - CDs that are maturing
 - Sale of stock held at a loss
 - Cash borrowed against equity
- ❖ Where to get the cash with an AGI increase
 - Sale of appreciated stocks, mutual funds, property
 - Cash out savings bonds
 - Cash out variable annuity contracts
 - Cash out life insurance policies
 - Withdrawal from IRA, 403b, 401k plans




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Katrina Emergency Tax Relief Act of 2005 (KETRA)

- ❖ Things to consider
 - Does charity qualify?
 - Effect of state income tax on donor's financial situation?
 - How will AGI increase effect donor's other deductions?
 - Will transfer to gift annuity agreement be allowed?
 - Unlikely KETRA will be extended beyond 12-31-05



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Gift Decision Cycle
Age and Wealth Based Matrix Code

<p>A. Gifts of cash, appreciated property, charitable lead trusts, term of years trusts, life income gifts for others, deferred charitable trusts and deferred gift annuities</p>	<p>B. Gifts of cash, appreciated property, charitable lead trusts, term of years trusts, life income gifts for others, deferred charitable trusts, deferred gift annuities</p>
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Gift Decision Cycle
Age and Wealth Based Matrix Code

<p>C. Gifts of cash and property, charitable lead trusts, term of years trusts, life income gifts for others, charitable trust for donor's life, bequests, gift annuities, life insurance beneficiary, retirement plan beneficiary</p>	<p>D. Gifts of cash, deferred gift annuities</p> <p>E. Gifts of cash, appreciated property, term of years trusts, charitable trusts for life, pooled income fund, gift annuities, deferred gift annuities</p>
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Gift Decision Cycle
Age and Wealth Based Matrix Code

<p>F. Gifts of cash, appreciated property, bequests, charitable trusts for life, term of years trusts, pooled income funds, gift annuities, retirement plans and insurance beneficiary designations</p>	<p>G. Gifts of cash</p> <p>H. Gifts of cash</p> <p>I. Gifts of cash, bequests gift annuities, retirement plan and insurance beneficiary designations</p>
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Matrix source: Robert F. Sharpe, Jr., NCPG presentation, 2000
