

Finding Best Prospects

Poor Man's Charitable Trust

Examining Personal Philanthropy

Campaign Planning

James E. Connell FAHP, CSA



Connell & Associates

Charitable Estate and Gift Planning Specialists

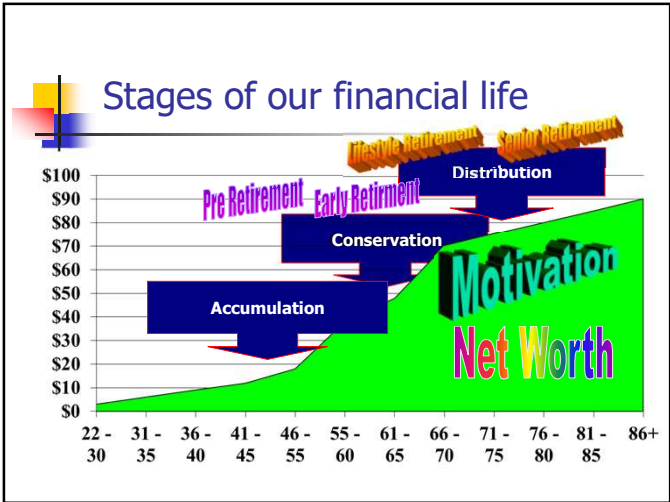
www.connellandassoc.com

for PDF of presentation

www.connellandassoc.com/articles



1



2

Three kinds of gifts

OUTRIGHT GIFTS

- Immediate Gift
- QCD-IRA
- Bargain Sale
- Installment Bargain Sale
- Retained Life Estate

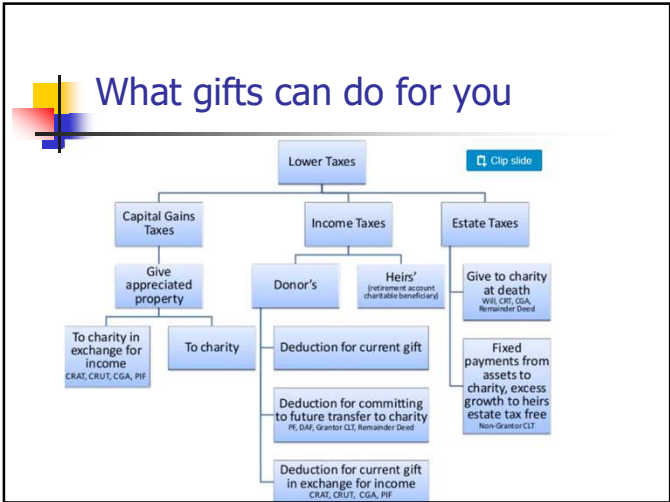
ESTATE GIFTS

- Testamentary Will Bequest
- Testamentary Trust Bequest
- Retained Life Estate

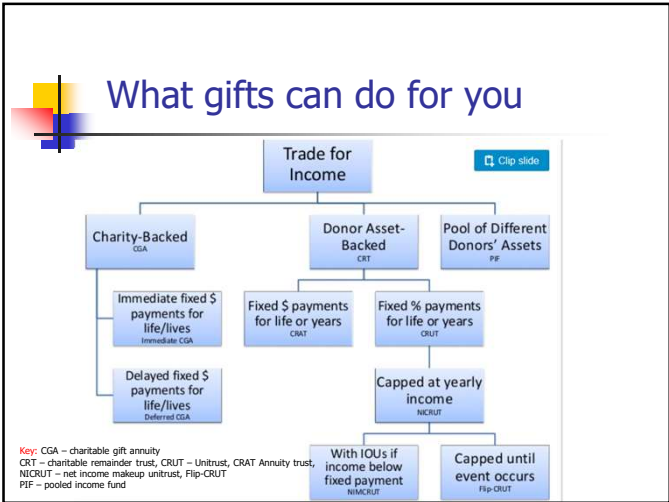
LIFE INCOME GIFTS

- Gift Annuity
- Charitable Trusts
- Pooled Life Income Fund
- US Legacy Trust
- Alliance Community Foundation

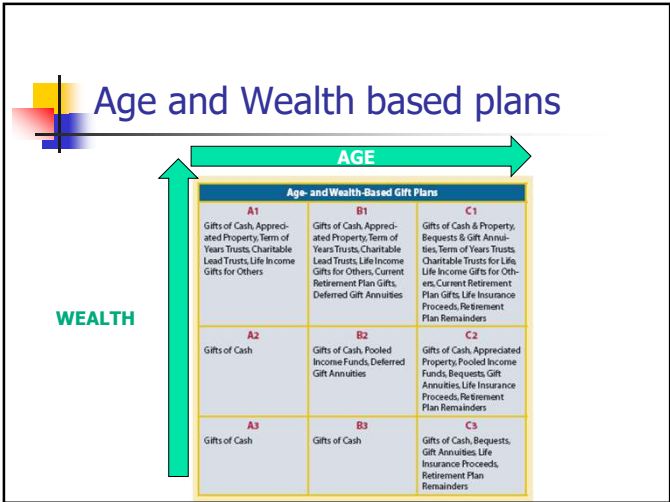
3



4



5



6

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: Prince & File study


7

Philanthropy has many faces

- Communitarian 26%
- Devout 21%
- Investors 15%
- Socialites 11%
- Repayors 10%
- Altruists 9%
- Dynasts 8%

Source: Prince & File study

8



THE COMMUNITARIANS

- *"DOING GOOD MAKES SENSE"*
- Typically local business owners who find that service on boards and committees of local nonprofits can be good for business because of the relationships that often develop

Thank you




9



THE COMMUNITARIANS

- *"What they look for"*
- Effectiveness - solid evidence of good management and results
- Individual attention and public acknowledgement
- May look to influence nonprofit behavior


10




THE DEVOUT

- *"DOING GOOD IS GOD'S WILL"*
- Motivated to support non-profits for religious reasons
- Almost always members of a local church

Thank you




11



THE DEVOUT

- Decisions are based on trust
- Do not rely on professional advisors
- Want little influence over gift use
- Want nonprofit to reflect their religious values
- Recognition is *OK* if small


12




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

Thank you



13



THE INVESTOR

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

14




THE SOCIALITE

- *"DOING GOOD IS FUN"*
- Members of local social networks who select nonprofit for support and conduct fund raising activities as a way to help make a better world

Thank you




15



THE SOCIALITE

- They are charitable at heart and have resources
- Select carefully those that benefit their social network
- Must feel valued
- Charity must be attentive to their needs
- Little concern about use of funds
- Use philanthropic advisors


16




THE REPAYER

- *"DOING GOOD IN RETURN"*
- Constituents first and donors second
- Personally benefited from some institution often a school or medical center, and now supports that institution from a feeling of loyalty or obligation

Thank you




17



THE REPAYER

- Constituents first and donors second
- Tend to select a few charities and concentrate their support
- May emerge late in life in response to some event
- Give because results follow
- Insist on effectiveness and accountability
- Seldom rely on advisors
- Do not want individual attention


18




THE ALTRUIST

- *"DOING GOOD FEELS RIGHT"*
- The selfless donor who gives out of generosity and empathy to urgent causes and who modestly *"wishes to remain anonymous."*
- Giving is a moral imperative that helps them grow as individuals

Thank you



19



THE ALTRUIST


- Giving adds purpose to their life
- A path to self-actualization
- Wealth has greater obligations, believe they are the true philanthropists
- Nonprofits are morally superior to government
- Pay attention to quality of people
- Want acknowledgement of their altruism
- Personal attention is equated with consideration, concern, caring and respect
- Do not need to be involved

20

THE DYNAST

- "DOING GOOD IS A FAMILY TRADITION"
- Typically inherit their wealth. Philanthropic motivation stems from their socialization.
- Giving is something their family has always stood for and they believe it is expected
- Younger dynasty often seek out different causes than their parents

Thank you



21

THE DYNAST

- Support a wide range of nonprofits
- Low need for social approval
- Living out a family tradition
- Rewards for giving are all internal
- Make personal and detailed evaluation of charities
- Employ professional advisors
- Want to understand in detail the mission and activities
- Expect interpersonal relationships to develop
- Want nonprofit to "stay the course"

22

Philanthropy has many faces

Communitarian	26%	☆☆☆
Devout	21%	
Investors	15%	☆☆☆☆
Socialites	11%	
Repayors	10%	☆☆☆☆
Altruists	9%	
Dynasts	8%	☆☆

Source: Prince & File study

23

Indicator grid for building a list of prospects

- Linkage – who is the logical connection
- Interest – program or project they are fond of
- Age – logic tells us to work with the oldest first
- Signals – verbal, mail, personal indications of an ownership connection
- Values – personal and family concerns about their health, finances and welfare
- Ability – indicated or hidden net worth, personal social capital





24

Examining Personal Philanthropy

- Lifecycle of an investor/repayer
- First generation college graduate
- Professional fund raiser for 40 years
- In conservation/distribution stages
- Spouse – 2 children -2 grandchildren
- Critical capital for comfortable lifestyle



25

Personal philanthropy

- Strategies in play
 - Outright gifts
 - QCDs – *Etrade, TRowe Price, TIAA-CREF*
 - Will and trusts
 - Donor advised fund – *TRowe Price*
 - Charitable gift annuities - *NPOs*
 - Legacy income pooled income trust – *Eaton Vance*
 - 529 plans for grandchildren - *Vanguard*
 - Charitable endowment using variable annuity funded with QCD – *Jackson National Life & Annuity*

26

Personal philanthropy

- Strategies in play
 - Outright gifts & QCDs
 - Duke Athletics (2)
 - Habitat
 - LaSalle University
 - Sandhills Women's Exchange
 - CHKD
 - Moore Free Clinic (2)
 - Lani Cat Sanctuary
 - Misc. events

27

Personal philanthropy - DAF

The James and Mary Connell Fund

Recommend a Grant Disbursement

Plan a Contribution

\$213,981.13

ACCOUNT VALUE

PAID GRANT DISBURSEMENTS

ID	PAID	RECIPIENT	AMOUNT	TYPE	
2375411	7/22/2020	MIRA Foundation USA, Inc.	\$2,500.00	Grant	REPEAT
2333997	5/13/2020	Moore Free and Charitable Clinic	\$10,000.00	Grant	REPEAT
2333266	5/13/2020	Food Bank of Central and Eastern NC	\$1,000.00	Grant	REPEAT
2626229	4/9/2019	Friends of Weymouth, Inc.	\$10,000.00	Grant	REPEAT
826121	7/28/2016	MIRA Foundation USA, Inc.	\$500.00	Grant	REPEAT
			Total = \$24,000.00		

28



29

Personal philanthropy – DAF “Accelerating Charitable Efforts Act”

- Key Points
 - Speeding up flow of dollars to charities
 - DAF deposits to be distributed within 15 years to take an immediate charitable deduction
 - Community Foundations
 - Exempt current DAFs below \$1 million from payout requirements, even if the fund grows past \$1 million
 - \$1 million account must begin to distribute 5% annually
 - Commercial DAF accounts
 - All accounts and future deposits must be distributed with 15-years to take an upfront charitable deduction

30

Personal philanthropy

- Life income agreements
 - Immediate CGA - Jim
 - Duke
 - Deferred FCGAs – Jim
 - Dickinson (3) – payment status
 - Duke (1) – Flexible deferred
 - Habitat (1) – gifted in 2019 & 2020
 - Deferred FCGAs – Mary
 - Duke (2)
 - LaSalle (1) CGAs total \$124,384.11
 - Pooled income fund – joint
 - US Legacy Income Trust 1

31

Personal philanthropy

The U.S. Legacy Income Trusts® (Legacy Income Trusts) are next-generation charitable planned-giving instruments established by the U.S. Charitable Gift Trust® (Gift Trust), a tax-exempt public charity offering donor-advised funds. The Legacy Income Trusts and the Gift Trust are sponsored by Eaton Vance Management (Eaton Vance), a longtime leader in wealth management solutions. Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

The Legacy Income Trusts provide Donors contributing cash and/or acceptable securities with the opportunity to:

- **Avoid recognition of capital gains** on contributions of appreciated assets
- **Receive a federal income tax deduction** based on the charitable remainder portion of the contribution value
- **Provide monthly distributions of tax-advantaged income for life** to up to ten individual income beneficiaries designated by the Donor
- **Make grants to qualified charitable organizations selected by the Donor** or his or her designee following the death of the last-surviving of the Donor's individual income beneficiaries

32

Personal philanthropy

https://www.uscharitablegifttrust.org/

TRUST ACCOUNT SUMMARY

Trust Account Summary

DATE ESTABLISHED
2/12/2021

CURRENT YEAR CONTRIBUTIONS
\$109,237.63

CURRENT YEAR DISTRIBUTIONS
\$1,894.22

BENEFICIARIES

Income Beneficiary

Mrs. Mary E Connell 100%

Charitable Beneficiary

Duke University 50%

LaSalle University 50%

33

Personal philanthropy

CONTRIBUTIONS

Start Date
10/29/2020

End Date
10/29/2021

Apply Dates

Export to Excel

ID	DATE	INVESTED	NAME	QUANTITY	VALUE	STATUS
1106260	10/18/2021	10/25/2021	Roku Inc	100.00	\$33,386.43	Accepted and Invested
1094891	6/30/2021	7/8/2021	Microsoft Corp	100.00	\$27,048.20	Accepted and Invested
1073525	2/12/2021	2/22/2021	Microsoft Corp	200.00	\$48,803.00	Accepted and Invested

Microsoft dividend rate = <1.0% Roku dividend rate = 0%

Security gifts require IRS form 8283 filing

34

Personal philanthropy

ID	DATE PAID	PAYEE	AMOUNT	RECURRING
1461620	3/3/2021	Mrs. Mary E Connell	\$46.92	Monthly
1486423	4/6/2021	Mrs. Mary E Connell	\$218.96	Monthly
1508798	5/5/2021	Mrs. Mary E Connell	\$218.96	Monthly
1529960	6/3/2021	Mrs. Mary E Connell	\$218.96	Monthly
1549704	7/6/2021	Mrs. Mary E Connell	\$218.96	Monthly
1568509	8/4/2021	Mrs. Mary E Connell	\$304.08	Monthly
1589320	9/7/2021	Mrs. Mary E Connell	\$333.69	Monthly
1609274	10/5/2021	Mrs. Mary E Connell	\$333.69	Monthly

Total Value of Income Distributions Paid - \$1,894.22

Monthly distributions taxed as dividend payments (15%), up to 10 beneficiaries possible

35

Personal deduction

Calculate Charitable Income Tax Deduction

Please enter information below

Start over

NUMBER OF INDIVIDUAL INCOME BENEFICIARIES

2

AGES OF INDIVIDUAL INCOME BENEFICIARIES

1st Beneficiary 65

2nd Beneficiary 77

REQUIRED

YOUR POTENTIAL CHARITABLE DEDUCTION

66.586%

X \$48,803 FMV = \$32,495

(percentage of contribution value)

36

James E. Connell & Associates
Charitable Estate and Gift Planning Specialists
Box 3335, Pinehurst, North Carolina 28374
Phone 910-295-6800 Fax 910-295-6866
"Building Endowments for American Charities"

Page...9

Summary of input parameters		
Date of Contribution	Oct 2021	
Number of Individual Income Beneficiaries	2	
Ages of Individual Income Beneficiaries	77, 65	
Applicable Federal Section 7520 Rate	1.20%	

YOUR POTENTIAL CHARITABLE DEDUCTION (percentage of contribution value)		
U.S. Legacy Income Trusts	Compared Charitable Remainder Unitrust	Compared Charitable Gift Annuity
	6.00% Unitrust Percentage	4.00% Gift Annuity Rate
	33.912%	32.142%
	Change in potential deduction by replacing with Legacy Income Trust contribution	
	+96.35%	+107.16%

Important Information

37

US Legacy Income Trust 1	
\$10.73 \rightarrow \$0.13 NAV as of Oct 5, 2021	
Distributions to Income Beneficiaries	
as of Oct 04, 2021	
Annualized Distribution per Unit ¹	\$0.550
Annualized Distribution Rate at Current NAV ²	5.09%
Annualized Distribution Rate at Initial NAV ³	5.50%
Distribution Frequency	Monthly
See important disclosures below.	
Trust Facts	
Inception Date	04/30/2019
Minimum Initial Contribution	\$20,000
CUSIP	90344D354
Fees and Expenses (%)	
Advisory Fee	0.55%
Trustee Fee	0.10%
Administrative Fee	0.38%
Servicing Agent Fee	0.75%
Estimated Other Expenses	0.06%
Estimated Total Expenses	1.84%

38

Creating endowments with VAs

- Using a Variable Annuity to start endowments
- \$50,000 QCD transfer - Jim
- Measuring life – Mary
 - No medical exam or inquiry
- Diversified investment options
- Income payment fixed at 4.75% for 65 – 74 year old, increased to 5.00% at age 75 - 80
- Death benefit: Greater of account value or premiums paid
- Fees: Living costs: 1.35%, death benefit 0.80%, investment fees

39

Legacy endowment

\$50,000 endowment, paying 4.75% to charity for life of Mary Connell

OPTIONS TO GROW		OPTIONS TO TAKE YOUR PROTECTED LIFETIME INCOME					
STEP-UP FREQUENCY	BONUS (ROLL-UP)	AGE	35-64	65-74	75-80	81+	
Once	5%	SINGLE	3.50%	4.75%	5.00%	5.25%	
							LIVING BENEFIT COST
							1.35%
							DEATH BENEFIT COST
							0.80%

Jackson's LifeGuard Freedom Flex D0 can potentially grow your income while providing an enhanced death benefit.

LEAVE A LEGACY

Net Premiums*

Death Benefit

Contract Value

Annual Withdrawals

As this hypothetical example illustrates, even after taking allowed withdrawals over 20 years, the death benefit is still equal to the net premium (provided the contract value does not fall to zero).

40



41

Campaign Planning

Cash is Not King in Fundraising:
Results from 1 Million Nonprofit Tax Returns

Professor Russell James III, J.D., Ph.D., CFP®
Director of Graduate Studies in Charitable Financial Planning
Texas Tech University

NONPROFITS receiving ONLY CASH gifts <small>2,548 nonprofits raising \$1MM+ in 2010 reported only cash gifts in 2010 & 2015 on e-file IRS-990</small>	NONPROFITS receiving ANY NONCASH gifts <small>4,226 nonprofits raising \$1MM+ in 2010 reported noncash gifts in 2010 & 2015 on e-file IRS-990</small>	NONPROFITS receiving SECURITIES NONCASH gifts <small>2,143 nonprofits raising \$1MM+ in 2010 reported securities gifts in 2010 & 2015 on e-file IRS-990</small>
11% GROWTH	50% GROWTH	66% GROWTH

42

Campaign Planning

Mental Framing as gifts of Wealth (noncash assets) vs. gifts of Disposable Income

What happens IN THE SAME YEAR when gifts shift from cash to assets?

When share from CASH GROWS by +10% total contributions fall by -13%	When share from SECURITIES GROWS by +10% total contributions grow by +18%	When share from REAL ESTATE GROWS by +10% total contributions grow by +26%
--	--	---

Fund effects regression analysis of the 762,876 e-file IRS forms 990 reporting

43

The Hierarchy of Effective Gift Calls

- Face to face by a peer in the company of an expert witness, and a fundraising expert.
- Face to face by a peer with one of the above
- Face to face with any of the above

- In a small group setting with the above
- Phone and mail from any of the above

44

The Hierarchy of Effective Gift Calls... other matters

- When possible couples should always be solicited together
- The actual ASK takes the least amount of time in any fund raising program
- 85% of the time is spent getting ready for the ask
- 10% is spent on stewardship after the gift is secured
- Volunteers making a call **MUST** have already made their commitment

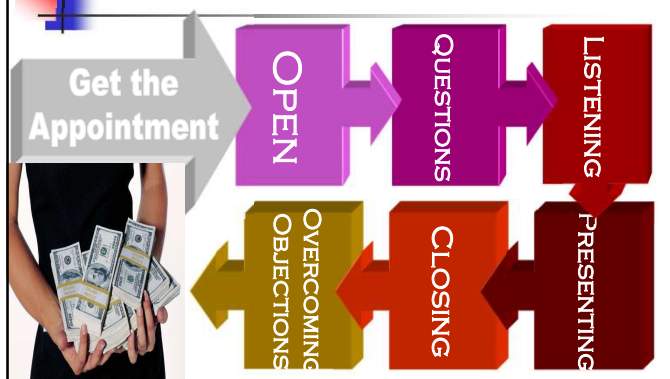
45

Research

- What is the philanthropic profile of the firm or person?
- What are their interests?
- Who do they associate with, peer influence?
- Research should not be an invasion of privacy...it is a sign of respect!
- Good research is flattery!
- Choose the right person or team for the call

46

Asking for the Gift



47

Campaign Planning -Financial & Estate Decisions

- You now know about our campaign we hope you will consider \$100,000!

Do I have \$20,000 a year for the next 5 years that I do not need?"


48

Campaign Planning -Financial &
Estate Decisions

■How will it effect me?

■How will it impact my heirs?

■What effect will it have on my security?



49

Campaign Planning -Financial &
Estate Decisions

■You now know about our campaign would you consider a \$250,000 pledge if we could show you how to get there!

50

Age and Wealth based plans

AGE

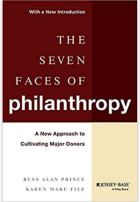
WEALTH

Age- and Wealth-Based Gift Plans		
A1 Gifts of Cash, Appreciated Property, Term of Years Trusts, Charitable Lead Trusts, Life Income Gifts for Others	B1 Gifts of Cash, Appreciated Property, Term of Years Trusts, Charitable Lead Trusts, Life Income Gifts for Others, Current Retirement Plan Gifts, Deferred Gift Annuities	C1 Gifts of Cash & Property, Bequests & Gift Annuities, Term of Years Trusts, Charitable Trusts for Life, Life Income Gifts for Others, Current Retirement Plan Gifts, Life Insurance Proceeds, Retirement Plan Remainders
A2 Gifts of Cash	B2 Gifts of Cash, Pooled Income Funds, Deferred Gift Annuities	C2 Gifts of Cash, Appreciated Property, Pooled Income Funds, Bequests, Gift Annuities, Life Insurance Proceeds, Retirement Plan Remainders
A3 Gifts of Cash	B3 Gifts of Cash	C3 Gifts of Cash, Bequests, Gift Annuities, Life Insurance Proceeds, Retirement Plan Remainders

51

Contact information

James E. Connell FAHP, CSA
Charitable Estate and Gift Planning Specialists
P.O. Box 3335, Pinehurst, NC 28374
Email: james@connellandassoc.com
Internet: www.connellandassoc.com
Phone: 910-295-6800, Mobile: 910-315-9636



Link below for purchase:
<https://www.amazon.com/Seven-Faces-Philanthropy-Cultivating-Jossey-Bass/dp/0787960578>

52