Integrating Planned Giving into Major and Annual Gift Programs

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Introduction

Thank you for downloading our e-book on planned giving. We’re excited to share tips with you to help you integrate planned giving as a successful part of your major and annual gift programs.

This e-book was drafted from a recent webinar JGA conducted on Integrating Planned Giving into Major and Annual Gift Programs. You can view a recording of this webinar and webinars on other fundraising topics on our website at www.jgacounsel.com/resources/jga-webinars.

In our consulting work with clients, we find questions about the holistic view of planned giving and integrating it into your major and annual gift programs come up frequently:

• How do you count planned gifts?
• What role do planned gifts play?
• How do planned gifts complement your annual and major gift programs?

These questions are often raised as we work with clients in campaign planning, particularly when they are looking at financial projections for the campaign.

This e-book will review recent planned giving developments, the planned giving outlook right now, the importance of establishing a planned gifts strategy, and integrating planned giving throughout the development process. At the end of the book, we will review some common myths around the role of planned giving in campaigns and how we might debunk those myths for you.

Carefully considering how planned giving initiatives can enhance your major and annual giving programs requires taking an overall view of your fundraising initiatives. Your efforts in donor identification, cultivation, and stewardship can shape donor decisions about their planned giving, so it is important to implement best practices throughout your fundraising.
CHAPTER ONE

Planned Giving

Outlook
Planned Giving Outlook

Recent Planned Giving Developments

Charitable IRA Rollover

As 2015 ended, charitable IRA rollovers became permanent.

Charitable IRAs are available for people who are at least age 70½ or older. At that age, individuals are required to take minimum distributions from their retirement savings, whether they need that additional income or not. For some donors, that additional income can be a resource for increasing their charitable giving.

The charitable IRA provision was passed more than a decade ago, however it was not permanent and the provision kept expiring, only to be renewed a short time later. This made it impossible for donors to successfully plan for their financial future and for organizations to market the option to donors. Now, with the provision made permanent at the end of 2015, organizations can successfully market this giving opportunity to donors without the fear of last-minute changes.

The great news is, it’s the same rollover that it has been all along, but now the rollover has been made permanent. It will take further congressional action to get rid of it. Now that we have it, we can market for it, and we, along with donors can be assured that it will be there.

Who Benefits

- Available for donors past age 70½
- Allows donors who don’t need IRA for income to avoid taking Minimum Required Distribution (and paying tax on income they don’t need)
- Rollover funds from IRA direct to charity without incurring taxes
- Nonprofits should market to donors who meet the age criteria by adding to annual and planned gift materials
Recent Planned Giving Developments

Be sure to track all of the rollover gifts you receive. These donors are excellent planned gift prospects.

While IRA accounts are a wonderful way to save for retirement, they are not a great way to pass wealth to heirs because IRAs can be subject to both estate tax and income tax at death.

Donors who make an IRA rollover gift to your organization are telling you that:
• they are 70½ or older,
• they don’t ever need the IRA account for its primary purpose of retirement income, and
• they chose your organization to receive this gift.

By keeping track and building a closer relationship with these donors, you may be able to encourage additional planned gift commitments through beneficiary designations of the IRAs.

Convergence of Trends Indicate Surge

Several trends indicate we may be on the verge of a surge in planned giving.

Paul Schervish, at Boston College Center on Wealth and Philanthropy, has conducted extensive research on the value of held wealth and its transfer to the next generation back in the 90s.

The most recent estimates indicate that there is $59 trillion in cash, property, and assets that will transfer to a younger generation between the years 2016 and 2018.

What does this really mean for you as an organization? The fact that wealth is there is great news, but it is only an opportunity. The question is, as an organization, are you ready to capitalize on that opportunity and maximize the potential benefit?
Recent Planned Giving Developments

None of this research really factors into the inclination to give; it is strictly the fact that people have that wealth and it is available to give. Organizations will need to cultivate donors and educate them about their giving options.

While there is $59 trillion in wealth transfer, it is estimated only $6.3 trillion will be in the form of charitable bequests. In 2011, U.S. Census data indicated only 5% of the U.S. wealth was held in cash. This means donors have many more non-cash resources available.

Organizations need to become more savvy about the other assets donors may use to support their mission.

Wealth Transfer Status

It feels like we've been hearing about the wealth transfer for years, right? Are we finally officially in it? It appears so.

While looking back at the 90s, the amount of wealth that was expected to transfer to the next generation was higher than the recent estimate of $59 trillion. There has been some current wealth transfer and a couple of stock market crashes, which occurred since that time, reducing the current estimate when compared to that of the 90s.

With most of the World War II Silent and Great generation retired, we are now seeing them donate through their retirement accounts or earned income and beginning to transfer their wealth to the Baby Boomers – the current wealth transfer recipients from the prior Silent and Great generation.
Key Lessons to Remember

It is easy for organizations to get stuck focusing and thinking only in terms of cash donations. However, when they do that they are missing significant opportunities and not allowing donors to give the gift they might be able to make in a way that might be best for them. Only when you open up the conversation to the rest of their resources do they have the ability and the understanding that they can actually give the gift they want to give.

Considering that only 5% of US wealth is held in cash, organizations should begin early conversations with donors about all of the resources they hold. Donors may forget or not understand the many other ways they can give. We need to break through and help them think beyond the checkbook.

Lessons to Remember:

- Major gifts aren’t just cash gifts.
- Think of the donor’s capacity in terms of their total assets.
- Some donors think of only their available cash assets.
- Help donors make the gift they want to make but think they can’t.
- Two pipelines of planned gifts:

  - Major gift conversation – think of the different ways to structure the gift.
  - Loyal annual donors – begin discussions of charitable bequest options.

“Only 5% of US wealth is held in cash. Help donors think beyond the checkbook.”
Your Best Planned Giving Prospects May Surprise You

We say often at JGA, that your best planned gift prospects are not always who you think they may be. While a key prospect pool is obviously your major gift donors, you also should screen your database for loyalty in giving. Often our loyal annual donors are some of the best planned gift prospects.

Think of the donors who have been giving to you consistently, over numerous years, often in small amounts. They have demonstrated their commitment to your organization. A charitable bequest or other planned gift may be their opportunity to give their best gift as their last gift.

We particularly see this with women donors. They will be very loyal donors, give small amounts over their lifetimes, and leave you very large bequests.

Securing planned gifts from annual donors will require you to be proactive. You can’t just sit back waiting and use hope as a strategy that a donor will include a planned gift for your organization in their will.

We suggest you put a list together of the best, most loyal donors in the right age range, and actually talk to them about the difference they can make by making a planned gift to your organization.

“Planned gifts allow small donors to make their last, best gift.”
Donor Perceptions of their Wealth

Though we’ve talked about the vast amount of wealth potentially available with the coming wealth transfer, in reality it all comes down to how the donor perceives her or his wealth. Donors can be hesitant to commit to a major cash gift because of concerns about their own financial stability.

Donors who are retired, and no longer actively earning money, may consider themselves as “living on a fixed income” and be hesitant to make a gift from their assets. While those assets could be significant, the donor may perceive their financial situation as meek. It could be a widow worried about how she will take care of herself, or an individual from a younger generation sandwiched between caring for their parents and their children.

Discussing planned giving options with a donor can help the donor see new ways to have an impact. It can also help you address donor objections based on their perceived inability to make a gift.

Common Donor Concerns

• their own retirement security
• uncertainty about future health care expenses
• paying for college
• care of dependents
CHAPTER TWO

Establishing a Planned Giving Strategy
Establishing a Planned Giving Strategy

Questions to Consider

Determining the Right Planned Giving Strategy for Your Organization

Use these questions to help craft an integrated planned giving strategy that is right for your organization:

- How will planned giving fit into your major and annual gift programs?
- How will you market planned gifts?
- How will you analyze existing donors, including those loyal annual donors, for planned gift capacity?
- How will you include planned gift donors in your donor stewardship plans?
- How are you making certain that you are valuing and stewarding those donors who have made that commitment, no matter if it's cash or a non-cash gift?
- How will you count planned gifts in a campaign?
- How will you report planned gifts to your board or to other constituents, so that all are clear about the way gifts are coming in?
Establishing a Planned Giving Strategy

Planned Giving’s Role

When breaking down planned giving’s role in fundraising, it helps to look at where it fits into the entire giving picture. First, think about the donors who make annual gifts typically for ongoing general operations. When looking at the prospect pool, this will be your largest section of the pool.

Next, we look at the major gift side of giving, particularly donors who are giving from cash or non-cash assets, or are making multi-year pledges. They are often funding some special needs or more focused projects. This prospect pool is much narrower than the annual giving prospect pool. Now your organization must determine who is interested in specific projects and who has the inclination and the capacity to give. Face-to-face conversations and solicitations are the likely choices in this situation.

Finally, we look at the planned gift pool. These are donors who are giving from estate assets or their entire portfolio. Frequently, but not always, these donors prefer giving to fund an endowment. This group of prospects is very committed to the cause and the organization. They’ll expect long-term cultivation and ongoing organizational updates and education.

<table>
<thead>
<tr>
<th>Annual Giving</th>
<th>Major Giving</th>
<th>Planned Giving</th>
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<tbody>
<tr>
<td>• Donors give from cash/income</td>
<td>• Donors give from assets or multi-year pledges</td>
<td>• Donors give from estate assets</td>
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<tr>
<td>• Used for on-going operations</td>
<td>• Fund special projects or needs</td>
<td>• Often to fund endowment</td>
</tr>
<tr>
<td>• All prospects</td>
<td>• Prospects with interest, inclination, and capacity</td>
<td>• Prospects who are very committed to the cause or organization</td>
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<tr>
<td>• Annual and event solicitation</td>
<td>• Individual solicitation</td>
<td>• Ongoing education and long-term cultivation</td>
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CHAPTER THREE

Integrating Planned Giving
Integrating Planned Giving

Key Stages in the Development Process

Planned giving needs to be integrated into both your major and annual gift programs at key stages in the development process.

Donor Identification

As we mentioned before, planned giving prospects can look different than major gift donors. When you're looking for prospects, you shouldn't necessarily just look for what the best major gift prospects would be.

We recommend looking at annual gift frequency as an indicator of a strong planned giving prospect. With wealth screening, or your own knowledge of the prospect, you can then further identify if they might be a good planned gift prospect.

We also recommend that you filter your donor pool by age and gender to help you identify planned giving prospects. Remember, women are strong planned giving prospects. Also, you should consider the age of the donor. Spending a lot of resources on a person who gives loyally, but is between 25 and 35 years of age, may not be the best use of time. Focus on age ranges when identifying prospects in addition to looking at giving frequency.

You should also look at your dedicated donors or advocates as potential planned giving prospects. As we mentioned before, planned giving prospects are often those with a strong, lifelong commitment to your organization or cause.

Donor Qualification

Identifying donors who are qualified to make major or planned gifts can be tricky. and wealth screening can be an important tool. Using companies who perform wealth screening analyses and predictive modeling is a great way to begin to focus on and identify potential planned gift donors.
However, this screening is never a substitute for the actual conversation you would have with a prospect. Do not expect that just because the donor is of a certain age and has the capacity or interest, that a planned gift is forthcoming. These tools should be used as a guide to understanding your constituent pool, but they are in no way perfect as stand-alone tools.

Consider a planned giving conversation to be an ongoing conversation and not a transaction. Donor milestones and major life changes can influence philanthropic planning, so building a lasting relationship is important to understand the changes in their life cycle. Reach out to donors you already know well when they experience life changes as a way to show you care and be sure to listen to their thoughts. But also realize those milestones can have an effect on their philanthropic plans.

**COMMON PLANNED GIFT MILESTONES**

- Becoming a widow / widower
- Diagnosis of illness
- Asset improvement
- Asset improvement of dependents

**Donor Cultivation and Stewardship**

Ninety-nine percent of planned giving work is listening to your donors. Don’t get hung up on the technical details of planned giving options. A donor’s financial advisor can handle taxes and legalese, so you can focus on the donor. Donors who are thinking about planned giving will ask questions and make comments about their philosophy about money. They will share with you what their priorities are and, at this point, it’s all about listening to what they have to say and understanding how their stage in life impacts their philanthropic planning.
We need to help our frontline fundraisers have conversations about “how” donors would like to give in addition to “why.” This will lead to more confident and comfortable discussions with donors about different types of gifts.

Listening carefully to donors’ charitable giving motivations and interests will help fundraisers provide feedback regarding ideas for donors to think about on different ways to give.

At times, donors may offer private information regarding family circumstances and how it could affect their giving. As relationship-based fundraisers, we need to be comfortable engaging in those conversations and learning about donors’ children or other dependents. We can then discuss ways to accommodate their giving through different types of philanthropic arrangements that match their intent.

Make certain frontline fundraisers are comfortable asking donors for information on available wealth regarding IRAs, 401Ks, stock options, and retirement income projections and then help them recognize the opportunities when donors mention certain things that are clues to planned giving opportunities.

*Planned Giving Clues*

Planned giving conversations may be sensitive to initiate, but they can also be the most fulfilling. There are clues to listen for that could make it easier to begin the conversations. Remember, a planned giving conversation is an ongoing conversation and not a transaction.

For example, as a development professional you meet with a 65-year-old couple who discussed having a vacation home and how much they loved it, and now at 75 or 80 years old, they consider it a burden. This is a great opportunity to consider a planned giving conversation, or at least to ask some questions pertaining to the subject of real estate and how a gift can ease the burden of managing their vacation home.
Integrating Planned Giving

Another way to facilitate donor conversations around planned giving is to share stories of a past donor you may have worked with, in a confidential manner, and discuss how they dealt with a similar problem or opportunity using a planned giving vehicle. For example, this might prompt a discussion about how your organization accepts real estate gifts. This allows the donor to walk away from the property free from the hassle and the burden of selling the property. Nevertheless, you should remember only to have that conversation if your organization is actually able to accept and handle the logistics of a real estate transaction.

RECOGNIZING PLANNED GIVING CUES

Capital Gains Tax

– “I’d sell that property, but I don’t want to take the hit and pay capital gains taxes.”

Low Yielding Assets

– “I have a CD coming up for renewal, but the interest rates are terrible.”

Challenges of Asset Management

– “Taking care of that vacation property is more hassle than it’s worth.”

Need to Diversity Assets

– “I have too much of my portfolio in just a few stocks, but it pains me to pay so much tax just to diversify.”

Sale of A Business

– “I’m getting ready to retire, so I’ve been looking at options to sell my business.”

Changing Family Needs

– “Now that the kids are out on their own, we’re looking forward to downsizing.”

Tax Planning

– “I have a charitable bequest in my estate plan, but now I realize that the estate tax won’t apply to me anyway.”
Integrating Planned Giving

Stewarding Planned Giving Donors

Thinking about donor stewardship, how do we recognize our planned gift donors in a way that continues the spirit of gratitude? In a bequest context, stewardship is just as important as cultivation, if not more. Organizations need to keep the donor relationship on course for the rest of that donor's lifetime to assure them that your organization was a good choice for their philanthropic gift. It is possible that a lack of stewardship could cause donors to rethink and alter their planned gifts.

Sometimes organizations are unaware that they are the beneficiary of a planned gift, which makes it difficult to provide the appropriate level of donor stewardship. However, including planned gifts in a campaign context, donors may come forward to confirm they have a planned gift designated to the organization. Once they have announced this gift, it is an appropriate time to provide proper donor stewardship.

Some organizations worry that bequests (and other similar gifts) are revocable by the donor. But, in most cases, a legally binding commitment is not the right option for the donor. The psychological component of a revocable planned gift can be a binding emotional commitment.

Once a donor has become willing to share the details of her/his bequest, then she/he is unlikely to want to appear to fail to fulfill the commitment after her passing. Having connected on a more personal level, it is a chance to build a stronger relationship and thank them through a legacy society reserved for this level of commitment to your organization.

Initiating stewardship steps to thank donors for a planned gift is a crucial part of creating a strong and lasting donor relationship. Stewardship events for planned giving societies allow organizations to create deeper relationships with donors and show appreciation for their thoughtfulness. Be sure to make stewardship an important piece of your planned giving strategy throughout the year, and once you know about planned gift commitments create, individualized stewardship plans for those donors.
CHAPTER FOUR

Marketing Planned Gifts
You don't have to have a massive budget to market planned giving. Utilizing existing marketing strategies for planned giving opportunities can save resources and still deliver the message to the appropriate audience.

Thinking back about loyal annual fund donors, consider adding planned giving information in your annual gift mailings. Give annual donors an opportunity to request more information about bequests or inform your organization that they already have a planned gift in place. For instance, check the box, “I've included your organization in my estate plans.” A small addition to an annual fund mailing is of little cost and can provide great future opportunities. Be absolutely certain that you have a detailed plan for ensuring staff follow-up after these donor requests are received. Also, have a system in place to track staff progress with these inquiries.

Utilizing donor stories and testimonials is a powerful way to build strong connections with donors – both those who share their stories and the prospective donors who read the stories. This stewardship step can also serve as a marketing vehicle for planned gifts, inspiring new donors to explore planned giving options they may not have thought about.

When recognizing donors in publications, be sure to recognize donors who make gifts both of cash and non-cash, so others understand that it is possible to make major and planned gifts using non-cash assets.

Organizations should educate donors about planned giving by including information about how donors can give gifts of non-cash assets in donor communications, on the website, and in annual gift solicitations.
**Myth:**

*Planned gifts compete with current cash gifts. Donors will “take the easy way out” and make a deferred gift rather than make an outright gift.*

**Truth:**

Donors will make the gift that they feel capable of making. They all want to see the impact now, but some are not able to do so. Giving donors the option of funding larger commitments at death will mean your organization is engaging more donors at this level.

If a donor is only thinking about making a gift from the 5% of assets they likely have in cash, they might not be thinking about giving the size of gift they could give if they thought holistically about their asset base. Creating a combined gift of part cash and part deferred gift opens the door to more outright gifts.

Now think about loyal annual giving donors who may have the capacity for a planned gift but also want to do something during their lifetime. A blended gift is a great option for this type of donor.

For example, a donor feels like she cannot part with her assets during her lifetime, but wants to fund a student scholarship. Offer her the option to make annual gifts that can be awarded as a scholarship each year during her lifetime and then create a planned gift to endow the scholarship upon her passing. Her planned gift lets students benefit from her generosity by providing the scholarship each year. She will see the impact now and be more committed to fund a scholarship in her estate. This scenario can extend across many different settings within the nonprofit sector, i.e., healthcare, social services, education, etc.
**Myth:**

Planned gifts are “gravy” on top of any real money raised for a campaign.

**Truth:**

Proper planning before a campaign to establish a financial model is crucial to help debunk this myth. Before your campaign starts, identify the types of gifts that will be accepted and counted toward a campaign goal. You need to clearly define, at the outset, the role planned giving will have in your campaign.

Communication with the finance office staff should also be part of this financial model, because they are the ones managing the organizational cash flow.

For example, if the finance office is budgeting so the organization has cash in the bank over the next five years, that might not match the planned giving financial model that the development department created for the campaign.

We recommend that you set an overall campaign fundraising goal and create an internal goal to identify what percentage of planned gifts versus cash will meet the goal.
**Myth:**

You can secure planned gift commitments during the campaign but they won’t “count” toward the campaign goal.

**Truth:**

In some cases this myth is indeed true. If you are working to raise money for a new building, the focus on outright gift commitments may indeed be crucial to accomplish the goal. This is particularly the case if the organization is not creating an endowment fund for the building.

However, this is where you need to refer back to your financial model and what you wish to accomplish with your fundraising. Creating a financial model will allow you to see how the campaign funds you are raising will flow through your organization. This is sometimes called a “sources and uses” document because it defines the source of gifts for the campaign and how will they be put to use. It should identify what gifts you will count outright, as well as how you will count irrevocable and revocable planned gifts.

You should start early in your campaign developing this financial model and then move into developing your sources and uses document and gift acceptance policies detailing how you will count these various types of gifts. This ensures everyone is on the same page from the beginning of the campaign and sets the tone for campaign fundraising conversations in advance.
Conclusion

We want to stress the advantage of integrating your major and planned gift solicitations in a campaign whenever possible. This blended approach allows you to look at not just what a donor might be interested in doing today, but also what he or she might be interested in doing longer term. It gives both you and the donor the opportunity to think beyond just that initial three- to five-year campaign and look at what is possible on the horizon.
RECEIVE A SAMPLE

GIFT ACCEPTANCE POLICY

Download a sample gift acceptance policy with language on planned gifts, which you may use as a guide in creating your own integrated campaign acceptance policy for your organization.

Click here to LEARN MORE