

# PLANNED GIVING AND ENDOWMENT BASICS

- Demystifying the language and concepts of planned giving and endowments
- Recognizing situations that make a donor ripe for a planned giving conversation
- Developing comfort and confidence to speak with donors about their legacies

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1

## The Basics

- What is an Endowment?
  - A fund that holds its principal in perpetuity and pays out a small portion annually – typically about 4 to 5 percent – to support organizational operations, annual campaigns, and programs.
  - Assets are invested to grow the principal and generate income.
  - Assets grow over time, so annual distribution can grow and remain relevant.
- What is Planned Giving?
  - Charitable giving that enables donors to make larger gifts than they could make from ordinary income alone.
  - Any major gift, made in lifetime or at death as part of a donor's overall financial planning or estate planning.
  - Some planned gifts provide an income stream to the donor.
  - Other planned gifts use estate and tax planning techniques to provide for charity and other heirs in ways that maximize the gift and/or minimize its impact on the donor's estate.
  - By contrast, most gifts to an annual campaign are made from a discretionary income.

2

## Who Cares About Planned Giving?

- **YOU DO.**
  - Planned gifts will make your life easier.
  - Bigger \$\$\$ for your current campaign.
  - Endowments give you a head start at the beginning of every annual campaign.
- Your board cares (or should).
- Your boss cares, all the way up to the CEO.
- Your donors and their professional advisors care.

3

## Myths About Planned Giving

### **Planned giving is too hard.**

- No, it isn't.
- You don't need to be an expert.
- You just need to know enough to start a conversation.
- It really helps if you know some experts.

### **I don't know which donors are good planned giving prospects.**

- Yes, you do.
- You probably already know more about them than your other donors.

### **I can't talk to donors about their death.**

- Then don't talk to them about that.
- Talk about their lives, their values, their families, their communities, their long-term goals and aspirations.
- Remember that your donors love you – in a good way.

### **Planned giving conversations will drag down our annual campaign, hurt our Federation, and damage my career.**

- **Shut up.**
- Everyone's going to love you more.
  - Donors.
  - Your boss and the board.
  - Your planned giving officers, your community foundations

4

## Planned Giving Vehicles:

### Some Vehicles Cover a Donor's Giving Today and Tomorrow

- Donor Advised Fund
  - "Charitable investment account" – but donor doesn't own it, we do
  - Contribute assets any time for an immediate tax deduction
  - Funds are invested for tax-free growth – because growth belongs to DAF not donor
  - Recommend grants to qualified 501(c)(3) charities whenever you like
  - Experience is like online banking
  - Minimum balance of \$10,000 (but that's just me)
  - Reduced paperwork
  - Grantmaking assistance
- Using a Donor Advised Fund for Charitable Bundling/Bunching
  - For taxpayers who otherwise wouldn't itemize under the Tax Cuts & Jobs Act of 2017
  - Lump two or more years of giving into a single year
  - Itemized deductions exceed standard deduction (\$25,100 M, \$12,550 S; \$18,800 HH)
  - Dole it out to charities over a period of years
  - Meanwhile, funds are invested (We netted 18.5% in 2019 and 10.8% in 2020)

5

## Planned Giving Vehicles:

### When Should Someone Consider a Donor-Advised Fund?

- Total giving exceeds \$10,000 annually
- Appreciated assets (stock, real estate, unneeded insurance)
- Windfall
- Sale of business
- Nearing retirement
- Desire to start children's or grandchildren's fund
- Winding down a private foundation
- Bundlers preserving their charitable deduction

6

## Planned Giving Vehicles:

### Some Endowment Commitments Can Be Changed

- Will or Trust
  - Dollar amount, percentage or residue
- Retirement Plan Beneficiary Designation
  - Percentage - usually
- Life Insurance Beneficiary Designation
  - Percentage
- DAF Remainder

7

## Planned Giving Vehicles:

### Other Endowment Commitments Are Irrevocable

These are completed gifts when they are made:

- Gift Today – cash, stock, IRA rollover, other assets
- Insurance – ownership of policy
- Charitable Gift Annuity (CGA) or other charitable income plan
- Gift of residence, retaining a right to live in it

8

### What's So Special about the Charitable IRA Rollover?

- ❑ For taxpayers age 70½ and older with traditional IRAs
- ❑ Up to \$100,000 per taxpayer
- ❑ Satisfies RMD (age 72+) *new in 2020!*
- ❑ Not reported as income
- ❑ Taxpayer gets increased standard deduction and *effectively* itemizes charitable gifts
- ❑ Not for donor advised funds or supporting organizations

9

### Different Gifts For Different Stages Of Life

#### 40-year-olds

- Will or Trust
- Life Insurance
- Retirement Plan
- DAF Remainder

#### 60-Year-Olds

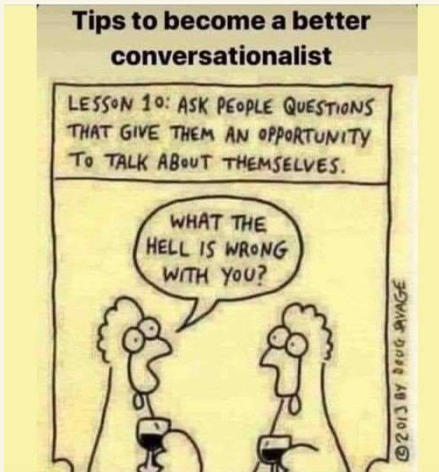
- Will or Trust
- IRA Beneficiary
- Gift Today
- Deferred CGA
- Residence
- DAF Remainder

#### 80-Year-Olds

- Will or Trust
- IRA Rollover
- Gift Today
- CGA
- Residence
- DAF Remainder

10

## How do I talk to people about planned gifts?



11

## Conversation Starters and Other Thoughts

- There is no magic language that will work with every donor. *You're on a date!*
- Get to know your donors by being interested in them. Most people love to talk about themselves if you give them a chance. Ask about:
  - Family
  - Childhood
  - Career
  - How long they've been in Arizona and what brought them here
  - Hobbies
  - Travel
  - History of community involvement

12

## Conversation Starters and Other Thoughts

- Shut up and Listen! Does your donor:
  - Own appreciated assets, particularly those that don't generate much income?
  - Plan to sell a business?
  - Anticipate a windfall?
  - Own a home free and clear?
  - Own life insurance she no longer needs?
  - Have or expect to have a well-funded retirement?
  - Need a very large tax deduction or one that is at least bigger than usual?
  - Have no children, children who are independently successful, or children they just can't stand?

13

The screenshot shows a web browser window displaying the website for Philip Block at the Jewish Community Foundation. The page features a dark blue header with the name "Philip Block" and a navigation menu. Below the header is a portrait of Philip Block, a man with glasses and a suit. To the right of the portrait is a testimonial text. At the bottom of the page, there is a section titled "Endowment Book of Life Benefactors" with a search bar and a "Search" button.

Philip Block

I relocated to Arizona from Texas eight years ago. The wisdom of our Rabbis teaches us that a negative situation can become a positive situation, and for me it did just that!

I have two biological children from a previous marriage who, by now, are adults, but after much self-doubt on my part, their lack of respect, caring and love for me, which are the essentials that any parent wants, led me to become a benefactor.

Many young adult children today think that just because they are flesh and blood, are entitled to and want your money, without conditions or strings attached.

My thoughts on this subject: Why should I leave them anything in death while in life I did not receive love and respect? Therefore, I am bequeathing to a candidate(s) who can benefit and be appreciative of the opportunity offered.

The reason for my writing this is that there is an alternative to giving to underserving young adult children, which, unfortunately, many of us do. This negativity can be turned into a positive.

I hope that after reading my comments, other parents in this situation will do likewise.

Endowment Book of Life Benefactors

Find a person or a family

14

## Conversation Starters and Other Thoughts

- Take your time! Planned giving often requires a deeper level of personal trust than an annual gift.
- It is an honor to achieve that level of trust.
- When they're ready to talk about planned giving, make sure the donors know you understand what an honor it is to be working with them on something so personal.
- It's still about them, not about you, and not about your organization or your goals. I mean it.

15

## Planned Giving Solutions to Objections

- ***"I don't have that kind of cash."***
  - You can use other assets for a gift – stock, your home, an insurance policy, your IRA . . .
- ***"I can't afford that."***
  - It doesn't have to cost you anything today.
- ***"I no longer itemize."***
  - Try bundling in a DAF.
  - Give directly from your IRA.
- ***"I need to take care of my family."***
  - You can and you should, and:
    - What if you left 90% to your family?
    - Consider the impact your gift can have on your family and your community.
    - Think about sharing a charitable legacy with your family, too.
    - We can help you find a way to do this in a tax-efficient way that minimizes the financial impact on your family.

16



## What's next?

- **When someone else has done the warm-up:**
  - Request as much information about the donor as you can get.
  - Discuss the donor's interests and objectives.
  - Find out what options they've discussed.
  - *You can only do your best work if you have the best information.*
- **Request a useful introduction.**
- **Keep it simple when you can.**
- **When the donor is ready, secure written confirmation of the gift, including:**
  - A copy of the gift record.
  - Gift restrictions: unrestricted endowment, specific programs, capital gifts.
  - Can the uses ever be changed?
  - Payment terms: amount, timing, specific assets.
  - Recognition: to satisfy needs of the donor *and* the organization.
  - Reporting requirements, if any.

17

## What we didn't cover

- **Charitable Remainder Trusts**
- **Charitable Lead Trusts**
- **Supporting Organizations**
- **QUESTIONS???**

18

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The logo for the Jewish Community Foundation of Greater Phoenix features a stylized tree with green leaves and a dark blue trunk. To the right of the tree, the text "Jewish Community Foundation" is written in a blue serif font, with "OF GREATER PHOENIX" in a smaller, blue sans-serif font below it.