

CREATING A LEGACY: BUILDING A PLANNED GIVING PROGRAM FROM THE GROUND UP

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Introduction

by Kit Matthew

With the passing of the baby boomer generation comes the largest transfer of wealth in human history. That wealth, so much of it created in only the past 30 years, will go either to heirs, to carefully vetted beneficiaries, or to the government. Moreover, this is not going to be like the giving of Rockefeller, Carnegie, Ford, or, for that matter, any of the great benefactors of the early 1900s. In this new millennium, and in particular among today's entrepreneurial baby boomers, giving is more similar to investing than charitable support. Today's donors want to know the return on their charitable dollars. *Noblesse oblige* is a thing of the past. The "burden of giving back" no longer exists in a world where great entrepreneurs with great ideas create great wealth. The expectation among today's donors is that nonprofits with great ideas will attract charitable gifts...similar to investing in a business or an investment fund.

The unprecedented opportunity for charities, given this intergenerational transfer of wealth, is to encourage donors to consider planned gifts, not only because they enable donors to leave lasting legacies with revered organizations, but they can minimize tax burdens and optimize (not necessarily maximize) the benefits for both their designated heirs and the nonprofit organizations of their choice. Prospective donors are well aware of the challenges of distributing wealth to children or spouses in a way that makes their lives better instead of worse. The same balance needs to be achieved for charitable organizations. Planned giving officers can help by clearly defining the giving vehicles (charitable remainder trusts, designated endowments, bargain sales of property, etc.) that match both the entrepreneurial tendencies of the prospective donor and the needs of the nonprofit organization.

Introduction, continued

If this sounds a bit like family psychology or marriage counseling to you, you're not too far off. Just like a psychologist needs technical training, you need to know what treatments are available, as well as how and when to apply them. This book is loaded with examples of successful interventions and the details of the treatments (advantages of different types of giving vehicles, which types of marketing avenues to choose, etc.). The challenge for you is to apply these lessons to the prospective donors you meet and to the organizations you represent. Endowment funds, for example, do not make sense for many start-up organizations or for those racing to find a cure. Endowment funds also do not make sense for donors who believe we should spend money now to prevent bigger problems in the future. However, endowment funds are unmatched in their transformative power, as they are driven by compounding interest to generate ever-increasing benefits in the future.

So which is the best way? What advice do you give to your supporters? Guiding prospective donors toward making planned gifts is more matchmaking than selling, more listening than telling. This book will help you know what to listen for and how to create gifts that have lasting value for your prospective donors, your organization, and society as a whole.

CHAPTER 1

Planned Giving Up Close and Personal

by Lawrence Henze

Developing a comprehensive planned¹ giving program can be a complex undertaking. Complexity aside, it should still be one of your organization's goals. Fortunately, it is possible to attract significant gift support — monies that would not be given to you in any other form than a planned gift — with a simple bequest program. Extensive research has shown that the simplest forms of planned giving — annuities and bequests — are more about fiscally conservative lifestyles and organizational loyalty than wealth. Many donors in your annual fund program have the potential to become a planned giver. This means you have more control over the process than you think. Equipped with solid methods for prospect identification and the right marketing strategy, your organization can build a successful planned giving program today.

“golden age of philanthropy”

Americans will transfer at least \$41 trillion between 1998-2052,

¹ You'll notice that in this book, Katherine and I use the terms “planned,” “legacy,” and “deferred” interchangeably to describe the same kind of gift.

according to a study² by the Social Welfare Research Institute at Boston College. At least \$6 trillion of that funding will be bequests to charity, according to authors Paul Schervish and John Havens, who wrote that “a golden age of philanthropy is dawning.”

Many people believe that they must have an established and sophisticated planned giving program to tap into the wealth transfer. The truth: it's more important to have the commitment to make planned giving work for your organization. That begins with a belief that planned giving dollars are equally important as current funds to the vitality of your organization. That commitment, or “attitude” if you will, combined with a willingness to cultivate and thank planned giving prospects through your annual giving program, is more important than vast technical knowledge of complicated giving vehicles. Almost 95 percent of planned gifts are in the form of bequests and annuities, and conveniently, they are the easiest to understand.

about planned giving

Planned giving, once called deferred giving, refers to any charitable gift that requires more thought and planning to execute than the average donation. Planned giving has traditionally been defined as the gift that an individual makes near the end of his or her lifetime, but that is frequently contradicted by actual behavior. There are many kinds of planned gifts, from simple bequests in a will or an estate plan, to annuities, charitable remainder trusts, charitable lead trusts, pooled income, life insurance, and life estates.

Nonprofits often have trouble securing planned gifts. Why? The answer generally boils down to these basic factors: targeting the wrong prospects, beginning the cultivation process too late, treating planned giving as a secondary giving strategy,

² *Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy*, Paul G. Schervish and John J. Havens, Social Welfare Research Institute, Boston College, Boston, MA, October 1999.

sending confusing and technical appeals, and not initiating more personalized cultivation efforts.

Many charities assume that their major gift donors will be their best prospects for planned gifts. While it is true that most major gift donors are also planned giving prospects, the majority of planned giving prospects will never consider a major cash gift. These prospects are found among your organization's most loyal donors and constituents and are often ignored as significant prospects because of their past low-level of support. When solicitations are attempted, they are often broad-based planned giving mailings to older donors, telling them about a multitude of planned giving vehicles and asking them to contact the organization for more information. In my experience, returns on such requests for information often average less than one percent. Moreover, little – if any – personal follow up is done with the prospects who do not respond.

The historical lack of meaningful research on planned giving has done little to help nonprofits rethink their strategies. It is often difficult to get reliable, accurate information on planned giving donors, as between 70-90 percent of all bequests are unknown to the charity until after the donor's death. Add to this the fact that, for many groups, their small cadre of planned gift donors are trustees, board members and others with unusually close relationships to the charity, and much of what researchers thought they knew about planned giving prospects has proved to be wrong.

Faced with poor responses to their planned giving solicitations, many organizations have focused on soliciting only current funds rather than expending resources to seek future dollars. If you are doing this, however, you could be missing a major opportunity to strengthen the long-term viability of your organization and may possibly be leaving millions of dollars on the table.

what makes a planned gift donor?

More than anything, planned gift donors want to do something special for an organization that they care deeply about. They frequently have shown their long-term support through annual giving, membership, and volunteerism.

If you want to increase the planned giving potential of your organization, you should maintain your efforts to solicit planned gifts from your major donors while expanding your cultivation activities to your most loyal constituents.

Not every annual gift donor is alike, and different types of people are likely to gravitate toward different planned giving vehicles. The good news is that there are some income and lifestyle factors that can help you to distinguish your best bequest prospects from your charitable gift annuity or charitable remainder trust prospects:

- ◆ Older retirees on fixed incomes who still give to the charity, although the size of their annual donation may have plateaued or gone down, are likely to make a charitable bequest as they want to make a final gift to the organization they care about the most.
- ◆ Younger married couples in their 40s and 50s are also good charitable bequest prospects. They typically still have children at home, tend to have moderate to upper-moderate incomes, and are active consumers who use credit and get credit much more aggressively than older retirees. A bequest offers a popular alternative to a major gift that may be finalized without a major cash outlay during times when disposable income may be limited.
- ◆ Single females over age 65, many of whom have outlived spouses, are excellent prospects for charitable gift annuities. They tend to be living on fixed incomes and are worried about

their future income stream. Annuities appeal to them because they guarantee an income stream for the rest of their lives.

- ◆ Wealthier people between their mid-50s and age 70 are good charitable remainder trust prospects. They are typically fiscally aggressive, and their credit histories and lifestyles indicate that they are upscale and ostentatious. Some may in fact have made a major gift prior to establishing a trust.

Armed with these donor profiles, there are steps you can take to identify and target the planned giving prospects in your database.

using research to identify your best prospects

According to research on fundraising and philanthropy, each person in your database has an ultimate gift potential for your organization. For many, the ultimate gift potential may be \$0. Perhaps they are not charitably inclined — or an alumnus only gives to his graduate school, or a former patient paid a large bill and does not think of your hospital as a charitable entity. Other people in your database, however, may be loyal donors, giving pretty much the same amount year after year.

According to the concept of ultimate giving potential, there is a third category of people in your database: those who are likely to make a large donation. These are the people you should analyze most closely and with whom your organization should build relationships. They include three types of donors:

- ◆ those who will make a major gift (however defined by the organization);
- ◆ those who will make some form of planned gift; and
- ◆ those who will do both.

My experience shows that this last category is typically comprised of 10 to 15 percent of prospects at the top end of your donor list who know your charity the best.

Look at your donors' lifestyles and giving histories in order to identify your best planned giving prospects. It is important to avoid using misleading data. Most prospect screening vendors will steer you toward people who have reached a certain age and income level. While you might find some good major or planned gift prospects, this does little to identify the majority of those most likely to make a planned gift. Similarly, an intuitive model will look at those people in your database who have already made a planned gift — mostly trustees with a close affinity to your organization and other top donors — and assume that all your planned giving prospects will share similar characteristics. Yet the research on planned giving makes clear they do not.

As you look at your donors, their lifestyles and their giving histories in order to identify your best planned giving prospects, it is important to avoid using misleading data.

The good news is that individuals who make planned gifts, whether to a university, a hospital, a human rights group, or an art museum, tend to look very similar from organization to organization. This is where predictive modeling can help. Statistical models that incorporate planned giving behavior and apply historical giving patterns can help you analyze your database and create profiles of your annual donors by type of planned gift.

Although it is important to understand who your best bequest prospects are, or your best "trust" prospects, this knowledge does not instantly translate into fundraising success. You still need to solicit planned gifts for your organization. Here again, your profiles can help you to devise the best marketing approach for these different potential donors.

using marketing to reach out to your best prospects

Understanding how to ask for a donation is always critical, and research on planned giving offers useful guidance to steer the right message to the right person. Here are some tips to help you get started:

1. Keep your message simple.

When soliciting for a planned gift, simplicity is key. The most successful solicitations are clear, concise, and focus on only one type of planned gift at a time. Because we know that bequest prospects are different from annuities prospects, for example, there is no reason to send anyone information about both giving vehicles. And do not talk about a CRAT3 or a CRUT4 — eliminate the acronyms, technical language, and insider jargon in favor of plain English.

2. Make anniversary date solicitations.

The best time to ask someone for a donation is when he or she is most likely to make one. You should analyze your database to learn which donors faithfully give in a particular month or quarter. If you know when someone gives each year, then you can gear your solicitation to that time of year (and eliminate mailings they will never respond to and telephone calls that might annoy them). This will save you money even as you build more meaningful relationships with your donors. In addition, research shows that anniversary-date donors tend to be good planned giving prospects.

3. Adopt a segmented solicitation strategy.

No solicitation strategy will be effective if you do not ask the right way. Segmenting your database based on who responds to what type of solicitation (e.g. direct mail as opposed to telemarketing) will improve your response rates and save your organization money. Understanding who gives — and what solicitation different individuals

will respond to — also offers you another way to target potential donors. Research shows, for example, that people who respond to direct mail solicitations have historically been more likely than telemarketing-responsive people to be good planned giving prospects.

4. Cultivate relationships with annual donors.

Once you understand that your best planned giving prospects will come from the ranks of your annual givers, the next step is to build an ongoing relationship with these individuals. Ideally, officers and other top representatives of your nonprofit should reach out to consistent givers once they reach age 40 to cement their relationships with the organization. While the personal touch is time consuming, the long-term payoff can be substantial.

5. Encourage your annual fund staff to collaborate with your planned giving team.

Successfully securing planned gifts is all about building relationships with donors. Make sure the staff members managing your annual fund understand both the importance of promoting long-term relationships and how their work can help result in larger gifts to the organization over time. If a spot opens up on either team, make sure you place emphasis on hiring a good communicator. Technical expertise is abundantly available from financial planners and attorneys.

conclusion

Nonprofits are discovering that the right planned giving program can bring in significant donations and provide a future income stream for their organizations. A successful program depends on solid research, savvy marketing, and — most importantly — understanding the characteristics of a typical planned gift donor. Once your planned giving strategy is in place, your nonprofit will be poised to capture its share of the philanthropic donations up for grabs over the next half-century.

CHAPTER 2

Let's Get Started: You Already Know What You Need To Begin

by Katherine Swank

Is starting a planned giving program a priority item on your organization's strategic plan? Has it been on your plan for more than two years? What are you waiting for?

Taking the time to choose which kinds of planned gifts your organization should promote is a wise undertaking, because it ultimately gives your staff members more confidence when they ask constituents for those gifts. As we learned in chapter one, a simple bequest marketing program is the most common way to get started. Whether you believe it or not, you already know about 90 percent of what you need to begin immediately. Assessing your readiness will confirm your ability to compete for legacy gifts in today's charitable market and alert you to those areas in which you need to prepare before accepting your first gift. You might also be ready to promote other gift vehicles such as gifts of securities, real estate, or charitable gift annuities. Strong planned giving programs build over time, but if your organization is ready, there's no time like the present to begin.

simple gifts

Don't forget, bequests account for nearly 95 percent of all planned gifts in the United States, yet many charitable organizations don't let their constituents know that they'd like to receive these gifts. Some nonprofits are busy promoting other giving vehicles that are considered "sexier" but generate less annual revenue. Even worse, many organizations don't promote any planned gifts at all.

Bequests are a natural starting place for both donors and nonprofits. Donors like them because including a charitable gift in a will or a trust is as simple as signing a check. The concept is straightforward; the gift is easy to complete and can be revoked in the future if circumstances change, and it's a cost-effective method compared to some other planned gifts. Usually donors choose this method because they consider their estates to be modest in size and do not believe that they have the resources to make a significant gift such as a legacy gift at the end of their lives. If you're considering starting a planned gift marketing program, you'd be wise to begin with charitable bequests.

is a bequest program right for you?

Are you ready to let prospects know that you'd like to be included in their legacy giving? Take this Bequest Readiness Assessment to find out:

- Has your organization been operating for more than 10 years?
- Have the board of directors and/or trustees passed a resolution supporting a planned giving program and dedicated financial resources adequate to support the marketing effort?
- Do your gift acceptance policies establish the use or disposal of gifts of stock and securities, real property, and tangible personal property?
- Do you have a stock brokerage account in place?

- Does your annual fund/membership program have a consistent record of growth, both in the number of donors and number of gifts?
- Does your pool of prospects have a diverse age range and are your oldest prospects retired or approaching retirement?
- Do you communicate on a regular basis with your prospect constituency through written, phone, web, and face-to-face efforts?
- Have you been notified of at least one bequest gift to your organization within the past three years?
- Does your organization have a dedicated staff position that can calendar and follow-up with estate attorneys and personal representatives at least twice a year on the status of bequest gifts?
- Is your organization willing to undertake legal action to resolve a legacy gift, if necessary?

If you answered “yes” to at least seven of these questions, you are ready to start a bequest marketing program. You should put into place the remaining steps within the next six months. If you answered “yes” to four – six statements, you may be moving toward marketing bequest gifts to your prospects; you may need a stronger commitment from the board or you might want to work on sustaining your annual fund (and thus your pool of bequest prospects). If you answered “yes” to fewer than four statements, you may want to create or enhance your strategic plan so that your organization takes deliberate steps toward starting a bequest marketing program within three years.

a basic bequest marketing program will produce results

The most important element of a bequest marketing program is

not really the marketing — it's marketing to the right supporters. Although everyone associated with your organization has the capability of making a bequest, fewer than half of the population actually makes a will of any kind, and only 8 out of 100 make a charitable bequest.¹ Many people don't believe their estates are large enough to make legacy gifts because they plan on giving all of their assets to their families. Others simply are not inclined to do so. Knowing which prospects within your constituency are most likely to include your organization in their wills or trusts is the key to running a successful and efficient program.

Bequest marketing programs continue to provide the biggest “bang” for the marketing dollar among all types of fundraising programs. While the actual amount varies widely, the average charitable bequest in the United States is \$35,000², and many programs can boast a cost of 3 to 15 cents per dollar raised.³ Some organizations have grown planned gift programs that provide up to 50 percent of their annual revenues. Targeting the right message to the right prospects is the most effective way to approach these goals. Understanding the unique characteristics of your organization's target segments is key, as is knowing the most appropriate marketing mediums.

When asked, bequest donors say that an organization's published materials were the most frequent source of information about such gifts, followed by legal/financial advisors, family and friends, and through a visit from an organization's representative.⁴ They further cited mailed communications, advertisements in the organization's

¹ *Planned Giving in the United States: A Survey of Donors*, National Committee on Planned Giving, 2001.

² *Fundraising's Holy Grail: What Do We Really Know About Legacy Giving?* Mal Warwick, Mal Warwick Associates E-Newsletter, 2003 (www.malwarwick.com/learning-resources/enewsletters/nov03.html).

³ *Report on Giving FY 2002*, Association for Healthcare Philanthropy, 2002.

⁴ *Planned Giving in the United States 2000: A Survey of Donors*, National Committee on Planned Giving research report, 2000 (www.ncpg.org/resources/donor_survey.asp?section=5).

literature, and presentations as the most appropriate routes for the promotion of legacy giving.⁵

> For more information on cultivating your prospects, turn to page 23.

The second element to your program, and perhaps a more important component, is providing your target audience a variety of response mechanisms to alert you to their interest and action. In today's competitive resource environment, a legacy program can make its mark by recording and reporting both requests for information as well as future gift expectancies. The best way to do this is to include a call-to-action in every marketing piece. Check-off boxes, phone numbers, and website addresses are all appropriate methods — but only if you are able to identify the responder and capture enough contact information so that you can follow up. It does no good to count the number of web page hits if you can't communicate with individual constituents and eventually record their interests in making gifts and their future actions. The ability to obtain and report on these key contacts and expected gift amounts help to make the case for planned gift program expenditures.

Finally, a successful charitable bequest program must be appropriately staffed, and nonprofit leadership must be prepared to wait a minimum of three, but more likely five, years to begin to see financial revenues from the effort. But the wait is worth it. A recent study indicates that donors who have made a bequest commitment also make annual gifts at twice the average amount

⁵ *Determinants of U.S. Donor Behavior: The Case for Bequests*, Research Sponsored by the Association of Fundraising Professionals and Mal Warwick & Associates, Inc., Adrian Sargeant and Elaine Jay, 2004.

as donors without a bequest commitment.⁶ A well-administered program, one that has put procedures in place to follow and administer the legal process once a bequest gift has matured, will assure donors that their gifts will be handled appropriately. It is the organization's right and responsibility as the beneficiary of a donor's legacy gift to receive timely distribution of the funds and to use them as intended.

Most of the questions in the Bequest Readiness Assessment on pages 10 and 11 point to dedicating an adequate amount of staff time to accomplish the objectives and goals of a legacy program. A smaller number of tasks, but no less important, relate to timely administration and use of the gift. While having a full-time planned gift officer should be the ultimate goal for most organizations, many do not have the personnel or financial resources to begin with a dedicated position. Realistically, the most basic of bequest programs requires two full days (or 40 percent of job responsibilities) each week dedicated to donor visits, phone calls and other follow-up, continuous marketing efforts, and gift administration. Anything less and the program will not have enough critical activity to contribute any substantial or consistent revenue to mission funding.

Basic Elements of a Bequest Marketing Program:

- ◆ *Staff members with a minimum of 40% of their responsibilities dedicated to the program*
- ◆ *Outreach marketing pieces for targeted segments*
- ◆ *Donor management software system with field and reporting capabilities to track individual prospects*
- ◆ *Adequate resources for recognition and stewardship activities*

⁶ *Bequest Donors: Demographics and Motivations of Potential and Actual Donors*, The Center on Philanthropy at Indiana University, 2007.

gifts of stock and securities can increase your annual fund

With an eye on fiscal accounting, outright gifts of stocks, securities, and mutual fund shares may be credited to the annual fund or the major gift income lines — but is the donor being treated like an “average” donor? Look back at the last gift of stock your organization received. Was the gift larger than your average outright gift? Was the donor treated specially? Was he or she acknowledged in a way that reflected his or her thoughtful gift of an investment asset? Have you re-solicited him or her for an additional gift of the same kind, or did you send your regular “Dear donor” appeal?

People who make gifts of assets rather than of disposable income are a different breed. They are comfortable with their financial situation and enjoy sharing from their resource base. Typically, they give their gifts of securities to make a larger impact on the organization’s mission. Ultimately these donors have alerted you to their willingness to make a gift from their assets and may be some of your most likely future planned gift donors. By incorporating a stock gift marketing effort into your planned giving program, you will benefit not only your annual fund with a consistent level of higher-end gifts, but you will also be adding to your base of qualified planned gift prospects.

Basic Elements of a Securities Marketing Program:

- ◆ *Brokerage account to accept stock gifts*
- ◆ *The resources to set up mutual fund accounts as such gifts are offered*
- ◆ *Outreach marketing pieces for targeted segments*
- ◆ *Individualized acknowledgement and solicitation letters*
- ◆ *Donor management software system with field and reporting capabilities to securities gift information*

is real property really a good gift?

Like gifts of securities, outright gifts of real property may be destined for the annual fund or might be credited to a major gift program. Without regard to its fund accounting characterization, real estate, homes, and other real property gifts can be excellent gifts. Often, their current gift value is significant and they can usher the way for future gifts from a generous donor. However, real property gifts are not appropriate for every organization to consider. More often than most other planned and non-cash gifts, these are likely to expose an organization to financial risk and liability. Only the most sophisticated and financially secure organizations should promote real property gifts unless the donation of the property is a one-off gift and the donated building or land will be used for mission purposes. Most organizations that accept these gifts have strict gift acceptance policies in place that detail what is and is not acceptable. The transfer of ownership is completed only after a stringent process of due-diligence has occurred to make certain that exposure to liability for hazards, toxic waste, and other potential risks are limited.

> For more information on gift acceptance policies, turn to our bonus chapter on page 61.

Even gifts of time-shares have their pitfalls, and each organization must determine if accepting them is a fiscally responsible choice. Annual fees and special assessments go hand-in-hand with time-shares, and it's possible that the donor, while attempting to be generous, has been unable to sell it him or herself.

You are ready to accept gifts of real property, including time-shares, if you answer “yes” to all of the following items:

- ❑ Do your gift acceptance policies require written acceptance of all gifts of real property by the president (chief executive officer), the chief financial officer, or the board of directors/trustees, or its designated board committee — or a combination thereof?
- ❑ Do you have a dedicated staff member who is familiar with the risks and liabilities of real property and is capable of leading a due-diligent review of the gift prior to accepting — and can he or she do so in a timely manner?
- ❑ Do you have a relationship with a real estate broker who will zealously market the property?
- ❑ Are your financial reserves adequate to pay for insurance, taxes, maintenance fees, and other expenses of real property while it is in your possession?
- ❑ Is your organization willing to undertake legal action to resolve real estate issues or litigation if they arise?

gift annuity programs: small gifts have significant rewards

Charitable gift annuities, like gifts of securities, should be marketed to prospects who feel they have adequate financial resources and are willing to irrevocably give some of them for charitable causes. Different from an outright gift, however, a charitable gift annuity is a contract between a donor and a nonprofit organization that requires a minimum annual payout to the donor and/or donor's designee for his or her lifetime. State laws may also govern the marketing and acceptance of these gifts. So before starting a gift annuity program, due diligence must be conducted and a long-term administrative process must be in place.

Like bequest donors, annuitants' primary desires when making a

gift annuity are to support the organization.⁷ Like securities donors, gift annuitants often repeat their gifts. This makes them a most appealing and sensible secondary target of a growing planned giving program. Usually beginning at a gift level of as little as \$5,000 and for people at least 65 years of age, annuities allow the nonprofit staff to build a close and long-term relationship with these donors. Simply because of the contractual nature of the agreement, the donor is almost always involved with the organization and now wishes to become closer.

Marketing gift annuities to targeted audiences that meet your eligibility requirements uses your resources effectively. More than 85 percent of respondents to a national survey said that they found out about charitable gift annuities through one of several informational channels initiated by the organization, including written materials, a visit with a representative, and financial seminars.⁸

Along with bequest marketing, your annuity program usually returns a higher cost-per-dollar-raised than other planned giving vehicles. Annuities can contribute substantial future mission funding but can also create long-term donor loyalty and even increased current funding. A wise planned giving officer will establish a very personalized stewardship and re-solicitation program for annuitants. This could be as simple as including a handwritten note with a payment check or scheduling timely calls to annuitants to make certain that the payment has been received. A very effective development professional will actually create relationship-building opportunities, such as making an appointment to drop the check off and update the donor(s) on the organization's mission work. Every opportunity to interact with charitable gift annuitants moves the organization closer to additional giving opportunities with this critical group of constituents.

⁷⁻⁸ *Planned Giving in the United States 2000: A Survey of Donors*, National Committee on Planned Giving research report, 2000 (www.ncpg.org/resources/donor_survey.asp?section=5).

Charitable gift annuity programs coupled with bequest programs have the capability to grow donor relationships and organizational loyalty and enlarge giving opportunities like no two other planned giving vehicles do. Fully, one-quarter of gift annuitants have more than one annuity with the same organization, and eighteen percent of annuity donors have also included a legacy gift to an organization in their wills or living trusts. Of these bequests, more than half benefit the same charitable organizations as their gift annuity.⁹

You're ready to begin a charitable gift annuity program if you answer the following conditions affirmatively:

- Your board of directors is aware of state laws regarding the marketing and issuance of charitable gift annuities, your board meets any prerequisite conditions to establish and offer charitable gift annuities, and your organization has the ability and expertise to prepare and file annual gift annuity reports to the state governing authority.
- Your organization's gift acceptance policies state a minimum age and minimum/maximum gift level for the issuance of all gift annuities.
- Your gift acceptance policies also declare whether your organization will follow the suggested gift annuity rates as established from time to time by the American Council on Gift Annuities or whether it will issue different rates including the legal implications of doing so.
- Your board of directors has affirmed that your organization has liquid financial reserves that are more than adequate to back up and guarantee required payments to annuitants for their lifetimes.

⁹ *Planned Giving in the United States 2000: A Survey of Donors*, National Committee on Planned Giving research report, 2000 (www.ncpg.org/resources/donor_survey.asp?section=5).

- ❑ Your financial office and/or development office has the requisite expertise to accept and administer gift annuity contracts, or your organization plans to hire an external administration and management firm.
- ❑ Your development staff is capable of marketing charitable gift annuities, responding to inquires, and facilitating the completion of annuity contracts.
- ❑ Your organization has established a recognition and stewardship program that will thank and communicate with annuitants throughout their lifetimes.

do life income gifts have a place in your planned giving program?

Only 2 in every 100 people will establish a charitable trust in their lifetime, and many that do are under the age of 55.¹⁰ The numbers alone may dissuade many organizations from entering the life-income gift marketing arena — and well they should.

Remainder and lead trusts are most often used when donors have mortgaged or hard-to-convert assets or when donors want to exercise control over their investments by naming themselves as trustee. When looking at charitable trusts purely on potential, they are big and exciting. Most trusts begin with assets valued at well over \$250,000, and the eventual payout to charitable beneficiaries can be two or three times that amount. But in reality, few organizations are equipped to manage or trustee these gifts and even fewer are able to sit at the table when they are being created.

If you are fortunate enough to be notified that you are a charitable beneficiary of a charitable remainder unitrust or annuity trust or payment recipient of a charitable lead trust, you will want

⁷⁻⁸ *Planned Giving in the United States 2000: A Survey of Donors*, National Committee on Planned Giving research report, 2000 (www.ncpg.org/resources/donor_survey.asp?section=5).

to accept the donation with gratitude and use the opportunity to build a relationship with the donor or the surviving family members. If you are asked to become involved in the creation or management of one of these life-income vehicles, you should know that most wise nonprofits decline the invitation but seek other ways to help the donor in its creation and management with experienced financial and legal professionals. The colleagues at your local or statewide planned giving roundtable may be able to point you in the right direction.

resources for starting a planned giving program

Resources that describe and lead an organization through the steps of starting a planned giving program abound. You can find information and links to written sources through many of the professional fundraising organizations websites such as the National Committee on Planned Giving at www.ncpg.org. Professional fundraising firms and consultants can also be engaged. In reality, starting a planned giving program should be easy for organizations that assess their readiness and choose only those activities that are appropriate for their maturity, staffing configuration, and leadership commitment. Likewise, it can feel foreign and time-consuming for an organization that tries to take on too much too soon. Ultimately, planned gifts can become “life-blood” gifts for some organizations, and building a steady, consistent, and well-managed program is the key to success.

CHAPTER 3

Get Your Creative Juices Flowing: How Marketing Can Enhance Your Program

by Lawrence Henze

Many organizations, particularly small to medium-sized nonprofits, have the potential to raise as much or even more money through planned giving as through major giving. The absence of a planned giving program — or perhaps more importantly, a comprehensive ultimate giving operation — places extraordinary emphasis on current cash support to the detriment of deferred money. Only the right marketing strategy can promote the growth of planned giving and facilitate an integrated ultimate giving effort, allowing your organization to be truly donor-centric while you boost fundraising results.

we are still in the “golden age of philanthropy”

According to *Giving USA 2007*, charitable bequests totaled an estimated \$22.91 billion in 2006. As in recent years, these charitable bequests made up less than eight percent of the estimated total giving that year. But research shows that one in three individuals would be willing to consider having a charity named in his or her will.¹ These findings support the belief that organizations need to

¹ Report prepared at The Center on Philanthropy at Indiana University

focus on upgrading donor consideration into donor action, especially for planned gifts. What does this mean for you? Whether you are beginning a new program or hoping to invigorate an existing planned giving effort, you are far more likely to be successful if your planned giving program is fully integrated with your comprehensive development efforts and communication strategies.

Getting Started

If you are just beginning a planned giving marketing program or revitalizing an ongoing program, remember that it is very difficult to document success in the short term. Appropriate expectations need to be agreed upon from the start — planned giving success is a long-term investment, and everyone involved in evaluating the program must exercise patience!

why marketing/cultivation is so important

For decades, passive fundraising has marked the industry approach to planned giving. It seems that we are satisfied with a marketing and cultivation methodology that is separate from many of our related donor development activities, dependent on direct mail contacts with one-half to one percent response rates, and reactive to donor intention.

It is possible that our passivity is rooted in a mistaken belief that most planned gifts come from older wealthy donors who have already contributed significantly through cash gifts. Although some planned gift donors fit this description, most are hidden in your database. However, we now know how to uncover your best prospects for annuities, bequests, and charitable remainder trusts.

Armed with the knowledge of how to pinpoint our best planned

gift prospects by type of giving vehicle, as well as the paths these donors follow in their relationships with our organizations, we can consider an integrated cultivation process. The donor development life cycle begins when prospects enter our database with a comprehensive, proactive program that erases the misconception that planned giving marketing should be separated from other donor cultivation.

building the foundation for the right marketing strategies

Donor development, and the quest for the ultimate gift, begins when new individuals or prospects are added to the database. Whether your organization has natural constituencies — such as alumni, parents, or patients — or must draw from a wider, more diverse universe of individuals believing in your mission, starting the cultivation of a special relationship from the early stages of interaction offers your organization a great opportunity to achieve its ultimate funding potential.

Ultimate Giving

Simply put, ultimate giving is the quest to maximize individual gift support through a cultivation and solicitation plan that is truly donor-centered (focuses on the needs and interests of the individual donor). It starts with a comprehensive data mining/prospect research effort that identifies individual likelihood to give certain types of gifts. It is made possible when organizational barriers between prospect research, annual, major, and planned giving, donor relations, and stewardship disappear, allowing your organization to approach its true fundraising potential as you lower your administrative overhead.

Start the process today with an internal evaluation of all your development activities. Does your organization operate from a

“silo” approach, with little integration between annual, major, and planned giving? Or do you have a comprehensive plan that maximizes overlapping donor contact initiatives and reduces the solicitation impact on best prospects? If so, by reducing internal barriers and placing donors’ interests and needs front and center, you can raise more money.

Raising that “extra” money begins with the solicitation of the first gift. Did you know that annual donors or members who become habitual contributors to your organization form the groups with the highest likelihood of becoming planned gift donors? Furthermore, were you aware that contributors participating in your mission largely through ticketed special events are far less likely to reach their ultimate giving potential? However, season ticket subscribers, particularly at moderate pricing levels, may be among your best planned giving prospects. Interesting, isn’t it? However, like most gems uncovered through data mining, this information is most powerful when we understand the messages to be learned and take the next steps to ensure that we practice the most successful donor development techniques. The following are critical knowledge points and action items.

- ◆ Most planned gifts emanate from habitual annual donors. Loyal giving behavior frequently trumps gift size as a predictor of planned giving.
- ◆ In addition to annual giving, recurring behavior pertaining to memberships, volunteerism, and ticket buying also demonstrates loyalty linked to ultimate giving in the form of a planned gift.
- ◆ Loyal donors deserve special treatment, and that begins with the solicitation and renewal process. Whenever possible, reduce the number of “asks” targeting loyal donors and investigate anniversary date solicitations.

Anniversary Date Solicitations

Many loyal donors give at or about the same time every year. Although fundraising lore encourages us to solicit often, my research suggests that we actually energize ultimate giving behavior with a donor-centered approach. Try asking for renewal gifts at the same time loyal donors are likely to give (which, of course, varies by donor but is easily identifiable through simple data mining).

- ◆ Loyal donors include individuals who do not give every year. My research reveals that individuals giving at least 60 percent of the time ultimately behave similarly to “never miss” annual donors. Want to take action on this knowledge? Establish a “triggering event,” such as a minimum of three gifts in five years, to identify emerging planned giving prospects. Then focus your best, least intrusive, and most successful donor relations activities on these individuals to stimulate their ultimate giving potential.
- ◆ Recognize loyalty with the same vigor devoted to mega-gifts. Many loyal donors have significant ultimate giving potential, often through charitable bequests. Let them know your deep appreciation for their loyalty with recognition in your annual report, donor honor roll, and web-based recognition.
- ◆ Thank them, thank them, thank them! Break out of formulaic thinking and let your loyal donors know you really care. Yes, it is important for organizational leadership to thank donors, but always remember that most donors are mission-centered. Try having those who deliver or benefit from your services and mission participate in the thanking process. Who is better at documenting the benefits derived from an individual’s gift support?
- ◆ Regularly ask donors why they support your mission. Short surveys that concentrate on donor attitudes and preferences,

rather than provocative “wealth” inquiries, offer the opportunity for the sharing of insightful information that may strengthen the bond. Make sure you add survey results to the database and develop action items based on the insights gleaned from the responses.

- ◆ Never forget, for the majority of planned gift donors, the bequest or annuity is their major gift. They do not view themselves as capable of making large cash contributions. As such, they warrant special, personalized attention around their consideration of planned gifts. Conversely, almost all major donors are capable of making an additional planned gift. Although this form of the gift may not be as appealing to the donors who are accustomed to the excitement generally associated with large gifts of cash, do not forget to ask for a planned gift from major donors.
- ◆ Finally, always remember that the personal insights you gain from donor meetings and calls are often the best information you will get for directing future cultivation strategies. If we meet with more legitimate planned gift prospects, we will close more gifts. Remember, your best planned giving prospects are charitably inclined donors; if you are not meeting with them, another nonprofit probably is.

planned giving marketing strategies

The best planned giving marketing strategies will flow naturally from the foundation created in your annual giving cultivation, solicitation, and stewardship strategies. Building awareness among all staff on the importance of planned giving — and not just those with day-to-day responsibility for fundraising — will establish an environment focused on positive donor relations.

The vehicles for marketing planned giving likely exist within your organization already. With broadened awareness and a cooperative

spirit, these tools may be tweaked to promote planned giving cultivation with little or no additional cost.

- ◆ Planned giving marketing may start with something as simple as the back of your business card. Use the blank space to provide the correct legal language to designate your organization as a bequest recipient. For example:

I give (\$) (%) of my estate to the Lost in Space Foundation, P.O. Box 1727, Lafayette, CA 94549 to provide funding for the ongoing activities of the Foundation as determined by the board of trustees (or for the purpose of _____). Tax ID 00-0000000

Now all you have to do is meet some prospects and share your business card.

- ◆ Annual reports, newsletters, and magazines are most likely to be significant contributors to building awareness of your organization among your key constituencies and local/ regional/ national markets. They are ready-made vehicles for sharing information about planned giving with your best prospects. Personalized stories about planned giving donors — including all types and sizes — simply and effectively bring home the message to prospects through sharing living examples of people “just like them” who were able to make personally-significant planned gifts. Research indicates that many individuals refrain from making planned gifts because they do not believe themselves capable of doing so, or that the organization is not that interested in gifts of this size or type (see the mega-gift point discussed earlier). Warm and personal accounts of donor intentions and the psychological rewards they gain through doing something special for a mission they love paves the way for others to believe they may do the same.

- ◆ If you have done data mining, and you now know the best individuals most likely to make charitable bequests, gift annuities, or trusts, you may effectively target the annual reports and newsletters. For example, if you publish a story about Anna and her recent charitable gift annuity, boost the likelihood that your best annuity prospects read the story through a letter or call drawing their attention to Anna's personal account. It's that simple; it is proactive, and it is successful.
- ◆ Do you work for an organization in which the publisher of the annual reports, magazines, and newsletters believes that public relations efforts should be development-free? The real "publisher" is your mission(s), and the need to fund that mission should drive the contents of publications. Testimonials and donor stories are not solicitations; rather, they are cultivation and stewardship tools. These personal accounts of philanthropy have a home in your publications.
- ◆ Direct mail is another method for sharing the word on planned giving with your best prospects. However, if your direct mail message is passive in nature — one that will require the prospect to respond in order to receive more information — do not expect to generate a strong response and do not rely on direct mail marketing to be your program's main lead generator.
- ◆ The contents of the direct mail you send, as well as most other planned giving collateral materials, should be simple and to the point, free of technical language, and they should introduce only one or two giving concepts at most. You may have heard of the marketing concept, "Sell the sizzle and not the steak." Or another phrase from my native Wisconsin applies as well: "Nobody is really interested in how the sausage is made, but rather, it is how it tastes that counts!" The warm fuzzies of the benefits of giving will motivate people to act.
- ◆ The technical details of a charitable remainder unitrust will put them to sleep and therefore do not belong in marketing

materials unless you have concocted a subliminal messaging strategy!

- ◆ This means that you do not need to be an expert in the technical parameters of planned giving vehicles to write marketing materials. In fact, if you are a technical expert, your marketing materials may be inclined to include detail that does not translate well in marketing. So check the technical terms and acronyms at the door before creating your marketing materials. Here is a method that works:
 - Let’s create a charitable bequest brochure. Gather together or poll colleagues, volunteers, donors (yes!), and other fundraising professionals and ask them to create a list of any motivations or facts regarding bequests that come to mind. If you are starting a new program, read other organizations’ materials to uncover donor motivations you may have missed.
 - Compile the complete laundry list of ideas. Now separate the list into two columns: motivational concepts and technical details.
 - The motivational concepts are the outline of your direct marketing materials. Now flesh out this material using as few words as possible and complete your direct marketing materials.
 - Have people outside of the profession review the materials to see if the motivational factors resonate with them and ensure that no technical terms snuck into the materials.
- ◆ I am not a big advocate of “pay-as-you-go” special events, and I do not recommend them as cultivation tools for planned giving prospects. However, I love smaller, more intimate, and free events intended to share information about your mission as cultivation tools. Use your planned giving scores and rankings to determine where these events should be located and whom to invite. Have your development officers

attend, meet the prospects, and assign them to appropriate follow-up activities. Without specific post-event strategies, you create a great cultivation activity minus the final relationship-building actions. These events will rarely generate gifts if left unsupported by staff.

- ◆ Seminars remain a valuable tool if the audience selection is realistic. You may hope to attract the wealthiest prospects to these seminars, but these individuals are the least likely to attend, as they almost assuredly have retained their own financial planning and wealth management counsel. Use these seminars to provide a true service to very good prospects with less capacity but very high likelihood to give a bequest or annuity.
- ◆ Recruit a volunteer board of attorneys, financial planners, and bankers to staff seminar presentations. These volunteers not only offer expertise that you won't need to duplicate in your staffing, but also may provide added incentive for top prospects to attend a seminar. Try offering attendees a free 30-minute consultation with your volunteer board members. It will promote attendance, and it may create a stronger bond between these volunteers and your organization. In addition to personal rewards your volunteers experience through their commitment, your board members also get exposure for their expertise.
- ◆ If your organization has a strong local or regional presence, you may open seminars to community members. Take the opportunity to share specific instances of the positive impact your organization has on the community and the region. Community-minded individuals may be inclined to support your mission with gifts through their estate.
- ◆ Thanking is a year-round activity that opens doors for further planned giving cultivation. Essentially anyone with a vested interest in your mission can thank donors. Service providers and service recipients make great spokespeople.

- ◆ The popularity of electronic communication via the Internet and email offers additional opportunities to promote planned giving. Make a commitment to keeping your website current and place those great donor stories previously mentioned front and center on your site. Software tools that enable donors and prospects to create personal giving scenarios are also a great service to website visitors. Your website content should adhere to the same rules as direct mail: keep it simple and clean, and use the minimum number of words required to clearly state your case.
- ◆ Email opens another communication channel. It is important that your email content integrate into an overall communication strategy. Just because you now have one more contact point with prospective donors does not mean that you should or must contact them more. Take the time to ask and identify each donor's preferred communication vehicles, and adhere to them!
- ◆ In addition to your volunteer planned giving board, also cultivate relationships with financial planners and attorneys in your community. Occasionally a prospect's interaction with a professional advisor will open a door for your organization to be included in his or her charitable giving plans. This is a secondary level of marketing and should not replace any efforts to personally interact with your prospects.
- ◆ Personal cultivation of qualified planned giving prospects remains the most effective marketing strategy. Relationship-building may start through direct marketing materials, but personal meetings give direct insight into the interests of the donor, as well as opportunities to merge their interests with organizational needs.
- ◆ So you say you do not have enough time in the day to leave the office for prospect visits? Personal donor contacts and visits need to be a priority for your organization. If you do not know how to

fit them in, I suggest that you keep track of your time for a week or so to determine which activities comprise most of your daily activities. Look for tasks that may be eliminated or delegated. Take this information to your leadership and share with them the activities that have little bearing on fundraising success. Create buy-in regarding a shuffling of priorities, and then make daily and weekly commitments to interact with donors and prospects. If you are the chief development officer, demonstrate leadership through your own personal commitment to donor interaction. Do you really need all the internal meetings you schedule to talk about raising more money? Would it be more beneficial to use that time with your donors and prospects?

final thoughts on planned giving marketing strategies

Passive cultivation is the norm in planned giving marketing. The result of passive strategies is an industry standard of low expectations on direct mail response. Passive activities create an environment that leaves gift monies on the table and decreases the likelihood that prospects will come forward to share their gift intentions with you.

Resist the temptation to base most, if not all, of your planned giving program on direct marketing activities. Develop materials that work best with personal intervention or follow-up. For example, if you must have the beautiful four-color brochure that includes explanations of a laundry list of planned gift types, use it as a “leave behind” after you have met with a prospect. Simply used as a mailing piece, it is mostly ineffective, as it begs to be ignored (too much information) and suggests that your organization is not cost-conscious.

Direct marketing materials should be kept simple. Technical language should be removed from the contents. Appeal to

prospects' passions and interests, and create a motivation to act. Details of the gift transaction are best discussed face-to-face. Share one, perhaps two gift strategies per direct marketing piece. Too much information can be overwhelming and counter-productive. Focus your expertise on relationship-building rather than technical knowledge. After all, fundraising is personal.

Finally, determine your best prospects for planned giving through data mining. Commit to a plan that will encourage ongoing dialog with your best prospects. Ask about their passions and motivations and create relationships that enable them to realize these goals. Leave your office on a regular basis to meet and cultivate donors. Your success will exceed your hopes!

CHAPTER 4

Dating Your Donors: How To Start the Planned Giving Discussion

by Katherine Swank

Planned gifts have often been thought of as the private purview of credentialed development, legal, and financial professionals. With terms like “present value methodology,” “four-tier system of taxation,” and “current IRS-mandated discount rate,” it’s no wonder why many of us feel this way and hesitate to enter into discussions about planned gifts. Studies and talks with donors, however, remind us that the tax benefits of making planned gifts are not the primary reason they are made. Donors want to make a difference in the world they live in, both now and in the future. Successful planned giving programs start with simple messaging and evolve into life-long relationships with constituents. Start your planned giving program today by throwing out the law school admissions form on your desk and learn to talk with donors about their dreams and wishes for your organization!

you are your own example

A self-assessment of your own charitable giving behavior can offer the best lesson you’ll ever have on talking to donors about potential planned gifts. It’s likely that your own behavior mimics

others — so, what better way to learn about your donors than to learn about yourself? Answer “true” or “false” to the following statements to get an insight into your personal giving patterns:

- | | | |
|-------------|--------------|---|
| <i>True</i> | <i>False</i> | <i>I have made a charitable gift because a friend, family member, or colleague asked me to do so.</i> |
| <i>True</i> | <i>False</i> | <i>I have made a charitable gift in memory or in honor of another person or a pet.</i> |
| <i>True</i> | <i>False</i> | <i>I have made a donation of clothes, furniture, appliances, or other personal property.</i> |
| <i>True</i> | <i>False</i> | <i>I have made a donation to a charitable organization that was serving an urgent need in my community or somewhere else in the world.</i> |
| <i>True</i> | <i>False</i> | <i>I have made a series of weekly, monthly, or annual donations to a charitable organization, my religious institution, or a college or school I attended.</i> |
| <i>True</i> | <i>False</i> | <i>I care about the continuing work of one or more charitable organizations because my children, grandchildren, friends, or the community will benefit from its work in the future.</i> |
| <i>True</i> | <i>False</i> | <i>I have included a charitable organization in my estate plan because I want to make a larger gift than I can make today.</i> |

If you indicated that one or more of these situations is true, you’ve already made a charitable gift without regard to its tax advantages. If you’re among the 65 percent of Americans who do not itemize

deductions on your federal tax return¹, the tax-favorable benefits of these gifts are already moot. So why do development professionals continue to focus their deferred and non-cash gift marketing messages on financial benefits when people will make gifts with little or no regard to them?

The answer may be because it's what we assume they want to discuss. Yet, donors make bequests and other planned gifts because they have a desire to give back to society, to help others, or because of religious beliefs.² This isn't to say that tax benefits don't come into play at all — they do — but they are usually subsequent to the desire to make the gift. More often, financial benefits are considered when deciding which asset to use to fund the gift, rather than the other way around. There is a series of actions that should take place well before tax benefit discussions come into play.

focus your outreach efforts on your best planned giving prospects

No matter how large or small your database of donors is, you probably have limited time and resources to focus on planned giving prospects. Mining for legacy gift suspects can be very broad. Many of us have at one time or another populated our prospect lists with older women or couples who have made a series of small gifts. We may have even considered wealth ratings in the mix. While such an approach could be considered “targeted,” this wide-cast net does not take into account factors unique to your organization's supporters. Using analytics services, such as constituent modeling, is one way to more effectively identify and target your most likely constituent groups. Ideally, you will want to segment your prospects and market deferred gift concepts

¹ *The Share of Taxpayers Who Itemize Deductions Is Growing*, Urban Institute, Toder, Eric J. and Carol Rosenberg, February 15, 2007, <http://www.urban.org/publications/1001054.html>.

² *Bequest Donors: Demographics and Motivations of Potential and Actual Donors*, The Center on Philanthropy at Indiana University, Executive Summary, March 2007.

according to the gift type by which they are most likely to show interest. Blanket marketing and mixed gift messaging only serves to dilute your efforts.

As with all fundraising methods, targeted marketing is the key to using your financial and staff resources efficiently and effectively. For most organizations, time and money spent analyzing and focusing on best prospects will pay the investment back within a few months to just a few years. You have already learned how to identify your best planned giving prospects in chapter one.

start with simple gifts that donors understand

The planned giving role can fall to myriad staff positions, and in some organizations, it may have been assigned to a leadership volunteer. Whatever your training, basic planned gift concepts are easy to understand, and more often than not, you'll be talking to donors about making a bequest to your organization.³ Bequests are usually simple gifts. As you plan to market your bequest program to your constituents, also become familiar with your state's probate process. Part of gift stewardship to your donor and surviving family members is to follow the gift through probate to make certain that it is distributed in a timely manner, and as the donor would have wanted.

As your organization begins to look at promoting and accepting other gift vehicles, you will need to become familiar with the unique acceptance and stewardship aspects of them as well. You've already learned detailed information on determining the types of planned gifts appropriate for your organization in chapter two.

talking to donors about planned gifts is like going on a date

For more than 10 years, one of my most popular presentations to

³ More than 80% of all planned gifts are bequests made through a will or trust. *Planned Giving in the United States: A Survey of Donors*, National Committee on Planned Giving, 2001.

development officers and nonprofit leaders has been “Dating Your Donors.” It’s not a personal matching service, and it’s not about staff-to-donor dating policies. Rather, it compares talking with donors about planned gifts to asking someone for a date. In the United States, the dating ritual typically starts when two people find a common interest — in this case, that’s your mission. Building donor relationships that result in planned gifts can be an enjoyable series of events. There will be nervous moments, but in the end — like a relationship that starts with a first date and ends in a commitment — talking to donors about planned gifts can end with a very close, loyal, and satisfying relationship with your organization and the people who lead it. Let’s take a look at the steps.

“would you like to go to lunch?”

After you identify your prospect group or groups, it’s time to make the first move. Someone has to do it, and in this case, that’s you! First contact can take many forms; whether you approach a participant at an event, respond to a reply card seeking information about a specific gift type, or call to say “thank you” for a recent annual gift, your objective is clear: You want to ask the prospect for a personal visit. When someone accepts your invitation to talk about your organization, you have an important clue — he or she cares enough about your mission to want more information.

Wording a verbal invitation that suits your personal comfort level and style can take time to refine. Until you have developed your own, try these opening lines⁴ on for size and see if one of them fits. Always begin by introducing yourself and stating the full name of your organization:

⁴ Special thanks to my colleagues who contributed their expertise to this paper: Janet Doolin, J.D., Janet Doolin Consulting, LLC; Kristin Walker, National Multiple Sclerosis Society; Michael Donegan, Principal and Major Gifts, Central Region, Alzheimer’s Association; Lawrence C. Henze, J.D., Managing Director, Target Analytics, a Blackbaud Company; Cary Colwell, Consultant, Target Analytics, a Blackbaud Company; and Nancy Nichols, Consultant, Target Analytics, a Blackbaud Company.

"I'm calling to thank you for your recent gift. You've been a long-time supporter of our organization, and we're reaching out to people like you to ask your opinion of some of our future plans. I'd like to take the opportunity to say "thank you" in person and to fill you in on what's happening here. Would you be available to meet with me for lunch next week?" — The Author

"I am calling to introduce myself. My role here is to get to know our donors and personally thank them for their support of our work. You have been very generous to us and our work; I would like to have the opportunity to find out more about why you give and get your opinion on how we are doing in your eyes. Would it be possible for me to set up a time to meet with you for 30 minutes or so?" — Kristin Walker, National Multiple Sclerosis Society

New development officers may actually have an added advantage when securing an appointment because they can rely on the desire to meet and get to know the organization's supporters. Consider this example used by a colleague of mine if you are new to the field of planned giving or are new in your current position. You can use your new situation for a matter of months — even up to a year — if your prospect pool is a large one:

"I am new to the organization and to the area and hope to meet as many loyal donors as is possible in the next few weeks. The president has suggested that you would be a very important person for me to meet. I'm hopeful that you might have 30 minutes in the next 2 weeks to meet me for breakfast, lunch, or another convenient time." — Lawrence C. Henze, J.D., Managing Director; Target Analytics, a Blackbaud Company

Be prepared to offer several alternative meeting choices. Not everyone is comfortable enough to issue an invitation into their homes, and others will feel it too soon to be invited to your offices

unless you represent a unique facility of interest such as a garden or museum. Often a neutral setting, like a café, coffee shop, or casual restaurant, works well. Differing times of day should also be offered.

Regardless of how you approach it, your purpose should be known. Most constituents are keenly aware that your invitation will ultimately move toward a gift solicitation. You should be prepared to discuss your position responsibilities in a tone that is honest but not intimidating and to assure your guest that your current purpose is not to ask for a gift. Here is what a few colleagues have found useful to offer:

"I am not coming to ask you for a gift. I would like to introduce myself and learn about your association with us and update you on what is currently going on with the organization. I don't feel it would be proper to ask you for anything at this visit. I can assure you that I will keep my promise to you and not ask for nor accept any gift at this time." — Janet Doolin, J.D., Doolin Consulting, LLC

"During our meeting, I hope to learn more about your interests and the stories behind your loyal support. Although I will be thanking you for your giving, I do promise not to ask you for a gift, nor accept a gift if you wish to offer one at this time. I am most interested in learning the reasons behind your loyalty and the ways in which we may help you to enjoy a stronger relationship in the future. I would be most grateful for your time and assistance." — Lawrence C. Henze, J.D., Managing Director; Target Analytics, a Blackbaud Company

the first date

You're meeting your prospect for lunch. This "first date" is usually informal, and your objectives are to find out why your prospect is involved with your organization and to explore his interest in legacy

giving. While you might take along a general brochure, an event schedule, or a president's report, I suggest you leave it in your briefcase or purse and use it only if it's asked for. Think about a first date. Would your date feel comfortable if you handed him or her your resume or the full-length manuscript you've just written? More likely, he'd be delighted to hear about your accomplishments or get a brief outline of your yet-to-be-published murder mystery, but handing him the written piece, as if it was a foregone conclusion that he wanted it, might be considered pushy.

Instead, use a series of open-ended questions that keep the conversation going and on topic. At this point in the budding relationship, you accomplish more through give-and-take dialog than you do through a written case statement. Here are some questions that I and other development professionals have found useful:

- ◆ *"What first brought your attention to our organization?"*
- ◆ *"Do you mind if I ask, what is your connection to our mission?"*
- ◆ *"What have been your past experiences with the organization?"*
- ◆ *"Are you receiving any of our publications? Did you see the latest update? What article or story was most interesting or hopeful for you?"*
- ◆ *"How do you feel the organization is doing in terms of meeting its mission?"*
- ◆ *"What do you think we do best?"*
- ◆ *"Where do you think we could improve our services or programs?"*
- ◆ *"Are there any thoughts you'd like me to take back to share with our CEO/president/executive director?"*

- ♦ *“Is there any area within the organization where you could see yourself becoming more involved?”*

Take the opportunity before you part company to arrange a second meeting. Thank your guest for his or her time and ask directly to meet again. I haven't met a donor yet who told me everything there was to know in one meeting. An invitation to hear more of his or her opinions or to share recent developments about your programs or services will usually be accepted.

telling donors you want planned gifts

At your second meeting, don't let the opportunity get by you. Take the lead and consider the following greeting to set the agenda:

“Thank you for our last visit. I appreciate your willingness to meet again so we can continue our earlier conversation. Perhaps at this visit I can share with you ideas on how others have been able to make a significant impact on the programs/services that we've been discussing. Again, I don't want you to feel compelled to make any decisions at this meeting. Rather, I'd like to get your thoughts on our mission funding.” — Janet Doolin, J.D., Doolin Consulting LLC

The “date” is going well and lunch or coffee is coming to an end. You've learned a lot about your companion's interest in your organization and you've discussed some of the exciting plans for the near future. You've conveyed your sincere gratitude for the continued support the donor has made over the years, and it's time to introduce the topic of planned gifts. After all, the topic was the concluding objective of your visit. It's easier to approach the subject when it's a comfortable one for you; and, if you've already made your own legacy gift, you're an expert on the process! It's never been difficult for me to share the story of my legacy giving and to ask others to join me with their own thoughtful future

gift. If planned gifts are important to the organization, then your deferred gift is one of the most important and it should already be completed. Consider leaving a bequest in your will or trust, designating a 5 or 10 percent remainder of a life insurance policy or a retirement account for this purpose. When you are a planned gift donor, you are automatically an advocate for the gift method — not a just a solicitor. Here’s an example of how I might begin:

“I’m delighted to have this additional opportunity to discuss our organization with you. Meeting with people who are so connected to the mission is one of the best things that come with my position. I’ve found the mission so compelling and the programs so meaningful that a few years ago I made a planned gift because I wanted to make certain that my support continued into the future. Other people I’ve met have wanted to make sure that their support continues as well and have let us know that they’ve made legacy gifts too. Could I take a few minutes before we’re finished here and tell you, briefly, about our legacy giving program and how we plan to use these gifts?”

“i’d like you to meet my parents”

Often there are interim meetings when asking a prospect to consider a planned gift commitment. If the gift solicitation amount under consideration is small or modest, the development officer is most likely going to make the solicitation, and it can take place after one or just a few meetings. If the gift amount under consideration is large, there may be other staff members or organizational leaders involved in the cultivation, and perhaps in the solicitation itself. Be certain at the beginning of the cultivation relationship that you have considered the appropriate steps and key players who will move events toward a solicitation.

Like dating, you might introduce your new acquaintance to your mother if you happen to be at the same restaurant for lunch. But

you probably wouldn't take him or her home to meet the "folks" until you had at least a few serious dates behind you. Consider this approach, for example: If you learn in the first or subsequent meeting that the prospect had particularly strong interests in one or two areas, extend the invitation to visit your office or facility to meet an important spokesperson or persons for the areas of greatest interest to him or her. Prepare the spokesperson(s) to say "thank you" and to speak of the important roles played by current and planned gift donors in the ongoing work for the organization. Leave time after the others have left to talk about gift support possibilities. Take the opportunity to be reflective of the areas of interest expressed in your meetings.

Prepare for this eventual progression from meeting to cultivation and toward solicitation by considering your organizational answers to the questions below:

- ◆ At what prospective gift level will the prospect be issued an invitation to meet with a top executive?
- ◆ Is it appropriate to introduce the prospect to a client/member/constituent who has been served by the organization? If so, when?
- ◆ Will board members or trustees be involved in cultivation and solicitation of planned gift prospects? If yes, which specific board members or trustees?
- ◆ On average, how many visits with a prospect will be appropriate before a specific gift solicitation is presented?
- ◆ At what prospective gift level will a written gift proposal be presented to the prospect?
- ◆ How much time will you allow to elapse between the proposal and a proactive follow-up contact?

With a plan to move forward, timelines as guides, and key players and organizational leaders who are trained and prepared in their roles, your planned giving cultivation and solicitations should fall into place.

asking for a commitment

Let's face it — asking a donor to consider making a commitment to your organization can be uncomfortable. The possibility of rejection is why we hesitate. As in dating, however, asking a donor — by now an institutional friend — to make a legacy commitment should not be unexpected. He or she is ready to be asked!

Here, more than at any other stage in the relationship, your confidence must be apparent. Let's review how you have gotten to this point:

- ◆ You have targeted likely planned giving prospects with information about specific types of legacy gifts.
- ◆ Your prospect has responded favorably either to a written offer for information or to a verbal invitation discussing the topic.
- ◆ You have had a series of “dates” that have brought your prospect closer to the organization and you know from your discussions what mission components most interest him or her.
- ◆ You have told the story of your own planned gift and have described the various ways that the organization accepts legacy funding.
- ◆ You have shared information about the levels of funding that are needed to support his or her areas of interest.
- ◆ Where appropriate, you have introduced your prospect to organizational leadership and key players.

Your solicitation is just part of the ongoing conversation you've been having with your prospect. Although it is rare, you may

find that your first meeting is the right time to ask the question; conversely, you might find that a series of meetings are more appropriate. If you are asking someone to consider a very large planned gift commitment, you should treat the cultivation and solicitation as you would with a major donor, and your solicitation will most likely be formal and may include a written proposal. In most instances though, you will probably make a verbal request. Consider the following suggestions when asking your donor to make a planned gift:

- ◆ *“As you plan for future gifts, would you consider making a planned or legacy gift to us?”*
- ◆ *“In addition to your ongoing gift support of our mission, would you join me as a member of our Legacy Society by making a planned gift?”*
- ◆ *“Of the types of planned gifts that we’ve talked about, which one would you consider?”*

If the response is positive or tentative, be certain to set a reasonable follow-up date. Making a planned gift takes time, and day-to-day activities can begin to take precedence. So be persistent, and also be helpful! Be certain to address only the specific giving vehicle that you’ve settled on in your discussions.

- ◆ *“What assistance can I offer you?”*
- ◆ *“Do you have a financial or legal advisor I should forward information to on your behalf?”*
- ◆ *“Would examples of specific giving opportunities be useful?”*
- ◆ *“I have specific examples of language that might be helpful. May I share them with you?”*

when is it time to bring in professional help?

Congratulations! You have started and grown a relationship with a constituent that has resulted in an agreement to make a planned gift. More often than not, your assistance, written information, and sample language examples will be all that a donor needs to complete the gift. In my experience, most donors make a gift of cash from their estates using a will or trust instrument. Following that, other donors will complete a charitable gift annuity arrangement, usually with a gift of cash. Sometimes, though, a donor wants to use a non-cash asset or an asset that needs to be legally transferred to your organization through a third-party, such as real estate or mutual funds. If you are not well-versed in the administration and estate taxation benefits of choosing and accepting an appropriate asset, you will need help.

My first suggestion is to turn to the expertise of your board of directors or trustees, or to an expert volunteer. When you are organizing your planned gift program, you should recruit a few financial and legal experts who understand charitable gift taxation and estate planning and who are willing to answer donors' questions. Most people just need general instructions to complete the gift. Some will ask for educational information to help them decide between using one asset over another. Rarely, others will need more detailed consultation. In all of these instances, be certain to have a written disclaimer for your donor so that there is no misunderstanding that the information being provided by the organization or your volunteer is merely educational in nature. Your organization's representative is not an advisor to the donor, and the donor should understand this. You will always want to direct your prospect, in writing, to consult with a tax, legal, or financial advisor of his or her own choosing before completing the gift.

Another helpful resource may be found among your planned giving colleagues. Check to see if a local chapter of the National

Committee on Planned Giving⁵ or the Association of Fundraising Professionals⁶ or other professional fundraising association meets in your area. If it does, join it! Your professional associates should be able to direct you to educational opportunities to expand your own knowledge, as well as to other professionals in the area to assist you.

conclusion

Building life-long relationships with your organization's donors naturally supports a planned giving program. It's a fact that people who complete legacy gifts also support the ongoing needs of those organizations.⁷ A proactive planned giving program that reaches out to and asks constituents to make these gifts has the potential to become a significant part of annual revenue given time. Don't hesitate any longer: Make your own planned gift and share your story with donors. Within your first few visits, you'll find others who will delight in the opportunity to join you in legacy giving. And remember: Ask for that first date — the rest is easy!

⁵ View a list of local councils at www.ncpg.org.

⁶ View a list of local councils at www.afpnet.org.

⁷ *Planned Giving in the United States 2000: A Survey of Donors*, National Committee on Planned Giving research report, 2000 (www.ncpg.org/resources/donor_survey.asp?section=5).

CHAPTER 5

Planned Giving Vocabulary 101: 23 Terms You Should Know

by Katherine Swank

You've established a planned giving program and you're ready to make personal appointments with your top prospects, but you fear you're not yet fully confident in your knowledge. Don't panic! Most conversations about planned gifts don't start with technical questions; rather, they center on donors' wishes to have an impact on the organization's needs. When the time comes, you will be ready — this glossary of terms, which uses practical examples, will give you a basic working knowledge of key words common in ongoing planned gift conversations.

terms commonly used in the administration of a planned giving program

1. Planned Gift or Planned Giving: Once called **deferred giving**, “planned giving” or “planned gift” refers to any charitable gift that requires more thought and planning to execute than the average donation. Planned giving has traditionally been defined as the gift that an individual makes near the end of his or her lifetime. There are many kinds of planned gifts, including, but not limited

to: simple bequests in a will or an estate plan, charitable gift annuities, charitable remainder trusts, charitable lead trusts, and non-cash assets.

2. Bequest Intention or Planned Gift Intention: This is a donor's indication of his or her intent to leave a future gift. An intention is neither a legal nor binding commitment upon the donor's estate. Rather, it is a courtesy notification of the donor's desire to make a future gift. With the average bequest gift hovering at around \$35,000, many organizations treat these donors as they would a major donor and include them in a legacy recognition club. Because of the non-binding nature of the intention, however, it is most wise to provide benefits that are either of no cost or low cost, such as listing donors in acknowledgement publications, sending them special invitations or advance notices for organizational activities, or perhaps giving them a token thank-you gift.

3. Bequest Notification or Planned Gift Notification: This is an estate representative's official notification that a bequest or other estate gift has come to realization. If the gift is a percentage of an estate, a remainder gift, or a gift of personal property, it may not be possible to determine the value of the gift immediately. In this case, a gift expectancy value may be used.

4. Bequest Expectancy or Planned Gift Expectancy: This is a term commonly used within planned giving programs to unofficially report the value or approximate value of gifts to be received in the future. Some organizations use an expectancy value of \$1 for gifts until a more appropriate value can be determined. Other organizations choose to use an average gift expectancy value. This is often arrived at by using a 5 or 10 year rolling average of actual planned or bequest gifts received by the organization. Be careful not to inflate that value by including unusually large gifts. Because some planned gifts may not be received for months

or years from a complex estate or where an asset must first be sold, having an expectancy amount helps to provide a picture to organizational leadership and other staff members of the importance that bequest gifts have on future revenue.

5. Cost Per Dollar Raised: Usually presented in dollars and cents, the “cost per dollar raised” attempts to calculate the effectiveness of a fundraising effort or campaign. The cost-per-dollar-raised concept can be applied to a specific solicitation piece such as the *May 2008 Gift Annuity Solicitation Appeal*, or it can be applied to an entire campaign or program such as the *Bequest Marketing and Solicitation Effort*. There is no standard method between organizations, so costs per dollar raised can vary widely depending on what expense items are being included. Typically for planned giving solicitation efforts, costs are limited to the printing, mailing, and postage expenses that may or may not include mail house and data processing expenses. To assess the cost per dollar raised for a comprehensive planned giving program, staff salary and benefits, office expenses, outside vendor and legal/financial management, as well as other larger budgetary expenses, might be considered in the cost.

6. Return on Investment or “ROI”: This term is used by some organizations in place of the term “cost per dollar raised” and means essentially the same. In a more global setting however, ROI has non-monetary objectives such as public awareness of a product or new sales leads. In the financial world it means the ratio of money gained or lost on an investment relative to the amount of money invested.

legal and technical terms commonly used in estate planning

7. Charitable Bequest: This is a provision in a will, trust, or estate plan that allocates a gift to a designated charity. The most

common gifts to nonprofit beneficiaries are cash, securities, and real property including homes and personal property (things). Many wills and trusts are still written with quite formal language and might be similar to this example:

I give, bequeath, and devise the sum of fifty-thousand dollars (\$50,000) to St. Mark's Church, located at 123 Main Street., Middletown, Alabama.

The most common gift amounts are usually stated in one of the following ways:

- a) A **specific amount**, such as the example above.
- b) A **percentage amount**, such as “... Ten percent (10%) of my estate to St. Mark's Church ...”
- c) A **remainder amount** also called “residue,” such as “After all specific bequests have been paid, I give, bequeath, and devise the remainder of my estate, including real and personal property, to St. Mark's Church....”

8. Contingent Bequest: This is a provision in a will, trust, or estate plan that allocates a gift to a designated charity as an alternative to a higher priority bequest or condition to be met. Contingent bequests can also incorporate specific amounts, percentage amounts, or remainder amounts, such as the examples above, within them. For instance:

“In the event that (named individual) predeceases me, I give Marcus University Foundation, 2345 East Street, Centerville, Texas, 25 percent of the residue of my estate to be used wherever the needs and opportunities are greatest.”

9. Securities: Used for planned gift purposes, “securities” is a general term that includes the following: shares of corporate stock

or mutual funds, bonds issued by corporations or governmental agencies, stock options or other options, limited partnership units, and various other formal investment instruments that can be exchanged for money.

10. Non-Cash Asset: When related to an outright gift or a planned gift, this term usually refers to an asset such as securities, life insurance policies, CDs, retirement accounts, real property, and the like. Conversely, gifts of currency and checks, as well as gifts using credit cards, are considered **cash** or **cash-equivalent assets**.

11. Real Property: “Real property” is a general term that encompasses land, land improvements such as buildings and machinery sited on the land, as well as the various property rights associated with owning the land, buildings, and machinery. Real property that is mortgaged or otherwise is subject to another person’s preceding claim is known as **encumbered**. Charitable gifts of encumbered property have their own sets of challenges and tax consequences.

12. Personal Property or Tangible Personal Property: Think of this as *things that can be touched* or things that are tangible. Examples of gifts of tangible personal property to charities include book collections, art, and jewelry. It does not include however, cash or cash equivalents such as checking accounts.

13. Charitable Gift Annuity: This is an irrevocable transfer of property (e.g., cash, securities) in exchange for a contract to pay the donor or the donor’s designee an annuity for life. Depending on state law, payments could begin immediately or may be allowed to be deferred until a future date. Because the value of the property exceeds the value of the annuity, it is partially a gift to the institution. While most charitable gift annuity contracts are established between the donor and the organization to receive the

remainder gift amount, community foundations have been given permission from the IRS to issue such gift annuity contracts on behalf of other qualifying charitable organizations. Additionally, there are different types of charitable gift annuities, and not all states permit the use of each type.

- a) When all of the annuitants have passed away, the **residuum**, or remains of the initial gift plus any interest income, is distributed to the charity to be used according to the contract's directions. Usually, this is for general use by the charity but may be restricted by the donor for a particular use, such as student scholarships or biomedical research.
- b) A college **tuition annuity** allows a donor to create a single-life annuity that defers payments until a child or grandchild is expected to enter college. The child has the option of accepting the annuity payments for his or her lifetime or to receive much larger payments over a shorter period of time, usually four to five years.

14. Charitable Remainder Trust: This is an irrevocable trust that pays a specified annual amount to one or more people for a fixed period of years (often the life of the individual). At the end of the term of the trust, the remaining trust assets are distributed to the charity.

- a) A **charitable remainder annuity trust** provides a fixed payment as determined and stated in the trust document.
- b) A **charitable remainder unitrust** pays out a fixed percentage of the trust value each year as determined and stated in the trust document. The value of the unitrust is recalculated annually to determine the current payout.

15. Charitable Lead Trust: This is similar to a charitable remainder trust, except that the annual payments are given to a charitable organization and the principal reverts to the donor or

to his or her designated beneficiaries at the end of the trust term. If the principal reverts to the donor, he or she gets a charitable income tax deduction; if to another, that person gets a charitable gift tax deduction.

16. Income or Current Beneficiary: This is the person(s) or entity(ies) that receive(s) the current income or distributions from a trust according to its terms.

17. Remainder Beneficiary: This is the person(s) or entity(ies) that receive(s) the remaining assets from a trust when its controlling terms have been met or its term of years for existence has come to an end.

18. Life-Income Gifts: A generic term used to describe a variety of charitable gift vehicles that provide an income, usually for life, to a donor and/or his or her designated beneficiaries. Life income gifts include, among other things, charitable gift annuities, charitable remainder trusts, both unitrust and annuity trusts, and charitable lead trusts.

19. Split Interest Gifts: These gifts, usually involving property or business interests, start with the idea of making a partial gift of an asset to charity while still retaining a partial interest in it. Because the donor retains some portion of the assets or the income from the assets, the term “split interest gift” is derived. The “split” refers to the fact that ownership is now divided between the original owner and in our case, a charity. Splitting the interest creates a problem in determining the value of the portion given to charity (**gift portion**) and the value of the portion which was kept (**retained interest**).

20. Present Value: The value that a gift expected in the future would be worth today. A future gift of \$100,000 is not as valuable

as a gift of \$100,000 today due to factors such as inflation, currency fluctuations, and investment risk. Financial advisors may use the phrase **time value of money**, referring to the way the value of money changes over time. The present value of a gift of \$100,000 to be received five years from now, given a 5% discount, would have a present value of only \$78,352.62.

21. Fair Market Value: This is an estimate of what a willing buyer would pay to a willing seller, in a free market, for an asset or a piece of property.

22. Cost Basis: This term generally means the purchase price of an asset or property. An asset's value will change over time and can therefore appreciate or depreciate from its original cost basis. Its value at the time of gifting would be classified as **appreciated** if it was worth more than was paid for it. Conversely, it would have **depreciated** value if it was worth less than was originally paid.

23. Capital Gains: When investment (or capital) assets are held for longer than a year and then sold to another person or given to a charity, the gain or appreciation in the value of the asset is subject to government taxation on the gain (or profit). If the price of the asset has declined instead of appreciated, this is called a **capital loss**. Capital gains occur in both real assets, such as property, as well as financial assets, such as stocks or bonds.

BONUS CHAPTER

All Gifts Are Not Equal: Why You Need Gift Acceptance Policies

by Katherine Swank

Many nonprofit organizations don't believe their fundraising programs are sophisticated enough to require gift acceptance policies, especially those whose funding is primarily based on memberships, annual gifts, and special events. But it's only a matter of time before a donor offers you a remote desert property, a share in a race-horse, or another unexpected gift. A well-crafted policy can help you replace an awkward rejection with a structured discussion and eventual gift that is both meaningful to the donor and appropriate to further your mission.

all gifts are not equal!

Have you ever answered your office phone and received an offer of a donated timeshare? Has a well-meaning volunteer approached you with a new and exciting way to promote future gifts through a life insurance program? If not, let me assure you that it's only a matter of time until a scenario like this happens. And if it already has, you may have hesitated to commit an answer and then struggled over the consequences of rejecting or accepting it. All gifts are not equal in their financial value to your organization, nor

are they equal in value and impact from one nonprofit to the next. A gift acceptance policy that clearly sets forth your organizational position on non-cash and deferred gifts not only provides you a road map, but also removes the development team from the decision-making process and puts it squarely with the board of directors or trustees, where it belongs.

When first considering gift acceptance policies, you should start with an inventory of the types of gifts you currently accept, coupled with gifts that have already been offered but that you have turned down. Add to your list gifts that you are considering accepting in the future. With this in hand, you are ready to start the process of formulating your organization's gift acceptance policies.

policies allow staff to maintain consistency and standards

The most practical application of gift acceptance policies is that they provide development staff and volunteer leadership with a guide from which to solicit mission funds. Policies outline the types and forms of donations that will be readily accepted or may be accepted after further review. This allows financial and development staff to concentrate on the day-to-day process of accepting, recording, acknowledging, and stewarding commonly received gift assets routinely. Equally, policies direct staff to seek leadership approval for certain gifts or even direct staff to reject an offered gift outright. By default, they frame the organization's marketing efforts both to insiders and to general constituents.

what should the policies include?

There are many examples and templates of gift acceptance policies available for general use through consultants and the Internet. Every organization, however, needs policies that incorporate its specific requirements. Policies adopted by the local animal

shelter will vary from those of a child advocate program; a youth organization dedicated to teaching sailing may accept boats and boating equipment, while a public radio network may choose to reject such gifts. While a simple planned gift program's policies could be completed in less than 10 pages, every organization should consider the following sections.

- ◆ A statement on the organization's mission and purpose of the gift policies;
- ◆ Guidelines on when to use outside legal counsel;
- ◆ A list of the types of gifts that can be accepted on behalf of the organization by development staff and the types of gifts that require approval from the chief executive or chief financial officer;
- ◆ A description of the types of gift restrictions that are acceptable;
- ◆ A listing of the types of planned gift vehicles accepted;
- ◆ A description of the form of gifts accepted;
- ◆ A statement regarding the disposition of gifts accepted;
- ◆ A statement regarding the organization's role in gift administration;
- ◆ A statement regarding the responsible party for legal and professional fees to complete the gift;
- ◆ A statement of appropriate reporting, counting, and valuation of gifts on the nonprofit books;
- ◆ Regular review and changes to the policies.

policies drive your fundraising marketing efforts

Up-to-date and flexible gift policies provide development staff with a list of current and deferred gift types to market to appropriate donors. The exercise of creating and periodically reviewing the

policies also educates paid and volunteer leadership on acceptable gift forms and may provoke interest in one or more giving methods among this group of insiders and loyal supporters.

For example, a nonprofit board or development committee that sets about to understand and prepare to offer charitable gift annuities must look at several issues. These include whether to determine a minimum initial gift value and whether to set a minimum entry age for donors. This could also include choosing an outside management firm to handle the administration and legal reporting of the program and the decision to reinsure the contracts or not. The process by itself educates and cultivates the committee members on the giving vehicles and creates an inherent opportunity to qualify and solicit members to complete a charitable gift annuity contract.

The same is true for all deferred and non-cash gift subjects: If your policy does not allow the acceptance of gifts of real estate, naturally you will neither promote such gifts nor use examples of gifts that include the use of real estate in your marketing. The policies themselves prevent you from sending mixed messages to your donors.

Once your policies are written, you can begin to focus on promoting the gifts from which you expect to receive the highest return. Maximize your chances for success by identifying and target-marketing your most likely prospect segments. Predictive giving behavior modeling from a technology provider is one such solution.

use your gift acceptance policies to enhance donor relationships

Make your gift acceptance policies a conduit for your major and planned giving programs. If you accept bequests through wills and trusts, you will want to collect stories of both living and deceased

donors who have completed these gifts. If donors routinely give you gifts of stocks or securities, be sure that your annual fund solicitations reveal this fact. Don't assume that all of your donors want to make a gift using a check or a credit card. Non-cash gifts can be easy to accept and, generally, they are larger than cash-equivalent gifts. Frequently, a non-cash or deferred gift reflects a close bond that a donor feels with your organization. Pay attention! Your donor is raising his hand when he gives you a gift of stock. Your volunteer is indicating his or her intention to create a closer relationship when he or she mentions that he or she has left you a gift in his or her will.

Use these indicators to move a seemingly ordinary donor or volunteer into your pool of constituents who receive extraordinary attention. People who care enough to include you in their final plans alongside their loved ones or reach into their portfolio of long-term financial investments are special. Statistically speaking, they will become more consistent and larger annual donors, and their planned gifts may turn out to be ten times, a hundred times, or even several thousand times larger than their average annual gifts.

Additionally, these extra-special people create a very personal collection of real-life donor stories that provides you with ready-to-use examples for marketing materials, such as newsletter articles, pictorial advertisements for internal publications, and your website. Lists of donors who have completed planned gifts, both living and deceased, make a vivid statement that you accept deferred gifts, you are prepared to steward them correctly, and you appreciate them.

Remind your donors at every opportunity of the types of gifts that you accept. Start by informing and periodically reminding your leadership and staff. Expand your efforts by target-marketing specific gift ideas to your most likely constituents. Here is a short

list of ways to keep your policies current and relevant to your mission funding efforts, as well as to encourage your constituents to make such gifts:

- ◆ Publish your gift acceptance policies on your website and in your annual report;
- ◆ Recognize donors who have completed legacy gifts in your regular publications;
- ◆ Provide check-off boxes, a website address, and the name and contact information of the person who can provide information about planned gifts.

Make certain that your leadership and staff have the opportunity to hear about and consider planned gifts as well. After all, your closest, most active, and committed friends may well be the first to consider and complete a planned gift. To do this:

- ◆ Include your gift acceptance policies in your board of directors orientation materials.
- ◆ Make certain the review of the policies is on the board agenda at least annually.
- ◆ Include them in your staff orientation materials.
- ◆ Give staff members a copy of your donor stories and invite them to ask questions about making planned gifts.
- ◆ Highlight board and staff members who complete a gift, and make them part of your recognition society.
- ◆ Consider special recognition in your annual report for staff and leadership with planned gift commitments.

Also create a simple hand-out sheet that lists the different “ways to give” to your organization. Generally, such a marketing tool can be one page in length and gives a short description of the types and

forms of gifts you accept. Your gift acceptance policies provide you the list. This piece should be easy to read, and you should stay away from technical language, because remember, talking to donors about planned gifts is more like going on a date than it is like having a financial meeting.

conclusion

Gift acceptance policies provide a well-lit path upon which donors can find their way. Determining which non-cash and deferred gifts are most appropriate for your organization not only focuses your solicitations but hones your marketing resources toward those groups of prospects most likely to respond. Use the attached sample checklist to get started today!

non-cash gift inventory

Use this inventory to lead a discussion on your organization's desire to accept, administer, and dispose of the each of the following non-cash gift types:

gift type

Stocks and securities
Mutual fund shares
Distributions from commercial annuities
Real property (land and/or buildings)
Tangible personal property
Bequests
Charitable gift annuities
Bargain sales
Life income arrangements
Life insurance
Distributions from retirement plans
Oil, gas, and mineral interests
Timeshares and partial interests in real estate
Business interests
Closely held securities
Animals
Automobiles, boats, and other vehicles

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Lawrence Henze has extensive experience in fundraising, market research, and applying predictive modeling services to the nonprofit marketplace. The founder of Core Data Services, which Blackbaud acquired in 2001, he has also served as vice president of predictive modeling services at USA Group Noel-Levitz and president of The Philanthropic Division of Econometrics, Inc. Lawrence has 15 years of experience in development, raising more than \$125 million primarily for higher education institutions. He holds a bachelor's degree in political science from Carroll College in Wisconsin, a master's degree in public policy and administration, and a law degree from the University of Wisconsin at Madison.



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With more than 20 years of legal and nonprofit management experience, Katherine Swank has raised approximately \$215 million for national healthcare and public broadcasting organizations, as well as an independent law school. Prior to joining Target Analytics in May 2007, Katherine was the national director of gift planning at the National Multiple Sclerosis Society, where she provided fundraising consulting services to the Society's chapter leadership and development staff for six years. She is an affiliate faculty member of Regis University's master of nonprofit management degree program in Denver, teaching classroom and online courses on wealth and philanthropy. She holds an independent studies degree from the University of Northern Colorado and a law degree from the Drake University School of Law in Des Moines, Iowa.



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Kit Matthew has more than 15 years of nonprofit experience spanning fundraising, marketing, executive leadership, facility planning, and exhibit and program development in museums, conservation groups, cultural organizations, and science education and research. She has worked with a variety of nonprofit organizations, including The Nature Conservancy, New Mexico Museum of Natural History and Science, Chemical Heritage Foundation, Historic Charleston Foundation, Plimoth Plantation, Please Touch Museum, and the Wildlife Conservation Society. In addition, Kit served in product development roles at Unilever and Reebok, working with international product teams. She brings a range of experiences from the academic, corporate, and nonprofit worlds to her various assignments and volunteer work. Her educational background includes a PhD in biology from the University of Pennsylvania and an MBA from the University of Minnesota. She is active as an accreditation reviewer for the American Association of Museums, a peer reviewer for the National Science Foundation, and has served on boards for children's museums, a wildlife rehabilitation center, and a ballet company. She serves as a lecturer and thesis advisor at the University of the Arts MA Program in Museum Studies. She currently works in the Arts and Cultural Division at Blackbaud.

About Blackbaud and the Desktop Reference Series

Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 19,000 organizations use one or more of Blackbaud products and services for fundraising, constituent relationship management, financial management, direct marketing, school administration, ticketing, website management, prospect research, consulting, and analytics. Since 1981, Blackbaud's sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in Canada, the United Kingdom, and Australia. For more information, visit www.blackbaud.com.

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