



How to Market Planned Giving to Donors

Are you taking advantage of this remarkable resource?

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The '80s may have been the “me decade,” but as Baby Boomers reach retirement and the transfer of their wealth approaches, the future may hold the “we decade.”

Many hard workers have accumulated sizable wealth and now face the challenge of passing along their assets in a financially productive way. They're seeking solutions tailored to their financial situation and value system.

They are discovering planned giving.

Essentially, planned giving is the charitable portion of an overall estate plan. Donors decide how to disburse assets, and plans are structured so that donors and their beneficiaries both derive the greatest possible benefit.

Charitable organizations have a unique opportunity—a chance to extol the mutual benefits of planned giving to their existing donors and to recruit new contributors through a targeted marketing campaign.

The question is *How?* How can your organization tap this expanding resource? When a potential donor asks about the benefits of planned giving, what will be *your* response?

Will Power?

The classic example of planned giving is a legacy in a will (“I leave my favorite charity \$100”). Standing alone, a

will can be an inefficient document. Wading through notoriously slow and overburdened probate courts can be emotionally and financially taxing to a family coping with the loss of a loved one. For those who have built some wealth, taxes can take a large financial bite, with federal tax rates approaching 50%.

Although a well-crafted, legally sound will is a vital part of any estate plan, informed individuals don't rely on wills alone. They create trusts to accomplish their objectives.

Learning to Trust

Trusts are separate legal entities designed to manage and distribute funds. Trusts have several estate-planning advantages. When teamed with a properly drafted will, a trust can reduce or even eliminate taxes that would otherwise be payable. Unlike wills, the terms of a trust may be kept confidential. A trust often pays for itself when it avoids the costs of probating a will.

Several factors have driven the increasing importance of trusts as an estate-planning tool. With increases in average family wealth, more people find themselves meeting the threshold to pay estate taxes. Despite some modest legislative relief, estate taxes affect many people who don't consider themselves wealthy. Most commonly, couples create revocable

trusts that maximize the amount of assets that can be transferred tax-free.

As more and more people establish estate-planning trusts, the planned-giving component is also gaining recognition. Trusts provide a unique array of benefits to both donor and charity. Assets, which would otherwise be subject to extreme estate tax rates, pass completely tax-free to charities. For example, a trust might provide that “my trustee shall pay my favorite charity \$100.”

'Tis Better to Give

Estate taxes can be avoided when an estate plan gives to a charity at death. However, more comprehensive estate planning can increase the tax benefits associated with giving money to charities. This is an area where the tax law permits people to have their cake and eat it too. Arcane acronyms such as CRUTs and CRATs identify a breed of trusts which can be tailored to provide the following benefits:

- The donor obtains an immediate tax deduction.
- The donor receives a guaranteed yearly income from the donated assets.

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- Assets that would normally be taxable are removed from the donor's estate.
- The charity receives an irrevocable gift at the time of the donor's death.
- While some types of trusts operate most efficiently under high interest rates, there are numerous techniques involving charitable trusts that are designed to work best under low interest rates. A well-designed trust will provide the optimum return on a charitable investment in almost any economic context. Such an investment is completely immune to market forces, to the whims of the Federal Reserve, and to ever-changing political and legislative efforts.

Altruism—a Truism

Tax benefits and financial security aside, altruism is still the greatest motivation for charitable donations. Placing money in a charitable trust gives donors the pleasure of knowing that their contributions will be spent as they wish. The terms of any trust can set restrictions to assure that the donor's intent is followed.

The donor enjoys both philanthropic satisfaction and generous tax benefits. If the trust is designed to bestow a gift upon a donor's death, then the donor can decide whether or not to notify the charity of the future gift. If the gift is made known, the charity can plan how best to use the expected money.

Fringe Benefits

As attractive as planned giving can be to donors, it is equally desirable for nonprofit organizations. A commitment to planned giving helps nonprofits achieve those precious budgetary elements: *security* and *predictability*. Through planned giving, organizations can build endowments and plan for future expenses.

The promise of tax benefits, as well as a secure flow of interest, has not only made charitable trusts more popular, but

has increased the size and frequency of donations. Particularly in uncertain economic times, when the amounts of charitable gifts tend to sag, funds received from planned giving can be a lifesaver.

Market Value

So what can your organization do to market the benefits of charitable trusts? What concrete steps can you take to make donors aware of planned-giving benefits? Here are the key steps:

Create bonds with your donors.

One advantage of planned giving is that it almost always equates to long-term giving. Thus, you have plenty of time to build a relationship with the donor. Use this time wisely. Establish yourself as a quality organization and a responsible handler of donated funds. The traditional measure of administrative costs vs. dollars

received/spent is an important indicator of an organization's efficiency and fiscal integrity. Be prepared to divulge this ratio upon the donor's request. Keep administrative costs low and net charity spending high. Responsible donors may also ask to see documentation of recent tax returns as well as several years of annual reports. The more documentation you provide, the more you will cement donors' trust. Ultimately, this trust leads to larger donations.

Convey a consistent message to your staff, board, donors, and potential donors. A steady, grounded nonprofit with a strong sense of identity inspires giving and instills confidence in your employees and contributors. Everything—from newspaper articles to newsletters—reflects on your organization. Consistency translates to security. A secure, professional organization will

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CREATIVE FUNDRAISING IDEAS

Invite Sponsors to a Preview Party

To thank sponsors of your special event, invite them to a preview party before the event. Special touches for preview party attendees might include: valet (or preferred) parking; distinctive name tags; a corsage or boutonniere; champagne; and public introduction at the main event.

Consider a Basket Instead of a Fee

Instead of charging a fee for your event, leave a basket out for donations. A basket often raises more money than a fee. See “Special Events Galore!”, published monthly for \$79 per year by Stevenson, Inc., www.stevensoninc.com.

Try an Evening Walk-a-thon

Making your walk-a-thon an evening event might add the twist needed to boost attendance and involvement. More than 1,200 people participate in Boulder County’s AIDS Project’s Midsummer Night’s 5K walk, held from 5:00 to 10:00 p.m. each summer in Boulder, Colorado. Booths and bands along the route enliven the event.

stand out of the pack as an attractive charitable option. If people know they can depend on your communications, they’ll listen when you tell them about planned giving and trust what you have to say.

Make planned giving an organizational priority. Reinforce the importance of planned giving whenever you have a chance. All levels of your organization need to be “on board” and fully engaged in making planned giving a top priority. From board members and the executive director on down, planned giving should be emphasized, recognized, and maximized.

Establishing a planned-giving committee is an effective way to keep your organization dedicated to planned giving. A committee can provide structure and oversight, maintaining overall focus and improving strategic coordination.

Pursue an aggressive marketing campaign. Don’t limit your pursuit of new donors to any one group of people. Personal contacts are tremendous assets—use them. Although it’s unreasonable

to expect every contact to develop into an eventual donation, a network of friends and associates will help spread your message and establish valuable relationships.

Existing donors are an oft-overlooked source of funding. Never take charitable relationships for granted. Rather than treating existing donors as “sure things” whose names come up once a year on a mailing list, cultivate an expanded relationship with them. Don’t forget, they’ve already proven their willingness to support your cause. They’re perfect candidates to approach about planned giving.

Planning for the Future

Planned giving offers many rewards for both the donor and the charity. For donors, the financial benefits, coupled with the support of an important cause, make planned giving a valuable part of a larger estate plan. For charitable organizations, planned giving can help with financial planning, strategic development, and marketing to new donors,

ensuring a reliable and sustainable source of future funding.

The concept is simple. The benefits are many. It’s our job as nonprofit organizations to reinforce this message and encourage our contributors to learn more about this mutually beneficial option. ■

Resources

Behan, Donald F., “Planned Giving with Gift Annuities,” *Nonprofit World*, Vol. 14, No. 2.

Clough, Leonard G., “Why Planned Giving?,” *Nonprofit World*, Vol. 12, No. 2.

Lang, John, “Put the Government on a Tax Diet with a CRT,” *Nonprofit World*, Vol. 14, No. 6.

Remley, Dirk, “Relationship Marketing: Guaranteeing the Future,” *Nonprofit World*, Vol. 14, No. 5.

These resources are available from the Society’s Resource Center, www.snpo.org.

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