

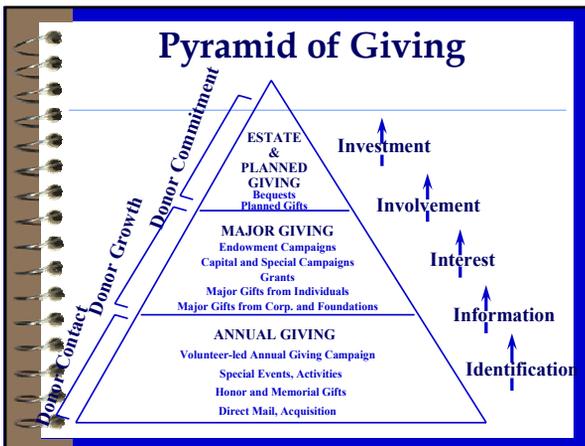
Thru the Looking Glass

"Changing Strategies for Major Gifts"

Thru the Looking Glass
"Changing Strategies for Major Gifts"

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Connell & Associates
Charitable Estate and Gift Planning Specialists

THE CHRONICLE OF PHELANTERY
"Expensive wine. Soft music. Awkward chitchat. Tell me this is about a major gift, Raymond."
LITZLER



Thru the Looking Glass

“Changing Strategies for Major Gifts”













Moves Management®

① Refers to a process conceived by David R. Dunlap and G. Taylor “Buck” Smith to bring discipline and management to the initiatives that create experiences that build to ultimate gifts. First used at Cornell University over 25 years ago, now ubiquitous.

Moves Management®

- ① The “moves” are initiatives that you use to move volunteers and staff along the process of establishing and building satisfying and rewarding philanthropic exchange relationships.
- ① It’s “management” because it brings disciplined system and accountability to the emotional process of seeking substantial philanthropic support.

Moves Management®

Three types of *Moves Management* Initiatives:

- ① **Foreground Activities** . . . Individually oriented initiatives that are conceived and executed with one person in mind.
- ① **Background Activities** . . . Initiatives planned for groups that include prospective ultimate gift donors.
- ① **Gift Solicitations**

Moves Management®

Getting Started

- 1 Select five to ten really good prospects
- 2 Plan time on your calendar
- 3 Create a Moves Management file for each prospect
- 4 Research public sources and your own sources of information
- 5 Identify each prospect's natural partners

Moves Management®

Getting Started

- 6 Engage the natural partners
 - A. Select a prime natural partner and secondary partner
 - B. Complete biographical, professional, and community involvement information

Moves Management®

Getting Started

- 7 Establish your system to manage initiatives
 - A. Gift objectives
 - B. Background activities planning
 - C. Foreground activities planning
 - D. Track all initiatives in your file
 - E. Perform your “moves cycle” monthly

Moves Management®

Getting Started

- 8 Use your system to manage initiatives
 - A. Create useful reports for volunteers
 - B. Focus on building to victories
 - C. Be persistent
 - D. Add new prospects through nomination
 - E. Delete prospects

What does all this mean to me?

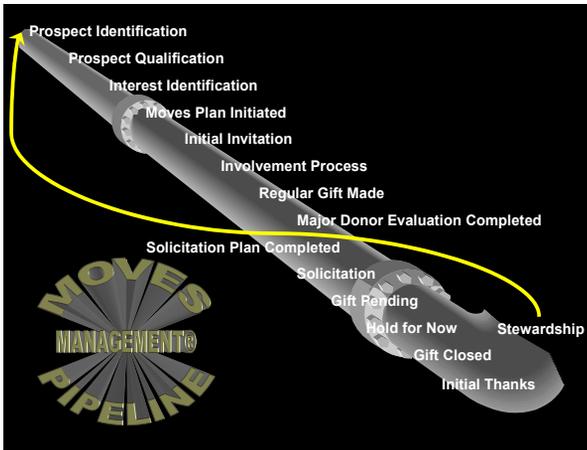
- ▶ Focus on relationships . . . give people a chance to *repay* or *buy a little privilege* (or meet other needs)
- ▶ Focus on philanthropy as your organization’s *community capital*
- ▶ Charity begins at home . . . invite your donors in to meet and be part of the family . . . but treat them better than you would treat your family!

What does all this mean to me?

- ▶ Form small Leadership Teams of governance and non-governance volunteers and professionals or staff to cultivate and solicit gifts
- ▶ Manage for lots of small victories over time rather than a few big “scores”
- ▶ Constantly encourage leadership by example . . . including yourself

Thru the Looking Glass

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Major and Planned Gifts during 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 Hospital?**

Major and Planned Gifts during 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 or \$33,333 for the next 3 years?”*



Major and Planned Gifts during 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?”*



Major and Planned Gifts during 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?”



Thru the Looking Glass

“Changing Strategies for Major Gifts

**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 \$100,000 if we can show you how you can do it?”



Donor Concerns

net worth

lifestyle

Donor family concerns

tax law changes

government



The challenges ahead

- ❖ Lower interest rates forcing seniors who were “net savers” to become “net spenders” and to search for new solutions
- decide between their “needs”
- and their “wants” and “wishes”



Thru the Looking Glass

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June, 2005

A Century of Investing
Compounded Annual Rates of Return

1926 - 2002	10.6%	❖ 2000	-9.10%
❖ 30's	0.00	❖ 2001	-11.90%
❖ 40's	9.2%	❖ 2002	-20.50%
❖ 50's	<u>19.4%</u>	❖ 2003	+45.37%
❖ 60's	7.8%	❖ 2004	+18.33%
❖ 70's	5.9%		
❖ 80's	17.5%		
❖ 90's	18.2%		

Source: Ibbotson Associates, Russell 2000 index

A Decade of Investing
Vanguard 500 Index Fund 1993-2004

❖ 1993	9.89%	❖ 2000	- 9.06%
❖ 1994	1.18%	❖ 2001	-12.02%
❖ 1995	<u>37.45%</u>	❖ 2002	-22.15%
❖ 1996	22.88%	❖ 2003	+28.50%
❖ 1997	33.19%	❖ 2004	+10.74%
❖ 1998	28.62%		
❖ 1999	21.07%		

Source: Vanguard.com, \$100,000 (2000) worth \$62,400 by 2003

Interest Rates 1993 - 2005
Total Return on Money Market Funds

❖ 1993	3.01%	❖ 2000	<u>6.29%</u>
❖ 1994	4.08%	❖ 2001	4.17%
❖ 1995	5.82%	❖ 2002	1.65%
❖ 1996	5.29%	❖ 2003	0.76%
❖ 1997	5.44%	❖ 2004	1.11%
❖ 1998	5.38%	❖ 2005	<u>2.81%*</u>
❖ 1999	5.01%		

Source: Vanguard Prime Money Market Fund Investor Shares * 6/1/05

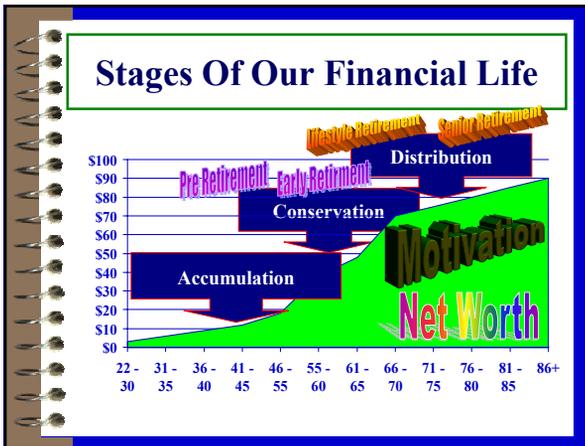
Donor Behaviors

readjusting to new retirement planned gifts rule

Selective Donor postponement

government

The slide features a collage of images: a couple on a beach, a group of people, and a woman in a red jacket. The text is overlaid in various colors and fonts, including a yellow oval around the word 'Donor'.



Donor Hierarchy of Needs

Tactics Strategy

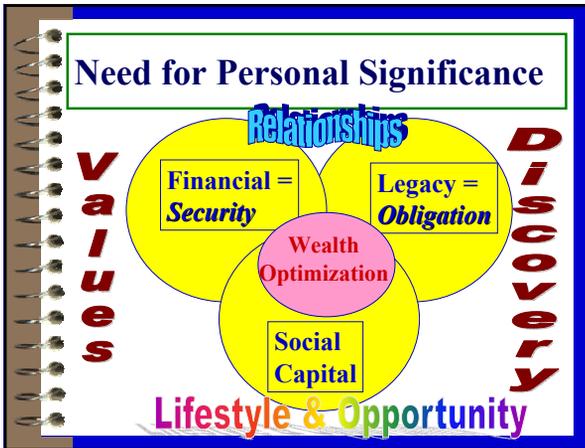
Social Capital Legacy

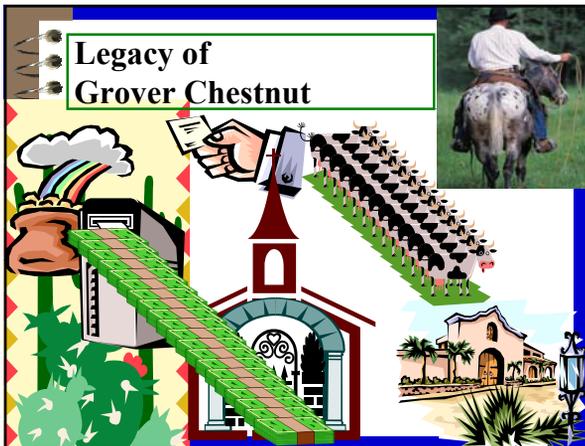
Thoughtful Gift of Assets Gift Planning

Family Legacy

Financial Independence

The diagram is a pyramid with three levels. The top level is purple and labeled 'Social Capital Legacy'. The middle level is orange and labeled 'Family Legacy'. The bottom level is green and labeled 'Financial Independence'. To the left is a scale of justice with 'Tactics' and 'Strategy' on the pans. To the right is a hand holding a quill pen. The text 'Thoughtful Gift of Assets' and 'Gift Planning' is written in a stylized font.





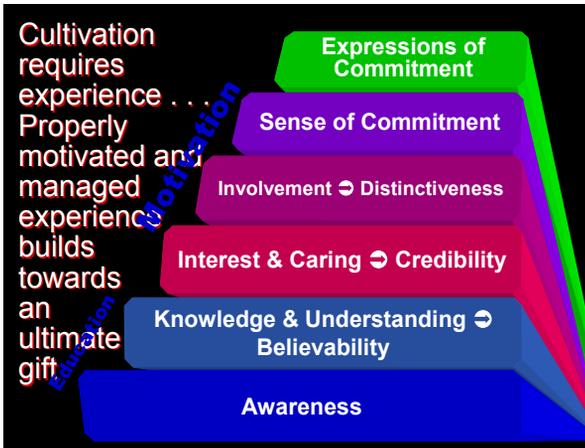
TAX REPORT CUT \$1,000 FROM YOUR APRIL 15TH TAXES
PLUS: AUDIT-PROOF RETURNS

Money

JANUARY 1998 \$3.50 THE SWEDROES AXED THEIR TAXES BY 50% WITH A FEW SMART MOVES

10 SECRETS FROM THE INVESTOR WHO TURNED \$5,000 INTO \$22 MILLION

ANNE SCHEIBER



Money represent values

- ❖ Depression babies born prior to 1935
 - ❖ We fought for it...Save, Save, Save
 - ❖ 35 million 65+
- ❖ World War II babies born 1935 - 1945
 - ❖ We earned it...Save a little, spend a little
 - ❖ 76 million 55+
 - ❖ 4% single, 63% married, 20% widowed, 11% divorced
 - ❖ 33% IRAs

Money represent values

- ❖ Baby boomers born 1946 - 1964
 - empty nest
 - cluttered next
 - sandwich generation
 - ❖ We are owed it... spend, then save for it
 - ❖ 65 million 40-54
 - ❖ 11% single, 15% divorced
 - ❖ 41% have IRAs
 - ❖ 44% have aging parents & and kids under 21
- ❖ Baby busters born 1965 - 1977
 - ❖ We deserve it, but probably won't get it...It's hopeless
 - ❖ 89 million 18-39
 - ❖ 47% single
 - ❖ 34% have IRAs

Money represent values

❖ Baby boomers
born 1946 - 1964

❖ Baby busters
born 1965 - 1977

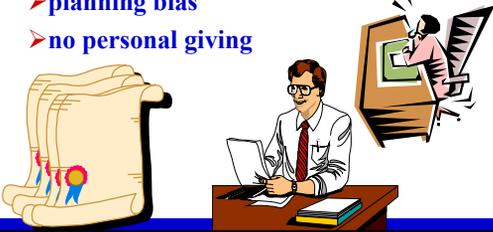


Millionaires in training

Barriers to Philanthropic Gift Planning

❖ Resistance of advisors

- poor knowledge or expertise
- planning bias
- no personal giving

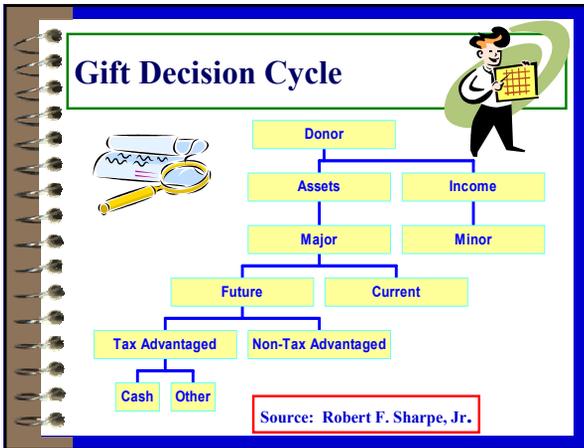


Barriers to Philanthropic Gift Planning

❖ Donor emotional barriers

- Not wanting to relinquish **control**
- Fear of facing death...**indecision**
- Fear of what children will think
- Analysis paralysis





Major Gifts and a Campaign

- ❖ *Goal is best possible gift from each donor*
- ❖ *Suggest the **most appropriate option** to make a contribution 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*

Major and Planned Gifts during 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*

Major and Planned Gifts during 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



Gift Decision Cycle Segmentation by age

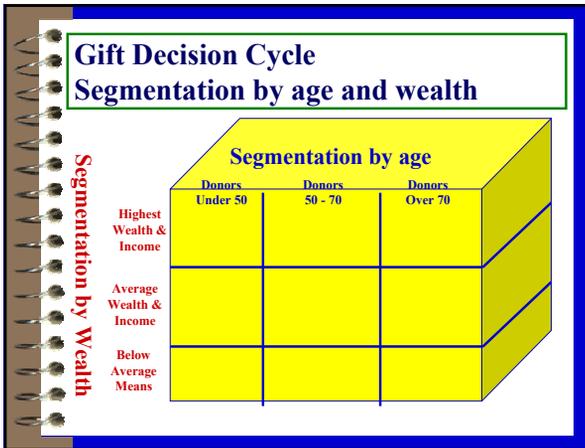
Segmentation by age		
Donors Under 50	Donors 50 - 70	Donors Over 70

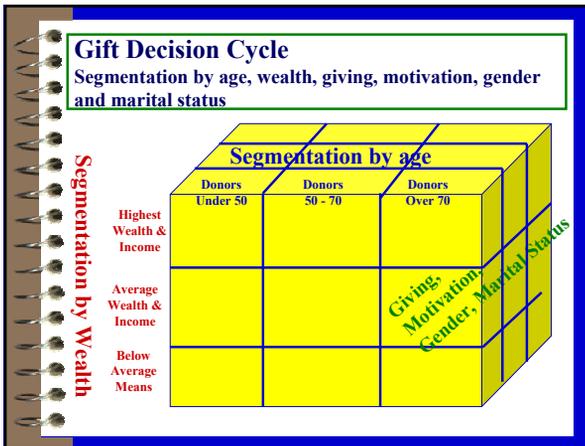


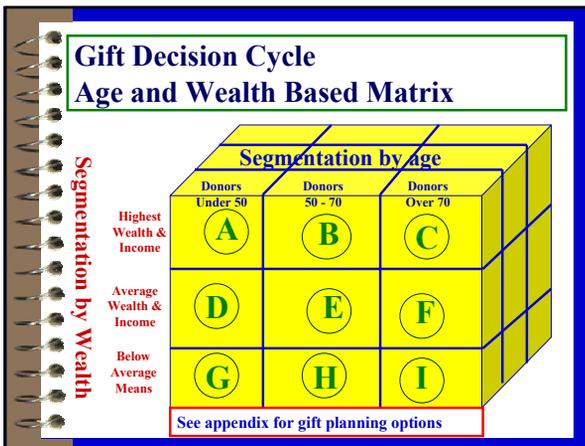
Gift Decision Cycle Segmentation by wealth

Segmentation by Wealth		
Below Average Means	Average Wealth & Income	Highest Wealth & Income









Thru the Looking Glass

“Changing Strategies for Major Gifts”

**Major 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?





**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

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

Gift Decision Cycle
Age and Wealth Based Matrix Code

D. Gifts of cash, deferred gift annuities

E. Gifts of cash, appreciated property, term of years trusts, charitable trusts for life, pooled income fund, gift annuities, deferred gift annuities

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

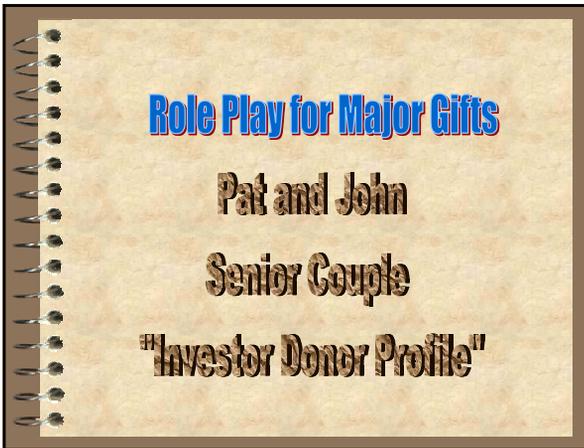
Gift Decision Cycle
Age and Wealth Based Matrix Code

G. Gifts of cash

H. Gifts of cash

I. Gifts of cash, bequests gift annuities, retirement plan and insurance beneficiary designations

Matrix source: Robert F. Sharpe, Jr., NCPG presentation, 2000



Philanthropy has many faces

- ❖ Each segment represents a characteristic and distinctive way a donor group approaches philanthropy
- ❖ A set of typical attitudes and beliefs
- ❖ A range of considerations
- ❖ A process of evaluation
- ❖ A style of involvement

"One set of motivations tend to dominate people's decisions"

Source: Russell Prince study

Philanthropy has many faces

- ❖ *Communitarian* 26%
- ❖ *Devout* 21%
- ❖ *Investors* 15%
- ❖ *Socialites* 11%
- ❖ *RePAYERS* 10%
- ❖ *Altruists* 9%
- ❖ *Dynasts* 8%

Source: Russell Prince study

Thank you



THE INVESTOR

❖ **"DOING GOOD IS GOOD BUSINESS"**

❖ **Affluent individual donors who give with one eye on the nonprofit cause and one eye on personal tax and estate consequences**

Source: Russell Prince study *Thank you* 

THE INVESTOR

❖ Give the same way they invest	❖ Want public and private acknowledgment and attention and nonprofit to look out for their interests
❖ Rely on quality of people involved	
❖ Being affluent does not impose a moral imperative to give	
❖ Motivation to give is on result not the mission of nonprofit	

Thank you 

Pat and John



❖ **Pat 1/1/1925 (80)**

❖ **John 1/15/1919 (86)**

- First met them in 1997 when they were considering moving into a retirement resort community and donating their home for life income, interest stimulated by Foundation mailing
- John served on Foundation Board, now retired
- Pat did volunteer work at Hospital, now retired
- Second marriage for both in their 70s, prenuptial agreement
- Pat's only son died at 53, estranged family
- John has three children, 4 grandchildren and 5 great grandchildren, one grandchild is a Dominican Priest

Thru the Looking Glass

"Changing Strategies for Major Gifts"

Pat and John

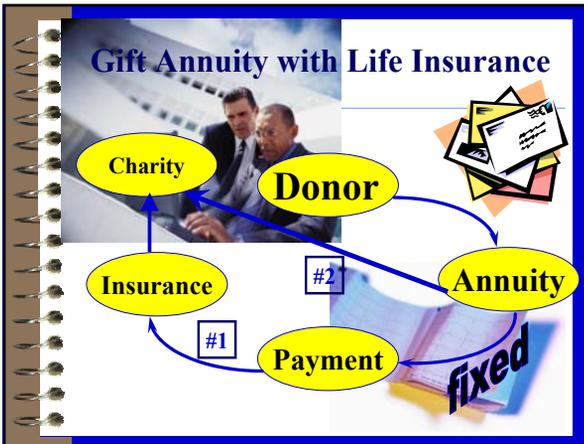


- ❖ Overall objectives
 - Secure retirement lifestyle and income
 - Periodic gifts to children and grandchildren, maybe 529 plans for grandchildren
 - John's assets going mainly to children
 - Pat's assets going to John's children (*"as much as I can"*), and three charities
 - Save on taxes, lower income taxes, Zero Estate Plan
 - Control of assets during life
 - Help charitable interests
 - Pat's assets \$7,000,000, all liquid
 - John's assets \$4,000,000, all liquid
 - "Investor Philanthropic Style"

Pat and John



- ❖ Financial
 - Actively concerned about estate planning for family and charity
 - Giving history 1986 – 1997, \$190 in memorial gifts
 - 1997 - Pat established a one-life gift annuity for \$25,699, joins the Hospital's Scroll Society (\$10,000 club), gift generates income for new retirement home expenses, does \$100,000 cash annuity for Retirement Home
 - 1998 - Pat established a two-life gift annuity for \$10,398
 - 1999 - John establishes a Charitable Remainder Trust with local bank in unknown amount with children as 10 year beneficiaries after his death and Hospital and Church as remainder beneficiaries
 - 2000 - Pat establishes a two-life Charitable Remainder Trust (CRT) for \$300,000, with three charitable beneficiaries
 - Hospital, Kansas Medical School of deceased husband and Lutheran Missions (John's charity)
 - 2002 - John adds \$40,000 to Pat's CRT for Hospital campaign
 - 2003 - Pat establishes a one-life gift annuity for \$74,917 (bigger deduction)
 - 2004 - Pat establishes a two-life gift annuity (6%) for \$184,580, for four different Hospital projects





Charlie and Barbara

- ❖ 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



Charlie and Barbara

- ❖ 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



Thru the Looking Glass

"Changing Strategies for Major Gifts"

June, 2005



Charlie and Barbara

- ❖ 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 \$75,000 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**



Thru the Looking Glass

"Changing Strategies for Major Gifts"



Special thanks to Stephen L. Morning FAHP for use of his Moves Management slides
