Planting the Seeds for a Bountiful Gift Planning Program

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June 3, 2015

Phoenix, Arizona

Why am I here today?

#1 You may be new to gift planning or want to learn about gift planning to be successful.

#2 You may want to know how to begin discussions about ways to give.

#3 You may want to learn how to apply what you know to "real donor situations".

What Will I Learn in 75 Minutes?

#1 You will learn about the most common planned gifts.

#2 You will learn how to listen for "cues and clues" that prospective donors share.

#3 You will learn how to broach a gift discussion with a prospective donor.

Part I. Overview

Variety is the spice of life!

Why Pursue Planned Gifts?

- Some donors cannot make large cash gifts today.
- Some donors have other assets they would consider giving (e.g., real estate).
- Some donors would give more if they could receive an income stream.
- Some donors want to create a larger legacy than lifetime gifts would allow.
- Some donors want to provide for others first, then for your organization.

Types of Planned Gifts

- A bequest in a will/gift in a trust
- A gift of life insurance
- A gift of a retirement plan or IRA
- A charitable gift annuity
- A charitable remainder trust
- A charitable lead trust
- A gift of real estate

3 Categories of Gifts

1. Gifts that come later and are usually revocable.
2. Gifts completed today but the proceeds become available later.
3. Gifts received today and can be used today.

Part II. 3 Common Types of Planned Gifts

A. Bequests

B. Charitable Gift Annuities

C. Charitable Remainder Trusts

Bequests

1. The #1 planned gift in size & frequency.
2. Bequest: a gift in a will (or a trust)
3. There is no minimum amount.
4. The minimum age is based on state law (18).

Bequests, cont.

5. Provide suggested/ correct language.
6. Types of bequests:
   *Specific bequest: *"I leave $10,000 to Charity."*
   *Percentage bequest: *"I leave 50% of my estate to Charity."*
   *Contingent/residuary bequest: *"If my spouse does not survive me, I leave my entire estate to Charity."*
7. Bequests are flexible.
   ***Bequests are future gifts-what are our needs?
   Encourage less restrictions.

Bequests, cont.

8. Bequest alternatives:
   -**gift of a life insurance policy.**
   -gift of retirement plan/IRA proceeds.

9. Think bigger! Think blended (gifts, that is!).

Who is a bequest prospect?

- Everyone 18+ and of sound mind!
- Consistent annual donor (any amount).
- Prospects with connections to your charity
  - -volunteer
  - -employee (current or retired)
  - -event attendance
  - -current or past recipient of services
- Prospects age 70+, especially single people or couples without children.

Bequest Cues & Clues

1. ”I wish I could do more but the poor economy prevents me from making a gift.”
2. ”I wish I could make a gift but I have to care for my (ailing husband, disabled child, etc.).”
3. ”I'm too old to be thinking about giving now.”

Bequest Discussions

1. If someone mentions good care provided by the charity's staff ("the doctor saved my husband's life"; "my advisor helped me find my first job"), you could share that some donors make a gift in honor of the staff member/advisor.
2. If someone mentions anything about planning for the future and future needs (health, economy, etc.) you can gently reply that those are valid concerns we all share. Then suggest that if the person wishes to provide support, there are ways to do so that won't deprive him/her of money during his/her life.

Charitable Gift Annuities

1. Charitable gift annuities are the second most common type of planned gift.
2. A <u>charitable gift annuity</u> (CGA) is a contract between one or two donors and a non-profit organization in which, in exchange for <u>$xx,000</u> or more of cash or appreciated securities, the non-profit organization pays 1 or 2 annuitants a *fixed amount* each year for the rest of the annuitant's life.

Charitable Gift Annuities, cont.

3. The income beneficiary's income stream will be part ordinary income and part tax-free return of principal (and if appreciated stock is donated, part capital gain). The amount which remains at the annuitant's death ("the residuum") is usable at that time by the non-profit organization.
4. Gift annuity rates are set by age.
   - -Rates range from 4.4% at age 60 to 9% at age 90.
   - -Older donors at the time of the funding=higher rates.
   - -One donor will receive a higher rate than two donors.

Charitable Gift Annuities, cont.

5. Getting the donor's birth date is critical.

   Example: If donor's birthday is October 1, on April 2 the donor *actuarially* turns 1 year older.

5. The donor is eligible to claim a charitable income tax deduction for the *gift portion*, which is less than the amount donated since the donor is reserving an income stream for life.

CGA vs. Bequest

1. Bequest donors might be interested in hearing about a CGA.
   - -move the gift forward
   - -gain an income stream
   - -gain an income tax deduction
2. With a bequest we are likely to get the full amount, whereas with a CGA we can expect to receive approximately 50%.

CGA Prospects

1. Prospects age 70+.
2. Prospects who want to make a gift but worry about future income needs.
3. Prospects who already have a CGA with another charity.

CGA Discussions

1. Ask: “If there were a way you could get a fixed income stream from a gift, would you consider making a gift?”
2. Ask: “Are you aware there are alternative ways to make a gift other than writing out a check?”

CGA Cues & Clues

1. "I wish I could give, but I worry I will run out of money like my mother."
1. "My partner doesn't have a pension, so I worry about her running out of money if she survives me."
2. "I don't trust the stock market; I prefer "safe" investments like CDs."
3. "Charity is in my will. What more can I do?"

Charitable Remainder Trusts

1. A <u>charitable remainder trust</u> ("CRT") is a gift vehicle that enables a donor to make an irrevocable gift to charity while creating an income stream for one or more beneficiaries.
2. When the trust terminates, the principal passes to one or more charities to be used as the donor directs.
3. The income may continue for the lifetime(s) of the beneficiary(-ies), a fixed term of not more than 20 years, or a combination of the two.
4. The minimum payout is 5%.

Charitable Remainder Trusts, cont.

5. Trusts are administered by a “trustee” for the benefit of the income beneficiaries and the charitable organizations. Common trustees include:

   a) individuals (the donor, an advisor, a family member)
   b) a bank or financial institution

Charitable Remainder Trusts, cont.

6. Donors can transfer a variety of assets to a CRT:
   a) cash
   b) marketable securities
   c) unmarketable securities/closely held stock
   d) real estate

7. CRTs can be created during life or in a will.

Charitable Remainder Trusts, cont.

8. Benefits of a CRT include:

   a) Enabling the donor to make a significant gift to one or more charitable organizations.
   b) Increasing current income from appreciated assets.
   c) Gaining a charitable income tax deduction.
   d) Deferring and perhaps eliminating any capital gains tax upon the transfer of appreciated assets.
   e) Saving estate taxes and probate costs.

Charitable Remainder Trusts, cont.

There are 2 types of CRTs:

Charitable remainder annuity trust (“CRAT”): the income beneficiary receives a ***fixed amount*** each year.

Charitable remainder unitrust (“CRUT”): the income beneficiary receives a ***fixed percentage*** each year.

CRT prospects

1. Prospects ages 50-70 with highly appreciated stock.
2. Prospects who own an unused vacation home.
3. Prospects who want to split one large asset among two or more charities.

CRT Discussions

1. Ask: “Would you like to explore ideas about how to turn your unused vacation home into a stream of income in your retirement?”
2. Ask: “Are you aware you can make a gift and get some income for your life?”

CRT Cues & Clues

1. "I wish I could give, but I worry I will run out of money like my mother did."
2. "My partner doesn't have a pension, so I worry about her running out of money."
3. "I should do something about this large block of stock that I own, and I am disgusted by the low dividends on my stock."
4. "My investments are mostly in real estate."
5. "Charity is in my will. What more can I do?"

CRT vs. CGA

1. Both options enable the donor to receive an income stream for life. With a CGA and a CRAT the income is fixed; with a CRUT the income fluctuates.
2. There can only be one charitable beneficiary of a CGA; there can be multiple charitable beneficiaries of a CRT.
3. Although unlikely, if the vehicle runs out of money (poor investments and/or the beneficiary outliving his/her life expectancy), beneficiaries of CGAs are protected because CGAs are backed by Charity's assets, whereas beneficiaries of CRTs will no longer receive income.

CRT vs. CGA

4. CGA rates are set assuming 50% of what the donor contributes will remain in the end. For CRTs the trust principal can grow and Charity could receive more than the donor originally contributed.
5. The minimum for a CGA at many charities is lower than the suggested minimum for a CRT.
6. CGA rates are set by the donor's age whereas CRT rates can be no lower than 5%.
   *Recommended: 5-7%.

Final Thoughts

Q: What is the #1 reason a donor tells you Charity is in his/her will?

Final Thoughts, cont.

Q: What is the #1 reason a donor tells you Charity is in his/her will?

A: Because he or she was asked!

Final Thought

It takes a noble man to plant a seed
for a tree that will
someday give shade
to people he may never meet.

-David Trueblood

Thank you!

PPP Update.