Don't Let Planned-Giving Myths Damage Your Future

Misconceptions about planned giving keep many leaders from reaping huge rewards.

By Susann Montgomery-Clark

Imagine it's the end of your fiscal year, and you're worried you won't make budget. Then you get a letter informing you that your organization is the recipient of a $500,000 bequest from a donor who just died. This one gift makes it possible to meet your entire budget for the year.

This scenario happened at the community hospital in which I served as planned giving director. Such experiences occur more often than you may think.

It's common for nonprofit staff to neglect their planned giving program because they think they'll never see the benefits during their tenure. That's just one misconception that keeps nonprofits from realizing the benefits of planned giving. This article summarizes six other myths about planned giving that can get in the way of tremendous rewards for your organization.

1. Planned giving takes too long.

We had called on the donor mentioned above just four years earlier about giving a planned gift. Four years is about the length of a capital campaign pledge. Yet the general misconception about planned gifts is that they're realized many years in the future. Some gifts do take a while to come to fruition. But others may pay dividends much sooner than you expect.

2. It's best to focus on the money we need today.

Remember the adage: The best time to plant an oak tree was 20 years ago. The planned giving programs which bring in the most cash are generally the oldest and come from donors who were called on years ago. Those gifts which were considered "expectancies" (expected in the future) have now been realized in the form of cash. Planned gifts that have been realized can help stabilize the years in which the economy takes a toll on your annual giving. Imagine if your nonprofit had started a planned giving program 20 years ago, and was now realizing cash gifts averaging a few million dollars each year.

3. Planned giving is only to build endowment.

Most nonprofits do use planned gifts to help build an endowment, but that's by no means the only thing you can do with such gifts. Some nonprofits use the proceeds from planned gifts to fund current operating expenses and the cost of programs. Some donors will want to perpetuate their favorite programs with planned gifts made through their will. Those gifts can be used today.

> "It only takes a few planned gifts to equal hundreds of annual gifts."

Before starting a planned giving program, the board decides how the funds will be spent when they come in. Some use a portion for endowment with another percentage spent on annual operating expenses. Each nonprofit is different. (And all nonprofits must honor the intent of the donor. If a donor wants to fund a particular program, the nonprofit is bound by that.)

4. Planned giving is just for the rich.

The donor who left us $500,000 wasn't considered "rich." The largest donation she gave us during her lifetime was less than $1,000. She was never on our prospect list for a major gift. When she passed away, she left donations to four other charities besides ours. These donations were as large as (or larger than) the one she left us.

If you focus only on donors with wealthy lifestyles, you may lose your best planned giving prospects. In *The Millionaire Next Door,* Thomas J. Stanley & William D. Danko note that many high-net-worth individuals drive old cars, wear old clothes, and live in old (completely paid for) homes. They have little debt because they've been frugal most of their lives. Their potential for providing planned gifts is enormous.

Few donors make transformational gifts during their lifetime. A transformational gift is one that's large enough to transform an organization to a higher level of service. Because most people fear outliving their resources, they're more comfortable leaving such gifts in their will, when they know they'll no longer need the money. For these donors, a planned gift can provide a solution to many of their wealth transfer issues.

5. Planned giving is too complicated.

Yes, it can be complex. That's because many planned givers are strategic donors. Due to specific tax-saving strategies, they usually give with a well-defined strategy for how their gift will be used and which of their assets will fund it. That's where the complexity comes in.

But the most common planned gift is a simple bequest through the donor's will. You don't need any esoteric tax knowledge to ask someone to include your organization in their will. And that's a good, simple way to start getting involved in planned giving.

If, later on, donors want advice on tax strategies, and your nonprofit doesn't have dedicated planned giving staff, that's the time to collaborate with the donor's CPA or attorney and an outside planned giving consultant for advice. Planned giving can be outsourced very efficiently.

6. It costs too much to do planned giving.

A planned giving program is an investment in your organization's future. It usually results in a greater return on investment than any other development effort — far more than your return on special

> One gift can help you meet your entire budget for the year.

events or annual giving efforts. If you have a choice of spending a dollar to raise a dollar, or spending a dollar to raise 20 dollars, which is the wiser choice?

As fundraisers, we must all participate in annual or acquisition mailings because that's what brings donors in the door. Such fundraising efforts build bonds of loyalty and trust with donors and bring in many contributions.

But those donations, while vital, are small — especially when you compare them to planned-giving results. Even major and capital gifts, while larger than acquisition gifts, don't compare to the large dollar amounts available through planned giving.

The average direct-mail gift at our hospital foundation was around \$45. But the average bequest through a donor's will was \$77,000. It only takes a few planned gifts to equal hundreds of annual gifts.

In your personal life, you wouldn't think of living off every penny with no plan for the future and no savings for emergencies. And yet too many nonprofits suffer from the Scarlett O'Hara syndrome: "I'll think about that tomorrow!"

Your most loyal donors, who give \$100 each year during life, will leave tens of thousands after life through a bequest. Those donors will want to perpetuate their giving because they love your organization and want the mission to survive long term. To them, you're like family.

You know you're doing the right thing when a donor completes a planned gift and says, "Thank you for showing me how to do this." You know you've helped them achieve their dreams for leaving a lasting legacy.

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Planning to Give

Many resources are available to help you put the planned-giving puzzle together. Begin with these articles at www.NonprofitWorld.org/members:

Is Planned Giving Right for You? (Vol. 22, No. 5)

Insure Your Fundraising Future (Vol. 13, No. 2)

How to Market Planned Giving to Donors (Vol. 22, No. 6)

Tax Reporting for Gifts of Annuities (Vol. 23, No. 6)

Planned Giving Tips for Every Organization (Vol. 23, No. 6)

A Revolutionary Fundraising Opportunity: Life Settlements (Vol. 23, No. 1)

Planned Giving with Gift Annuities (Vol. 14, No. 2)

How to Obtain More Bequests (Vol. 23, No. 2)

look who's reading *Nonprofit World*

Roxann Mayros, President & CEO
VisionServe Alliance

> **The articles are perfect bites of knowledge for busy leaders.**

Roxann Mayros gained extensive knowledge in blindness and vision rehabilitation through leading several vision rehabilitation centers before joining VisionServe Alliance as its president and CEO. VisionServe is a consortium of 501(c)3 nonprofit executives throughout the country that provide services to people with vision loss.

Roxann says: I started reading ***NONPROFIT WORLD*** in 2005, about the same time that I took on the leadership of VisionServe Alliance, a membership organization of CEOs and executive directors who lead nonprofits providing services to people who are blind or visually impaired. In recent years, we have seen more of our member leaders come into this "nonprofit world" without experience in leading nonprofits. Knowing this, I found myself sharing articles from ***NONPROFIT WORLD*** with leaders new to nonprofits. It made me think about how valuable I found all of the articles in ***NONPROFIT WORLD***, not only because of the knowledge they impart, but because they are short yet meaty and poignant — perfect bites of knowledge for busy leaders.

I knew that our members would appreciate the opportunity to spend a moment, instead of an hour, reading and contemplating these knowledge nuggets just as I do, especially "Five Things To Do Next Monday" and the boxes following each article that refer to additional resources.

That's why, in 2007, VisionServe Alliance began providing to each of its members a subscription to ***NONPROFIT WORLD*** as a member benefit. I know, for a fact, that ***NONPROFIT WORLD*** is read, re-read, resourced, passed on, and greatly appreciated by our members from throughout the United States.