

Planned Giving: Starting or Growing Your Program
AHP International Conference
Hyatt Regency Orlando
September 22, 2023

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I - Why Planned Giving

1. More and more gifts are “blended.” Planned gifts will increasingly be part of everyone’s portfolio.
2. People want to be remembered. We all want to leave a legacy.
3. You don’t have to be a technical wizard to be an effective planned giving officer.
 - a. Most companies base 80% of their hiring decisions on a candidate’s technical skills, yet 85% of employee turnover is due to behavioral incompatibility. - Viken Mikaelian
4. “Planned Giving is the only way people can support your nonprofit that brings them tremendous satisfaction, yet it has no impact on their lifestyle, other than to improve it.” - Wayne Olson
5. More than 90% of all gifts come from individuals.
 - a. 10% of all charitable gifts are bequests.
6. The average donor in this country is 62. - Blackbaud Institute for Philanthropic Impact.
7. Planned Giving has two parts - Types of Assets, and Types of Vehicles.
 - a. Common vehicles: wills, trusts, gift annuities, life insurance, IRAs, property (real and personal).
 - b. Common assets: cash, stock, life insurance, IRAs, investment accounts, property (real and personal).
8. Planned giving should always involve the donor’s counsel.

II - How it Works.

1. 2/3 of all adults have no will.
 - a. Almost half of all adults with \$10 million or more in assets have no will. - Wall Street Journal (2005).
2. See case study of Vernon Lybolt of Bedford County Virginia for the importance of getting your will language correctly.
3. Be sure to have your counsel create sample will language (and update it) for your nonprofit.
4. Alert your staff to any calls that might be a planned giving call.
5. Stock Gifts - 2/3 of all investors do not now they can donate stock.
 - a. Donations of stock result in no capital gains on the transfer.
 - b. Donor receives income tax deduction for present value of stock.
 - i. Average of high and low selling price on day of transfer.
 - c. Donor must transfer, NEVER SELL, stock to receive tax benefits.
6. Trusts - Many types of trusts (ALWAYS CONSULT COUNSEL before discussing trusts, there are many varieties, and many things that you must get correctly for them to work).
 - a. Generally, donor invests money into trust and trust grows over time.
 - b. Living trusts and many other types of trusts are common.
 - c. Charitable Remainder Unitrusts are less common but provide unique tax benefits. There are limits to each of the variables discussed below.
 - i. Donor transfers assets to trust. The transfer to the trust and payments from the trust have capital gains and income tax advantages.
 - ii. Within limits, donors choose a percentage for the trust to payout each year.
 - iii. Donor (or who the donor designates) receives trust payments for life or for a term of years.
 - iv. After the trust "ends" the remainder goes to the charity or charities named by the donor in the trust.
 - d. A Charitable lead trust is like a remainder trust, but the charity receives payments during the life of the trust, and the remainder (generally) goes to the donor or the donor's family.

7. Pay on Death Gifts - Donors can designate anyone or any charity as the beneficiary of their checking, savings, investment, and other accounts.
 - a. When donor dies, the financial institution transfers the assets automatically.
 - b. Donor can complete this form (provided by the institution) in only a couple of minutes and can change it any time.
8. Charitable Gift Annuity
 - a. It is a contract, not insurance.
 - b. Only nonprofits can issue gift annuities.
 - c. Agreement is irrevocable.
 - d. Each state can regulate gift annuities.
 - e. Donor gives charity an asset (usually cash or stock).
 - i. Donor receives an income tax deduction for part of the funding amount.
 - ii. If the donor transfers stock (never selling) then the donor may also receive capitals gains benefits.
 - f. Payments potentially are partly income tax-free, capital gains, taxable income.
 - g. Gift annuities can be for one or two people.
 - i. Donor does not have to be a beneficiary.
 - h. Payment rates are based on the American Council on Gift Annuities and are as high as 9.7% for a 90-year-old (as of the date of this conference.)
 - i. One the donor signs the contract; the payment rate is fixed for life and never changes. The payments are based on the funding amount.
 - i. After the beneficiary (ies) die, the remainder is available for use by the charity.
9. Life Insurance is a common planned gift.
 - a. Ask people who no longer need life insurance, to donate it.
10. IRA Gifts are increasingly popular.
 - a. Laws on IRA donations have changed often recently. ALWAYS check with someone who is up on the latest IRA laws.
 - b. Donors can name your nonprofit as a beneficiary of the donor's IRA to be transferred when the donor dies.

- c. Donors aged 73 or older are required by law to distribute a certain amount from their IRA each year, according to a formula. This is called a Required Minimum Distribution (RMD).
 - i. Donors can satisfy their RMD each year, up to \$100,000 by transferring money from their IRA to a qualified charity.
 - ii. This only works for IRAs, not for other retirement accounts.
 - iii. Each spouse can take advantage of this if they have their own IRA.
 - iv. Recent law allows a donor to fund a gift annuity up to \$50,000 with IRA funds. Donor can only do this once in a lifetime.
 - 1. Payments from the gift annuity are taxed 100% as income.
 - v. When making a gift from an IRA to charity (Qualified Charitable Distribution) the donor does not receive an income tax deduction.

III - Practical Tips for You

1. Let your donors know you accept planned gifts, especially wills.
 - a. Get the word out.
 - b. Mention bequest giving in your emails and all marketing.
 - c. Mention planned giving on your website.
 - d. Planned giving should have a presence in annual fund mailings and at events.
2. Planned Giving donors think long term.
 - a. Think like them.
3. Develop and publicize your will language.
4. Develop a network of friends and advisors who can help you.
 - a. Feel free to contact me.
 - b. I can help you get started or find the right person to help you.
 - c. Software is also an important part of planned giving.
 - d. Ensure your database tracks planned giving.
 - e. Mention planned giving in board meetings.
5. Celebrate and publicize planned gifts and planned giving intentions.
6. Develop and update a "Planned Gift Intention" form.
7. Thank your planned giving donors and their families.
8. All board members should include your charity in their wills.

This handout is an introduction to planned giving and should not serve as a "how to," nor is it legal advice. Rather, it is designed to help the reader get started, and more importantly ask the right questions to the right people so you might excel and grow in planned giving.

9. Common planned giving clues from donors.
 - a. "My IRA is overfunded, and I am forced to take money from it."
 - b. "I want to make a difference."
 - c. "I pay too much money in taxes."
 - d. "CD rates are horrible."
 - e. "I wish I could do more."
 - f. "I want to make a difference."
 - g. "My investments aren't what they should be."
10. Try making a planned gift yourself.
11. NEVER GO ALONE. Develop a mentor network.

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