SEAL COVE FINANCIAL
Strategies for the Institutional Investment Management Community

Basics of Planned Giving Programs

Philanthropic Giving to non-profit organizations is essential to their financial success. Custom programs can and should be developed for each organization to encompass the entire spectrum of giving. Non-profits who have successfully developed an annual giving program can have future success if they add longer term gifting programs for their donors. Donors need gift planning strategies for their legacy to be most fully developed. Non-profit organizations (NPOs) can provide their donors with solutions for gifting opportunities that can alleviate the 'involuntary philanthropy' to Uncle Sam in terms of estate taxes. Setting up that solution set requires the development of an overall Gift Planning Strategy.

Gift Planning, the new, more proactive term now preferred over Planned Giving, is the practice of providing donors with a variety of gifting methods and tools so that the donor's personal, financial and philanthropic needs and desires can be met. Loyal annual donors can become big lifetime givers. By developing a comprehensive Gift Planning strategy, a NPO can become the beneficiary of almost any sort of gift, such as cash gifts that can provide a current tax deduction, a trust that provides current income to the donor with the assets going to the NPO after death, or a larger, long term gift as a part of an overall estate and legacy plan.

In order to convince the donor that the NPO is worthy of receiving a long-term lifetime gift, it must demonstrate its effectiveness in addressing its mission. The visibility of the charity's work, the level of public awareness, and the community out-reach program must all be part of the overall communication and PR strategy. Identifying the benefits of giving (you can impact future generations) rather than features (your insurance pays us when you die) will keep the donor focused on the mission and vision of the non-profit. This strategy will encourage the donor's confidence that the charity will be good stewards of the gift. An organization must prove that it is worthy, has the staying power, and is big enough and important enough to receive a lasting memorial.

A strong annual giving program is essential to creating an effective gift planning program. Current gifts in an annual giving program generally come from the donor's current disposable income to support ongoing operational needs of the NPO. Planned gifts come from the donor's entire accumulated asset base. Getting a donor to permanently transfer assets away from their control and their family takes time and trust. The NPO's board and staff must recognize that a strategic gift planning program will take many years to yield significant results (between 7-10 years) but can enhance the long-term financial survivability of the charity. A Gift Planning strategy starts with building an educational program for all the board members and staff. They need to be on-board with the development of the program and its goals. A variety of communication methods to donors should be used: newsletters, postcards, emails, direct letters, and invitations to particular events. In developing a Gift Planning Strategy, the NPO must also develop gift acceptance policies (what you will and will not accept as gifts), a gift solicitation policy (the code of ethics or conduct by which gifts will be solicited) and a policy on what types of gift opportunities the non-profit will sponsor (charitable remainder trusts, annuities, etc.)

Gift planning strategies can progress in stages. The first phase is straightforward and easy to implement alongside the annual giving strategy: the Bequest and Beneficiary Designation. Educational efforts through marketing and public relations can inform and invite donors to make a gift through their wills as bequests and through designating the NPO as a beneficiary of an insurance policy or retirement account. Gifts of appreciated securities or real estate can fall into this first stage as well.

The second stage in developing a Gift Planning Strategy requires a more advanced understanding of gift planning options. There is a higher degree of complexity in the different vehicles used in Gift Planning: life insurance, annuities, lead trusts, charitable remainder trusts, etc. Estate attorneys, financial planners, and accountants must be part of the NPO's resource base to help donors accomplish their gifting goals. Community foundations can be a strong resource for NPOs to develop and offer Gift Planning options.

Working with a planned gift provider platform (check with your current banking relationship, investment consultant or community foundation), the NPO can establish different vehicles for donors to consider. Choosing the right one or several depends on the resources of the board and early indications from donors. The options can include the following choices and strategies among others *:

The Strategy	The Goal	The Benefit
Create a charitable gift annuity or charitable remainder annuity trust or unitrust	Donors retain income benefits from the assets they give – thus affording a larger gift	Donors receive income for their lifetime, as well as a charitable deduction
Establish a deferred gift annuity	Donors can reduce high tax liability now, gain additional income later	Donors receive a larger deduction and a higher income rate than other life-income gifts offer
Create a charitable lead trust which supports programs for a fixed, finite period with the principal going to donor's heirs	Donors reduce gift and estate taxes and control the timing of passing assets to donor's children and grandchildren	Donors reduce gift and estate taxes and freeze the taxable value of growing assets before they pass to donor's family
*source: American Red Cross website		

A current opportunity: Changes in the Pension Protection Act of 2006 provided a short lived opportunity to donate $100,000 annually from a traditional or Roth IRA as a gift to a charity, with 2009 being the last year available. This is a last opportunity for a donor to gift appreciated assets from an IRA which would otherwise be taxed at a very high rate upon death. The donation should be made in this calendar year to qualify.

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