Planned Giving MENTOR™
◆ The Newsletter for Newcomers to Gift Planning ◆

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Fundamentals of Gift Administration

Have you heard this one? An elderly woman decided to make one large charitable gift this year in December, but she was not sure which of three worthy organizations to support. In April, as a test, she sent each organization a $100 contribution. The first organization processed the gift according to its usual standards, and the donor received a pre-printed receipt 10 days later.

The second organization temporarily misplaced the check, deposited it a month after it was received, and sent a form letter the following week. At the third organization, the person who opens all gift envelopes immediately wrote a personalized letter acknowledging the gift, and the executive director signed the letter, added a personal note, and put it in the mail.

Which organization is more likely to get the large year-end contribution?

Gift acknowledgment, tracking, and reporting are functions of gift administration. Planned gifts are usually given with assets accumulated over many years. They often require additional administrative expertise and oversight than annual gifts which are frequently given out of current income. Let's look at each of these functions, one at a time.

Acknowledging Gifts

An acknowledgment letter is a written expression of gratitude for a contribution sent by the organization to the donor that complies with IRS requirements for the type of gift received. (Yes, different types of gifts have specific requirements.)

It must be prompt. I recommend that your gift acceptance policies include a provision that IRS-compliant acknowledgments are sent within two business days of receipt of gifts. The deadline may be extended for exceptional circumstances, but putting the customary expectation in writing and holding staff members responsible encourages timely acknowledgments. Such thank-you letters should also be warm and personal — just the kind of letter that you would like to receive.

It must also be accurate. The Internal Revenue Service offers several valuable documents through its Web site, www.irs.gov, to help you comply with its regulations. Here are two of the most useful: Publication 526, "Charitable Contributions," and Publication 1771, "Charitable Contributions — Substantiation and Disclosure Requirements." You'll want to keep such publications in your office as handy references.

Accounting for and Tracking Gifts

Contributions should be recorded and deposited by the finance department within 24 hours of receipt unless special circumstances warrant further review of the gift. Some types of planned gifts, such as those with donor restrictions or made with unusual assets, will require special treatment and, usually, a written gift agreement. Gifts of certain sizes or for specific purposes will be tracked in separate funds.

Gifts must be tracked from the notification that the gift instrument has been signed, through receipt of the gift itself, to expenditure of the gift. (Endowment gifts, of course, will be invested in perpetuity, with a portion of the earnings expended annually.) Some planned gifts take years or even generations to be fully realized by the organization.

Split interest gifts — those that have two distinct parts or "interests" (a charitable interest and a non-charitable interest) — often are overseen by third-party gift administrators or custodial services. They provide services such as timely payments to donors and tax information to donors. However, since your organization is ultimately accountable to the donor, you will want to monitor these services.

Reporting Gifts

Gifts are reported to donors and to the organization's constituents and the general public, often through printed and electronic annual reports. Planned gift donors may be listed separately as members of a legacy society or heritage club. By prominently recognizing such donors, the organization not only honors the donors, but also markets the planned giving program.

Requests by donors for anonymity, once accepted, must be honored. In the gift agreement, include specific instructions from the donor about expectations regarding reporting. In order to avoid using the donor's name in internal communication, establish a separate gift name and safeguard records and files.

And remember that gifts above a certain amount, or particular kinds of gifts, such as closely held stock or real property, are required to be reported to the IRS.

– Diana Newman

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What Do Donors Expect?

As part of the process of building relationships with donors, fundraisers need to ascertain what donors expect from the nonprofit agency or organization in return for the gifts they make. Expectations vary depending upon the humility of the donor and the size of the gift. In 25 years of meeting hundreds of donors I have found very few donors who do not expect something in return or some sort of recognition, be it public or private.

That said, where should you begin to steward the gift? Here are six tips to consider:

1. Four Thank-You Letters

Donor recognition starts with thank-you letters. Notice the plural here. The first acknowledgment letter is critical and should be sent from the chief fund-development officer within 48 hours of receiving the gift.

Secondly, large gifts, especially planned gifts, should also be acknowledged by the president or CEO. This procedure demonstrates to the donor that the gift was important and that the top people in the organization know about it. It also makes the CEO aware of the success of your efforts.

A suggested third letter should be sent from the chairman of the board who is a volunteer and can express appreciation from the perspective of a peer.

Consider a fourth letter sent six months after the gift was completed. This letter reminds the donor of your gratitude and the importance of the gift. It should be used to give the donor a personalized update of the organization during the six-month period. It should be signed by the CEO.

2. Stewardship

Donors want to know what the organization is doing with their money, or will do when a planned gift materializes. Show them! Bring them on campus or to your agency to see firsthand how gifts are being used to support the program or expand facilities. Let them see that your organization is worthy of their generosity and that you are good stewards of donated funds.

For the agency with activities that are scattered, consider an invitation to meet a program manager or director. In this instance you are providing donors with insightful information and including them among the organization's inner circle of knowledge and leadership.

3. Go to Lunch

Whenever possible, make at least one personal visit with donors each year in the convenience of their home, office, or community. When appropriate, bring the CEO along and go to lunch. When this involves travel, consider the size of the gift and the opportunity to perhaps secure a repeat gift or referral to others in the donor's circle.

If your donors live within close proximity to your facilities, invite them for lunch on-site with the CEO and/or other persons appropriate to the donor's interest. For example, you might include a revered physician, researcher, respected faculty member, or director of a program of interest to the donor.

4. VIP Treatment

If your organization engages in special events, invite your worthy donor as your guest to activities such as concerts, plays, sports events of interest to them, lectures, black-tie dinners, and so forth. Treat them as if they were a VIP because . . . they are! When you pay attention to your donors, they will continue to pay attention to your organization.

5. Smile for the Camera

When a donor is on-site, have your staff photographer (or one that you hire) available to take a photo of the group. Shortly after the visit, send the framed photo to your donor. Next time you visit in your donor's home or office, don't be surprised if you see the photo displayed among pictures of their loved ones.

6. An Attitude of Gratitude

Do donors expect all of this attention? Not necessarily. However, they do expect to be treated with gratitude, dignity, and courtesy. They do expect to hear from you from time to time.

Donors choose to give away their assets. They don't have to do that. It's their choice for whatever reason. They believe so much in the mission of our organizations that they truly want to help.

Donors simply want to know that their gift — that piece of their life's work which they have given away — is appreciated. There is no better way to assure our donors than to thank them personally and often.

– Vince Fraumeni

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Outsourcing Opportunities

Frequently, planned giving officers feel like they are the original jack of all trades. They are frequently employed by organizations that are understaffed and underfunded. Just as frequently, they are called upon by those higher on the chain of command to do things that are not in their job description and, scarier still, for which they feel unprepared.

Take a deep breath . . . help is not just on the way, it's already there! The secret is in knowing where to look for it, how to manage it, and whether it is affordable.

What most people think about when they hear the term "outsourcing" in connection with a planned giving program is either having someone else manage the planned giving function, usually a consultant, or having someone handle a particular part of a planned giving program.

The most frequently outsourced portion of a planned giving program is the management of investments and the administration of planned giving vehicles (such as investment of gift annuity reserves and trust assets, income payments to beneficiaries, preparation of tax forms, etc.).

Outsourcing the Program

To begin with, let's look at outsourcing the program. You can turn to a consultant to function as your planned giving office. We have done this for our clients, some for as long as 15 years. While this is never preferable to having someone who is connected with your organization do this work, it is frequently the only way a smaller to intermediate-sized organization can have a program that can work knowledgeably with donors and deliver gifts.

A consultant doing this will have a strong overall knowledge of all phases of planned giving, with a particular emphasis on marketing and good access to technical assistance if he or she needs it. Costs run from $1,000 to $4,000 per month, depending upon where you're located and how much time you'll need.

Outsourcing Gift Management

In the area of asset management and vehicle administration, there are a lot of sources for this assistance. Most major banks provide trust management assistance. Fewer provide assistance in the area of vehicle administration, and those that do tend to require health account balances.

There is an excellent article on the decisions that an organization has to make in the area of trust management and vehicle administration by Shari Fox and Heidi Jark in the current issue of *The Journal of Gift Planning*. Fees for these services vary and are frequently expressed as a percentage of the assets under management, usually with a minimum annual charge to discourage smaller accounts.

Additional Assistance

Outside sources are also available to help answer legal, accounting, and financial questions. Software and educational material vendors frequently provide this service as an add-on to their primary offerings.

There are a lot of sources for assistance.

Track bequests to be sure that you get everything that is due your organization. There is at least one software vendor/consultant in this area. Some consultants provide this service as well.

If you need someone to represent your interests in a legal action, look for a lawyer that is experienced in probate litigation.

For help in lead-generation marketing, consider using a planned giving material vendor. However, be aware that these vendors have a product to sell and their advice will probably favor their products.

To add data to your files about your prospects, you'll find a number of list-enhancement vendors. Be careful, though, that you get the primary source data and not just some scoring that is based on a formula which is proprietary and which the vendor will not discuss in terms of formula development and verification.

In short, there is a way to outsource just about any aspect of your program. Whether it's right and affordable are questions that need to be answered.

The issue of whether it's right is best addressed by looking at your need, your own time, skills and interests, and the availability of local low- or no-cost assistance. Then you need to check out the availability and cost of external assistance.

For further information, contact me or any of the other consultants listed on page two of the *Mentor*. Also, refer to those fine firms that advertise in *The PGT Marketplace*.

– Richard Lamport

Maintaining Donor Contact

Maintaining donor contact sounds pretty straightforward, doesn't it? But in my experience, many charities don't do it.

Why? There are lots of reasons: Charities don't want to "bug" the donors; they are afraid that the donors will be bothered and stop donating; they are busy and don't really have the time; they're not sure what to say; they're not sure what donors want to hear — if anything.

I've had good luck getting my clients to call donors just to say "thank you." These charities are a bit skittish at first, but they are universally astounded to find out that the donors really appreciate the call, especially when they realize that the charity is not asking for money.

An Example

When one of my clients calls, he (the executive director) identifies himself and says something like, "Don't want to take up a lot of your time, but your check just came across my desk. It's a very generous check and will really help us feed and house people who so desperately need it. I'm not calling to ask for more money, just calling to say 'thank you'."

The thud he hears is the donor fainting on the other end of the phone. This has probably never happened to the donor — a charity calling just to say "thank you." What a concept!

My client will often say (if he's had a chance to look up the donor's record on "the system"), "You've been generous to us in the past; do you mind my asking why you've chosen to give to us?"

The things he hears astound and amaze him and humble him. He realizes *again* how important the work of his charity is and how much donors value it.

If he's got time, he'll invite the donor in to see the facility. In some cases donors come, and in other cases they don't. But my client always hangs up the telephone glad that he made the call.

Make a Policy

So my recommendation to you is this: Make a "policy." Call donors as soon as possible after receiving any donation of a certain size or more. For some charities that will be $250, for others $1,000, and for others $10,000. You decide.

Say "thank you." Tell them their contribution makes it possible for your work to continue. Tell them something significant that just happened. Bring them "up to date."

Be brief. If they don't pick up the conversation right away, get off the phone. But if they want to talk or ask questions, listen and respond and, if you have the opportunity, ask them why they support you.

Believe me, once you start these phone calls, you won't stop. In fact, you'll make more of these calls.

Additional Ideas

You can get more sophisticated about this. Call or write endowment fund donors to say "thank you" and to bring them "up to date" with your charity's activities. Call your most generous donors a few months down the line to report on what happened with their contribution or some event at your charity that you think they'd like to know about.

The key is to keep it simple, so you'll actually do it.

So stop what you're doing right now and call a donor to say thank you. Once you make one call, you'll be hooked.

Conclusion

One last thing: You wonder if this is really planned giving? I would submit to you that if you don't do something like this, you won't get a lot of planned gifts. Planned giving is about establishing contact with each donor and nourishing that donor to the point that he or she really wants to make the most meaningful gift they can. If you're not doing as much planned giving as you want or feel you should be, try starting with "maintaining donor contact."

– Richard Ely

Stewardship Issues and Advice

There are just three types of charitable organizations in America today: Those that have good stewardship practices; those that do not and will be forced to improve; and those that do not and will die.

Recently some 200 experts served as advisors or on work groups to produce a report to the U.S. Congress titled, "Strengthening Transparency, Governance, & Accountability of Charitable Organizations."

Those experts went on record that the charitable community's success depends on integrity and credibility. Further, charities must make accurate and complete information available through self-regulation and education of the public.

Religion, Morality, Law

To me, the most interesting aspect when discussing stewardship is that this topic is equally grounded in religion, morality, and law.

Those who are spiritual understand that gifts are gratefully received, responsibly cultivated, and ultimately returned with an increase toward a higher purpose.

Viewing stewardship through the moral lens, we follow the "Golden Rule" by not wasting an opportunity to be responsible in handling property that was entrusted to us.

Under legal principles, every gift to charity is a gift in trust, and the charity's board members and executives are obligated as fiduciaries.

Regulating Our World

No doubt you've heard of increased accountability from your donors as well as Senator Charles Grassley when he chaired the Senate Finance Committee and pledged to get rid of abusive practices in the charitable sector.

Yet how does this view from 30,000 feet translate to the planned giving practitioner in his or her work-a-day world?

The good news is that we are well-positioned to practice accountability and transparency. Because we are basically human relations experts, our attention is directed toward two audiences: our prospects/donors and our management.

Stewardship With Donors

We hear it all the time: Someone who has made a planned gift has made an "investment" in our organization. Carrying that analogy further, how will you convey a quarterly dividend, semi-annual interest, or annual report to your investor? The best PGOs communicate regularly with such donors and relate progress (as well as obstacles) in the work that particular donor is supporting.

Think about this: In making a life-income gift, for example, your donor probably was advised by one or more professional advisors. Yet, how many lawyers, accountants, or financial advisors will think (or take the time) to convene a follow-up meeting with that client to review how well that gift plan is working?

Not many will, so that affords you a perfect opportunity to invite your donor and team of advisors to your "State of the Gift" report at least annually. You get the chance to provide an update on how well the organization is meeting its mission, news about events and future plans, and reinforcement for why the donor made the gift in the first place.

If no advisor attends, you can mail copies of your report. If you can't meet face-to-face with the donor, at least you can talk by phone and mail the report.

Stewardship With Management

Smart PGOs know that they need to "manage up," meaning that they are accountable to a supervisor and through the chain of responsibility right up to the CEO and board of trustees/directors. Instead of this fact producing heartburn, consider it your chance to stand and shine.

Consider preparing a monthly summary of your activities, those events and activities that consumed your 20+ days on the job. Write down the notable things you did, and describe them for someone who wasn't there to see you doing them. Mention the measurable things (e.g., dollars received, contracts signed, proposals sent) as well as those means-to-an-end tasks where you cultivated relationships, met with advisors, attended training, or spoke to a Kiwanis meeting.

Take only a sentence or two for each item so that each monthly report might stretch to a single printed page. Compile these and send them to your supervisor quarterly and watch something good happen.

Reporting on your work — perhaps even before you are asked — is an act of accountability and a request for feedback and direction. In the same way that you enjoy open lines of communication with your donors, your management seeks the same with you.

And don't be surprised if your quarterly reports wind up on the desk of your CEO and in the meeting materials presented to your board.

Done well, you may even find yourself invited to present your work to the board, giving you time to tell them about your successes and challenges, and providing you an opportunity to thank them for their support and to solicit suggestions of how you can serve them better.

Whether you view stewardship in its religious, moral, or legal aspect, you can work with accountability and thereby better serve your management and donors.

– Tom Cullinan