



Helping Nonprofits Build Long Term  
Financial Security Since 1963

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# ***HOW TO CRIPPLE YOUR CAREER IN FIVE EASY STEPS***

Presented at  
Suburban Chicago  
Planned Giving Council  
May 17, 2011

by  
Robert F. Sharpe, Jr.



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## INTRODUCTION

- It Is Important To Know What To Do
- It Can Be Just As Important to Know What NOT to Do
- Successful Strategies Are Often Unique To Organization
- Stumbling Blocks Tend To Be More Universal

## STEP 1

- Fail To Understand Essential Nature of “Planned Gifts”

## IS PLANNED GIVING A "PROFIT CENTER?"

- Is Goal To Produce Income?
  - Bequests
  - Gift Annuity Residuum
  - Remainders of Charitable Trusts
  - Life Estate Terminations
  - Other

## OR IS PLANNED GIVING A "COST CENTER?"

- Is It A Program Funded To Help Others?
  - Facilitating Stock and Property Gifts
  - Structuring Bargain Sales
  - Working On Gifts Of Life Insurance or Retirement Plan Gifts
  - Supporting Creation of Lead Trusts
- These Gifts Are Often "Reported" Elsewhere

## ARE PLANNED GIVING “PROGRAMS” BOTH

- Planned Giving Is Essentially A Process

# GIVE TAKE

A MONTHLY NEWSLETTER FOR DEVELOPMENT OFFICERS OF CHARITABLE INSTITUTIONS

VOLUME 4 NO. 10

AUGUST 1972

A donor usually considers a **current** gift to your institution as a cash outlay **now**.

**To make a deferred gift, a person decides to give at some future date, either a number of years from now or at death. A deferred gift is a present decision to make a future gift, evidenced by a legal contract.**

While the name, deferred giving, is the best known to professionals in the field, it is not a term that communicates very much to the average prospect. Therefore, we suggest the term “planned giving.” When a person makes a **planned** gift, it suggests forethought.

Now, let’s see how some methods of planned giving become current giving:



March 1988 Volume 20 No. 4

# Give & Take

*News and Ideas for Development Executives of Nonprofit Institutions*

*March 1988*

## **An Integrated Concept for Financial Development**

By Robert F. Sharpe, Jr.,

We define a planned gift as “any thoughtful gift of any amount, given for any purpose—operations, capital expansion, or endowment—whether current or deferred, which requires the assistance of a knowledgeable staff person, a qualified volunteer, or the donor’s advisor(s) to complete. In addition, it includes any gifts of such magnitude as to be carefully considered in light of estate and financial plans.”

## ARE PLANNED GIVING “PROGRAMS” BOTH

- Planned Giving Is Essentially A Process
- Which Comes First?
  - The Gift?
  - The Plan?
- Which Comes First?
  - The Charity?
  - The Advisor?

## HOW TO SUCCEED

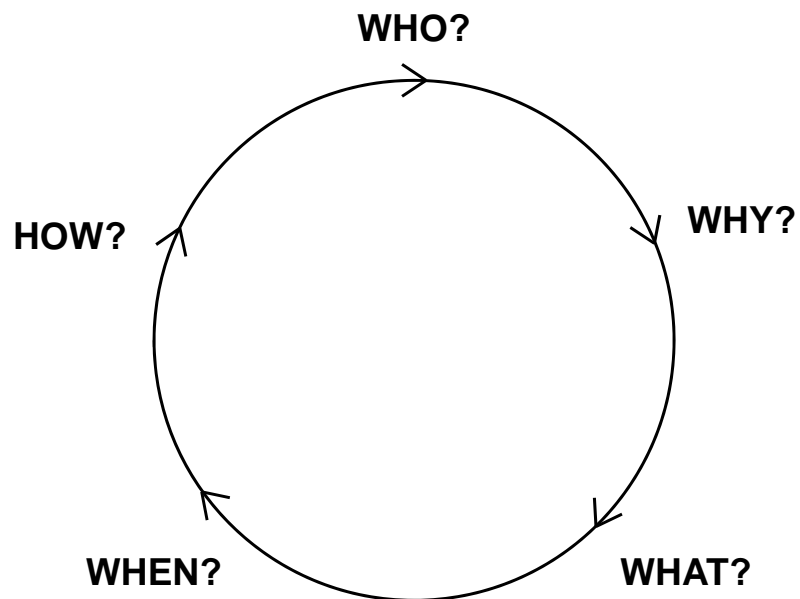
- Approach Planned Giving As The Process it Is
- Sometimes You Begin With A Gift
- Sometimes You Begin With A Plan

## ANATOMY OF A GIFT

- **WHO** Makes It?
- **WHY** Do They Make It?

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- **WHAT** Will Be Given?
- **WHEN** Is It Given?
- **HOW** Is The Gift Structured?



## STEP 2

- Fail To Understand Donor Motivations

## BEGIN WITH BEQUESTS

- Greatest Source of Traditional Planned Gift Income
- Consider The Tangible Benefits
  - No Income Tax Deduction
  - No Additional Income For Donor
  - No Estate Tax Savings for Over 99%
  - No Recognition For 80% Or More
- What Is There To Sell?

## AVOID OVEREMPHASIS ON RECOGNITION

- The Most Successful Programs Know About 25% of Bequests In Advance
- Some As Few As 10%
- Be Careful Not To Over-Market Recognition Societies
  - Not Enough “Quid” for the “Quo”

## AVOID ASKING FOR “TMI”

- Be Careful in Asking For Proof
- Can Be A Major Mistake

We invite you to join other friends who have let us know they have named [ ] in their wills. Let us thank you by welcoming you into the [ ] Society. Follow these three easy steps:

- Check the box below to indicate that you have made a bequest to [ ]
- Fill in the estimated amount of the bequest and sign the card where indicated.
- Mail the card back to us in the envelope provided.

I have already included [ ] in my will.

Amount: \_\_\_\_\_

Signature: \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City/State \_\_\_\_\_

Phone \_\_\_\_\_

E-mail address \_\_\_\_\_

## AVOID ASKING FOR "TMI"

- Be Careful in Asking For Proof
- Can Be A Major Mistake
- Campaign Setting Can Be An Exception
  - Some Gifts Are Transactions
  - Some Gifts Are Not

## AVOID OVEREMPHASIS ON INCOME RECEIVED

- Commercial Annuity Rates Are Much Higher
- Income Tax Savings Don't Close the Gap
- Emphasize That There is a Gift With RETAINED Income, Not A Gift IN EXCHANGE FOR Income

### Lock in a guaranteed monthly income — for life.

The AARP Lifetime Income Plan with Cash Refund offers you something you don't get with many other financial options ... that is, predictability.

When you purchase this fixed immediate annuity from New York Life Insurance and Annuity Corporation, you lock in a fixed monthly income — for the rest of your life.

AARP members\* can count on this dependable income to help with living expenses or other recurring bills. You can purchase this group annuity with a lump sum of money from your savings, a CD, mutual fund, or IRA. And here's what you get in return:

■ **Guaranteed Monthly Income — For Life**  
This annuity lets you turn part of your savings into a lifelong monthly income stream. Choose a single life plan and income will be paid to you only. Choose a joint life plan and payments will continue to be made to your spouse if you pass away.

■ **Your Money Won't Be Lost If You Pass Away Prematurely**  
With our cash refund feature, if you die before your payments equal your annuity purchase price, your beneficiary will be paid the difference.

Issue Age	65	75	85
Current Payout Rate**	6.6%	8.0%	10.2%

\*\* Payout rate is the percentage of purchase price paid out each year and includes both interest and return of principal. Rates are based on a \$100,000 annuity purchase for a male effective on 1/16/11 and may vary by state.

■ **Backed By An Industry Leader**  
You can purchase this annuity with confidence. It's backed by the financial strength and stability of New York Life Insurance and Annuity Corporation, a wholly owned subsidiary of New York Life Insurance Company.

**Retired or soon to be?**  
**Send for FREE Information.**  
Return the attached card or call New York Life at  
**1-800-309-6808**  
8 a.m. to 6 p.m. (Eastern Time)  
Monday through Friday, or 9 a.m. to 5 p.m. Saturday  
lifetimeincome.nylaarp.com/359

**AARP** Lifetime Income Program 

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**AARP** | Lifetime Income Program SM | **NEW YORK LIFE**

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Issue Age      65    75    85

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Lifetime Income Program SM

### REQUEST FREE INFORMATION — Without Obligation

For free information by mail — including a personalized lifetime income quote — simply complete and mail this form or call New York Life at 1-800-309-6808.

**Tell us how much money you might like to use to purchase an annuity, and we'll tell you how much guaranteed monthly income you could receive for life. Annuities can be purchased for any amount of \$10,000 or more.†**

\$ \_\_\_\_\_    \$ \_\_\_\_\_    \$ \_\_\_\_\_  
*(List up to three amounts.)*

Money used to purchase an annuity will be locked into a contract. Therefore, we recommend using no more than 50% of your retirement assets (excluding your home) and keeping at least \$20,000 on hand for emergencies.

†For residents of CA, ME, NV and SD, the minimum purchase amount is \$25,000.

Mr. \_\_\_\_\_  
 Mrs. \_\_\_\_\_  
 Ms. \_\_\_\_\_  
 (Please print) First Name      Last Name

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**If interested in a Joint Life plan:**

Spouse's First Name      Last Name \_\_\_\_\_

Spouse's Birthdate (month/day/year) \_\_\_\_\_

Male     Female

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Mr. _____ Mrs. _____ Ms. _____ (Please print) First Name Last Name _____ Address _____ City State Zip	If interested in a Joint Life plan: _____ Spouse's First Name Last Name _____ Spouse's Birthdate (month/day/year) <input type="checkbox"/> Male <input type="checkbox"/> Female
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### COMPARISON OF CHARITABLE GIFT ANNUITY RATES TO COMMERCIAL GIFT ANNUITY WITH INSTALLMENT REFUND

Age	ACGA 2011 Rates	AARP Standard Annuity	Rate Difference	Percent Different
65	5.3	6.6	1.3	19.7%
75	6.5	8	1.5	18.8%
85	8.4	10.2	1.8	17.6%

**COMPARISON OF RATES  
AFTER TAX SAVINGS COMPUTED**

Donor Age	Annuity Amount	ACGA Rate	Payment Amount	Tax Deduction	Donor Tax Rate	Tax Savings	After-Tax Cost	After Tax Yield	AARP Payment	Percent Difference
85	\$ 10,000	8.40%	\$ 840	\$ 5,446	28%	\$ 1,525	\$ 8,475	9.9%	10.2%	2.9%
75	\$ 10,000	6.50%	\$ 650	\$ 4,162	28%	\$ 1,165	\$ 8,835	7.4%	8%	8.7%
65	\$ 10,000	5.30%	\$ 530	\$ 3,063	28%	\$ 858	\$ 9,142	5.8%	6.6%	13.8%

**COMPARISON OF CHARITABLE GIFT  
ANNUITY RATES TO COMMERCIAL GIFT  
ANNUITY WITH INSTALLMENT REFUND**

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75	6.5	8	1.5	18.8%	8.7%
85	8.4	10.2	1.8	17.6%	2.9%

## AVOID OVEREMPHASIS ON TAX BENEFITS

- Tax Deductions Only Reduce The Cost of Gifts
- There is No “Free Lunch”
- Many Donors Can’t Use Income Tax Benefits
  - The Wealthiest, Most Generous Donors
  - The Oldest Donors

## FACTS ABOUT CARRYFORWARDS

- Over 439,000 Taxpayers Used Carryforwards in 2008
- Total Amounted To Over \$26 Billion
- More Than Bequests in 2008
- Interesting To Consider Age Distribution of Those Affected

**Age Of Taxpayers Who Carry Forward  
Charitable Deductions**

18 under 26	6,775	\$21,029	0%
26 under 35	38,443	\$208,947	1%
35 under 45	75,887	\$633,759	2%
45 under 55	98,208	\$2,365,688	9%
55 under 65	98,751	\$2,613,334	10%
<b>65 and over</b>	<b>121,162</b>	<b>\$20,523,693</b>	<b>78%</b>
<b>All returns</b>	<b>439,233</b>	<b>\$26,366,506,000</b>	<b>100%</b>

*Source: Internal Revenue Service*

## TAX BENEFITS MAY BE REDUCED IN FUTURE

- **Proposals To Limit Deductions To Benefits of 28% Bracket**
  - Amounts To Excise Tax On Gifts
  - Would Increase Cost of Giving
- **Scheduled Return of “Pease Amendment”**
  - Reduces Benefits of All Deductions
  - Increases Cost of Giving For Higher Income (Over About \$170K)

## HOW TO SUCCEED

- Understand The What, When and How
- But Don't Ignore The Who  
The Why

## HOW TO SUCCEED

- Learn Why The Donor Wants To Make A Gift
- Then Discover What is Stopping The Donor
- Help Find The Right Solution
- Not The Same As Overcoming Objections
- The Goal is Not To "Sell," It Is To Facilitate Desires

## HOW TO SUCCEED

- Understand Different Types of Fundraising

## SPECULATIVE

- Annual Funds
- Direct Mail
- Membership
- Some Events

## TRANSACTIONAL

- Capital Campaigns Targeting Non Donors
- Events (Dinner With Warren)
- Other Gifts That Feature Benefits Such As Parking, Seating, Etc.

## RELATIONSHIP BASED

- Donor Focused
- Institutionally Based
- Can Encompass Annual, Capital, and Planned Gifts

## HOW TO SUCCEED

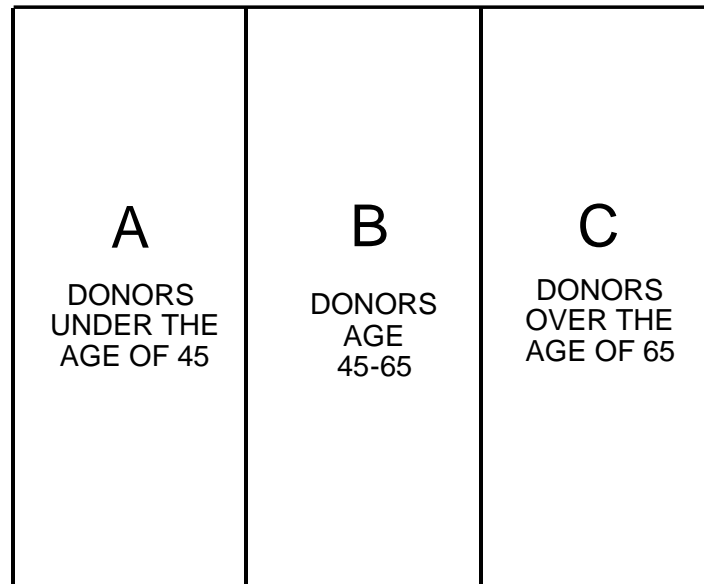
- Treat Donors Like Family
- Help Them Accomplish Goals
- Use Tax Incentives and Other Financial Benefits To Maximize Gifts
- Avoid “Transactional” Planned Gifts Where Possible

## STEP 3

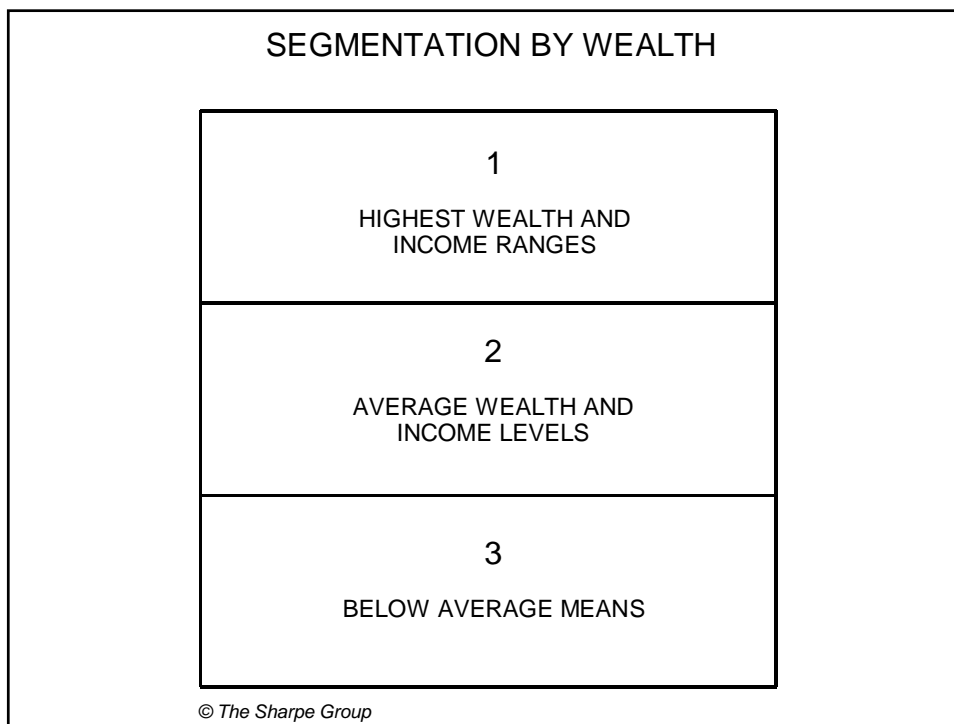
- Don't Know Your Market

## DON'T HAVE BASIC DATA

- Don't Know Ages
- Don't Have Sufficient Gift History
- Don't Know Income And Wealth Level



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	YOUNGER	MIDDLE-AGED	OLDER
WEALTHY	A1	B1	C1
MODERATE MEANS	A2	B2	C2
LIMITED MEANS	A3	B3	C3

© The Sharpe Group

## DON'T UNDERSTAND INTERPLAY OF AGE AND WEALTH

- Age More Important For Some Gifts
- Wealth More Important For Others
- Some Involve Both
  - IRA Rollover
  - Testamentary CRT

	YOUNGER	MIDDLE-AGED	OLDER
WEALTHY	A1	B1	C1
MODERATE MEANS	A2	B2	C2
LIMITED MEANS	A3	B3	C3

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## AGE-BASED GIFTS

- Bequests and Other Testamentary Gifts
- Gift Annuities
- Other

## WEALTH-BASED GIFTS

- Gifts of Securities And Other Non-Cash Property
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Life Estate Gifts
- Interest Free Loans

## MISMATCH MARKETING

- Common Cause of Failure
- Time is Wasted
- Resources Are Wasted
- Inappropriate Gifts Can Result

## IGNORE OLDEST DONORS

- Their Minds Are Made Up
- Once You Are In The Will You Will Stay There
- Some Donors Are Just “Too Old”

February 7, 2010

### The Philanthropy 50: A Slow Year for Big Gifts Spurs Creativity by Wealthy Donors



Enlarge Photo

By Maria Di Mento and Caroline Preston

Editor's Note: You can gain access the full Philanthropy 50 database, donor profiles, and more, on our Philanthropy 50 page.

In purely financial terms, last year was a dismal one for megagifts. The donors on the Philanthropy 50, *The Chronicle's* annual list of the most-generous people in America, gave a total of \$4.1-billion to charity in 2009, less than in all but one year since the newspaper

began tracking the biggest philanthropists in 2000. The median gift was \$41.4-million, meaning that half of those on the list gave more and half gave less. That figure compared with \$69.3-million in 2008 and \$74.7-million in 2007.

#### Age of Top 50 Donors in 2009

100+	1	2%	2%
90-99	9	17%	19%
80-89	7	13%	32%
70-79	12	23%	55%
60-69	14	26%	81%
50-59	5	9%	91%
40-49	5	9%	100%

Source: *Chronicle of Philanthropy* 2-7-2010

Average Age of Living Donors = 76

**Age of Bequest Donors At Death**

Donor 1	100
Donor 2	99
Donor 3	97
Donor 4	97
Donor 5	97
Donor 6	95
Donor 7	94
Donor 8	93
Donor 9	92
Donor 10	85
Donor 11	62

Average Age of Bequest Donors At Death = 92



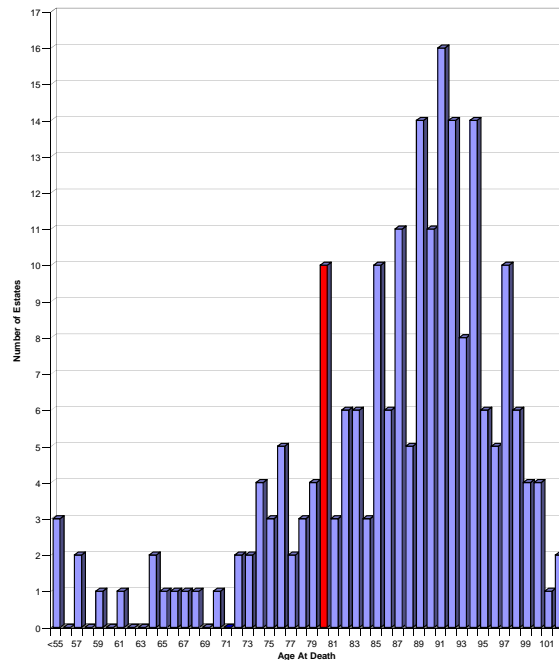
By Meg Vogel, The Cincinnati Enquirer

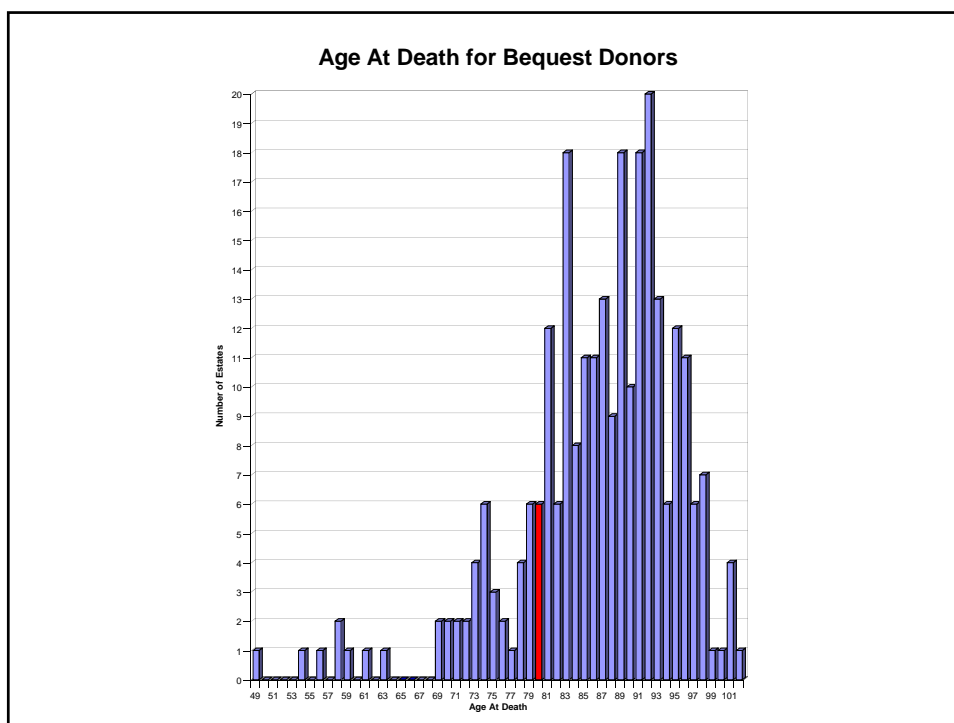
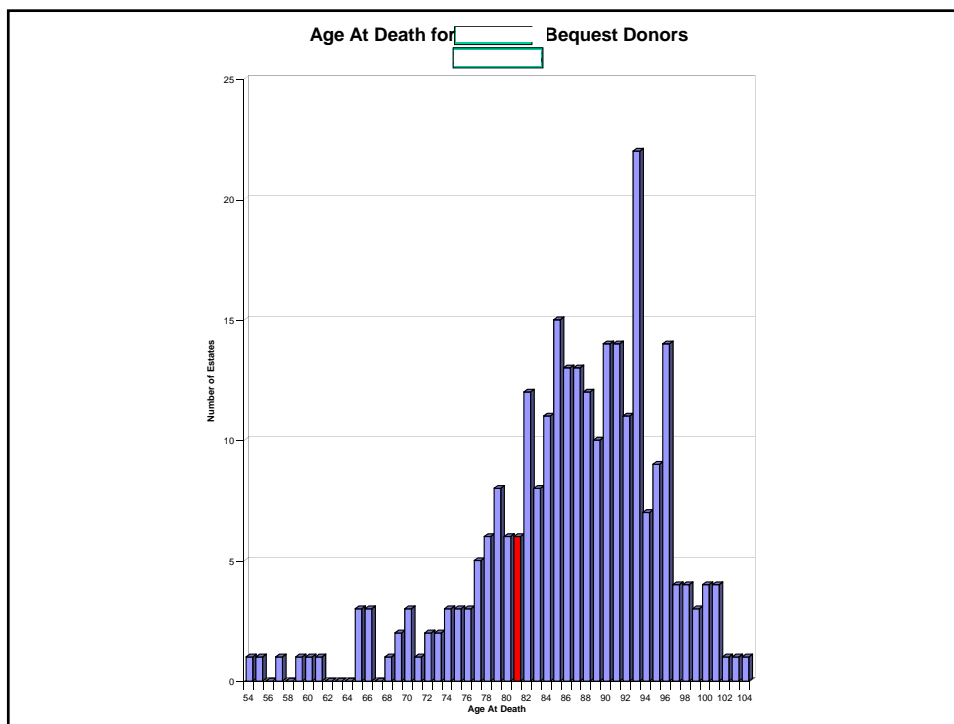
Clarence Turner, 85, a WWII paratrooper, shows his friends and family his sweatshirt after landing from his tandem jump in Ohio.

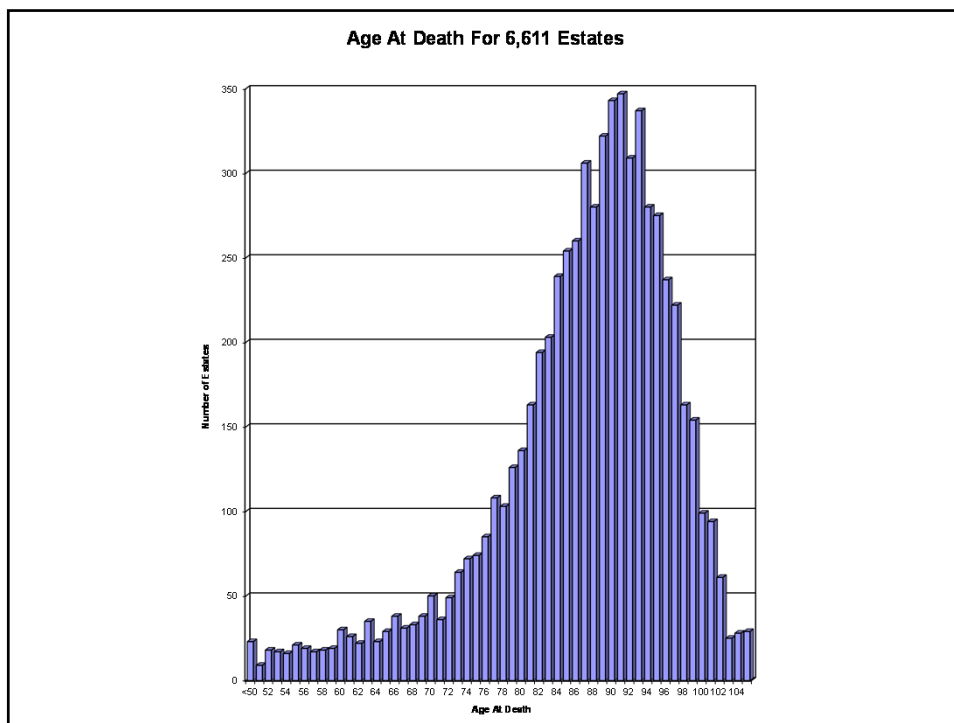
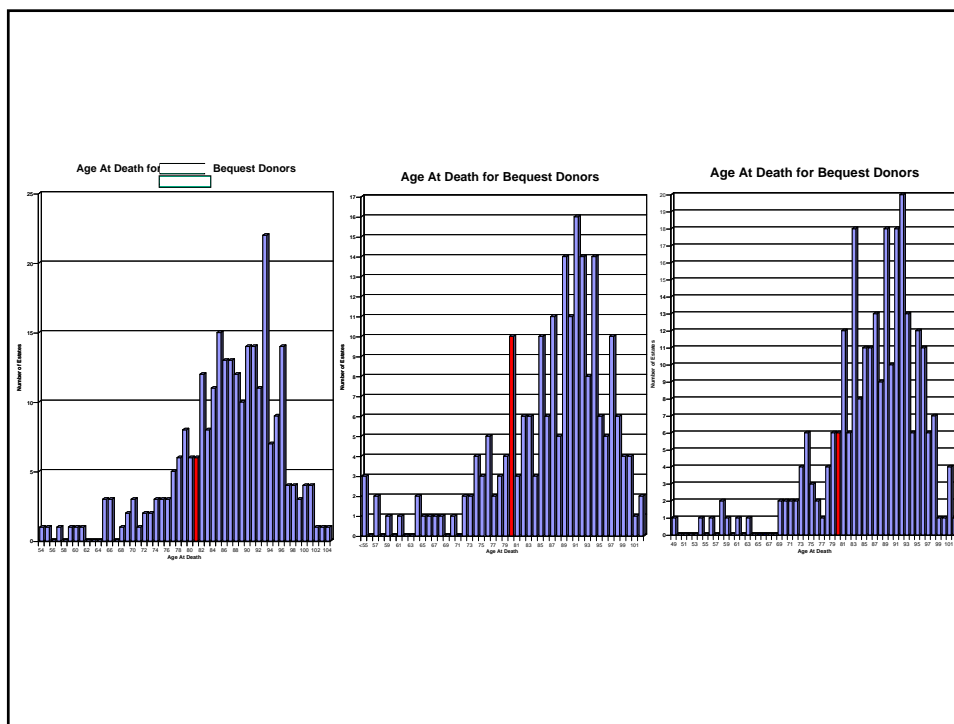
## BEQUESTS AND AGE

- Most Bequests Come From Persons Who Die Over The Age of 80
- National Average Approximately 84 Years of Age

Age At Death for Bequest Donors

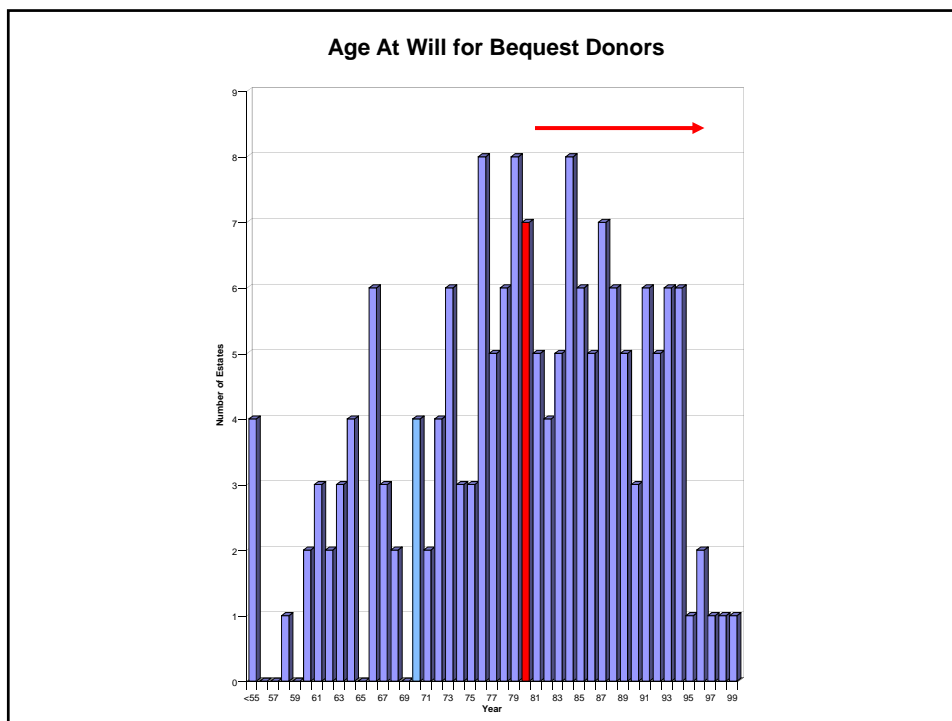


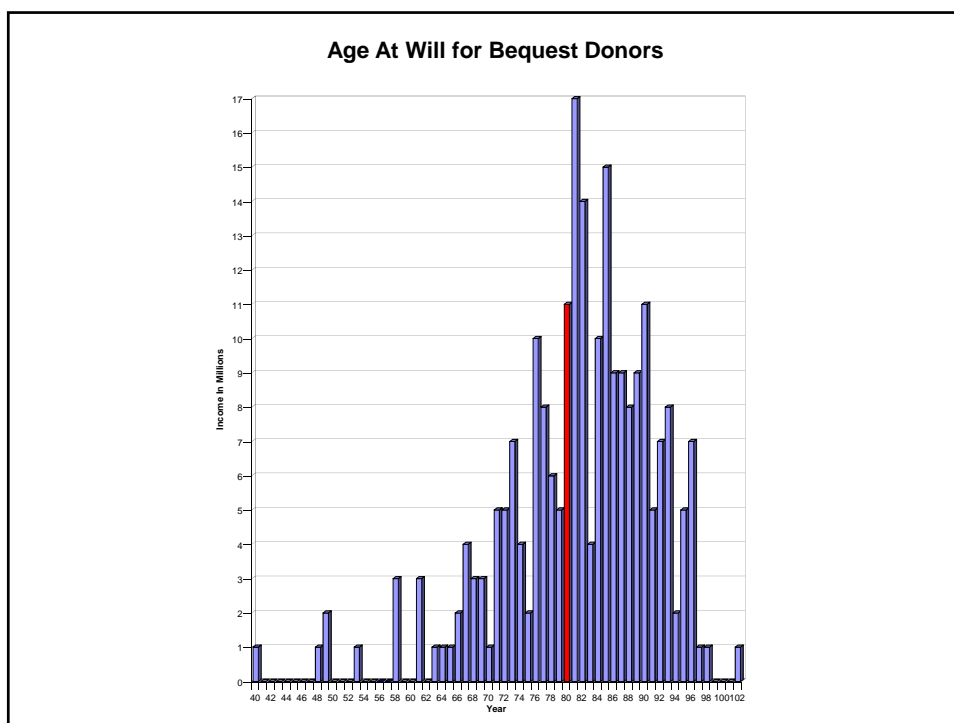
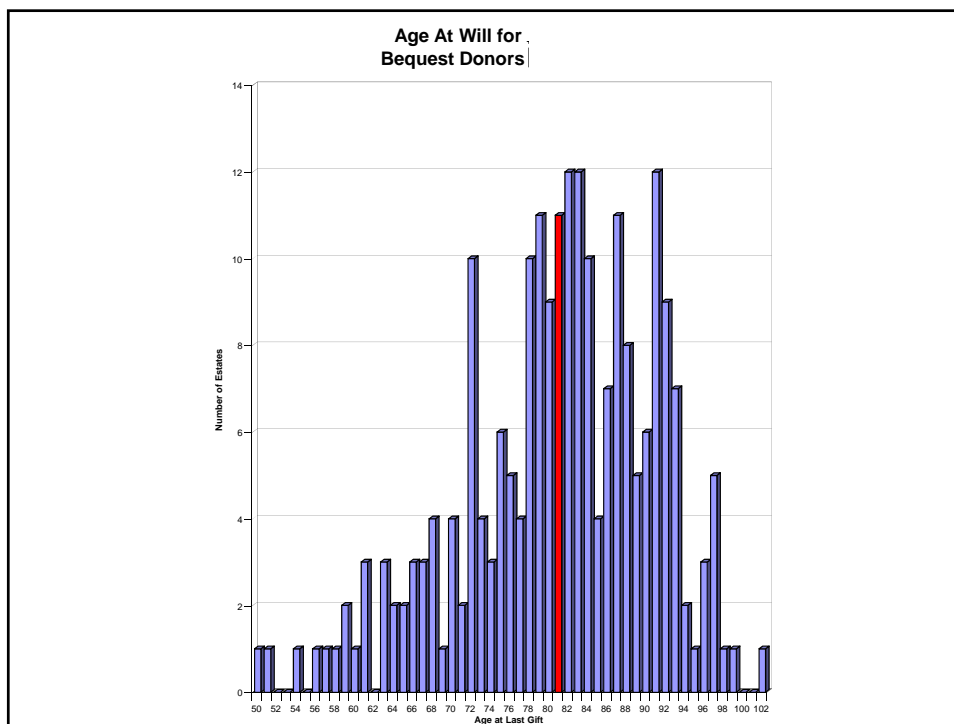


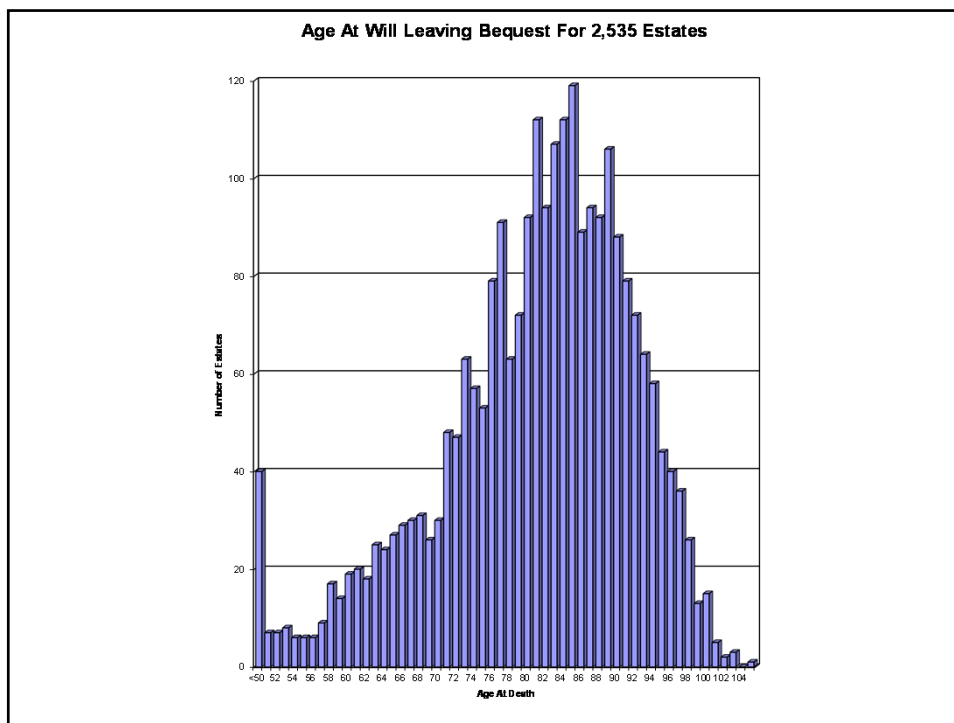
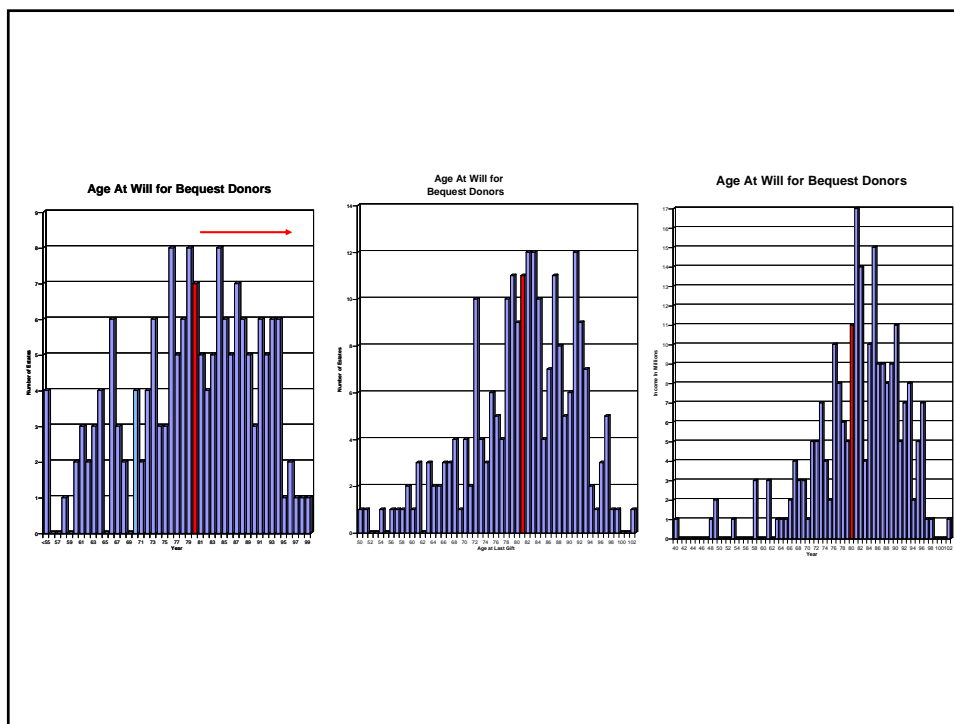


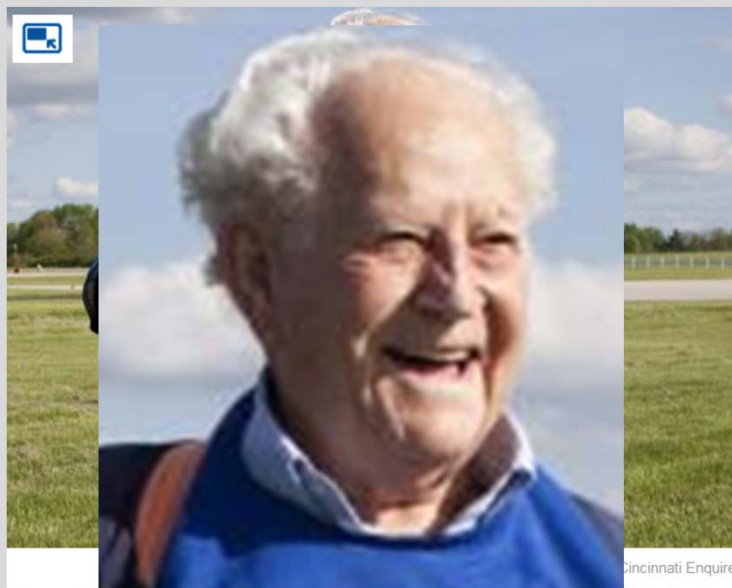
## BEQUESTS AND AGE

- Most Bequests Come From Persons Who Die Over The Age of 80
- Age At Time of Last Will Is Typically Mid-70s to Mid-80s
- National Average Approximately Age 79





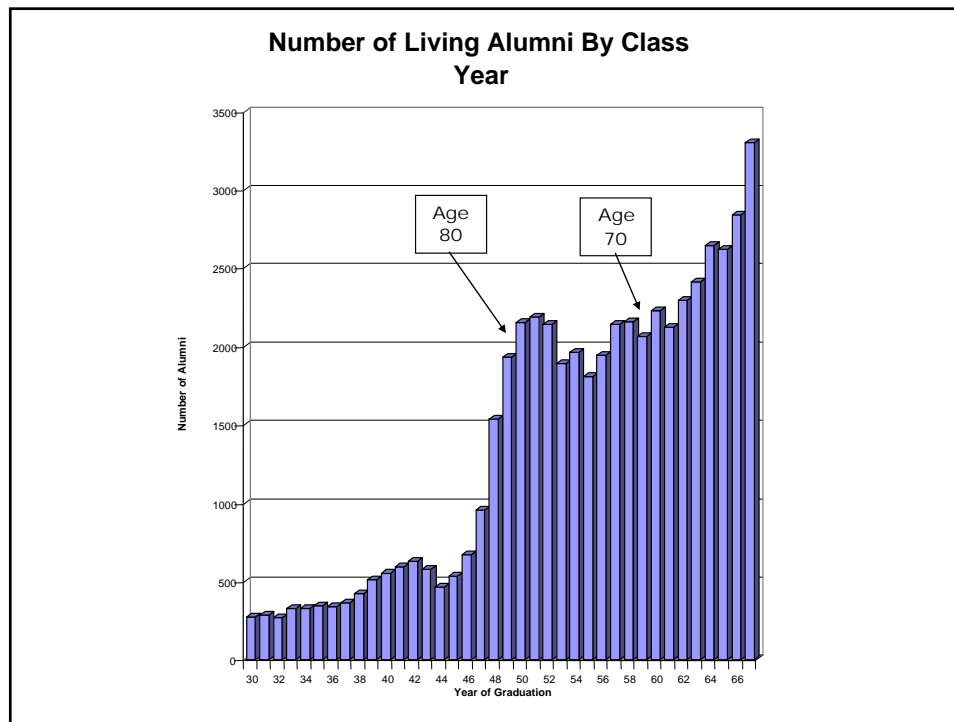




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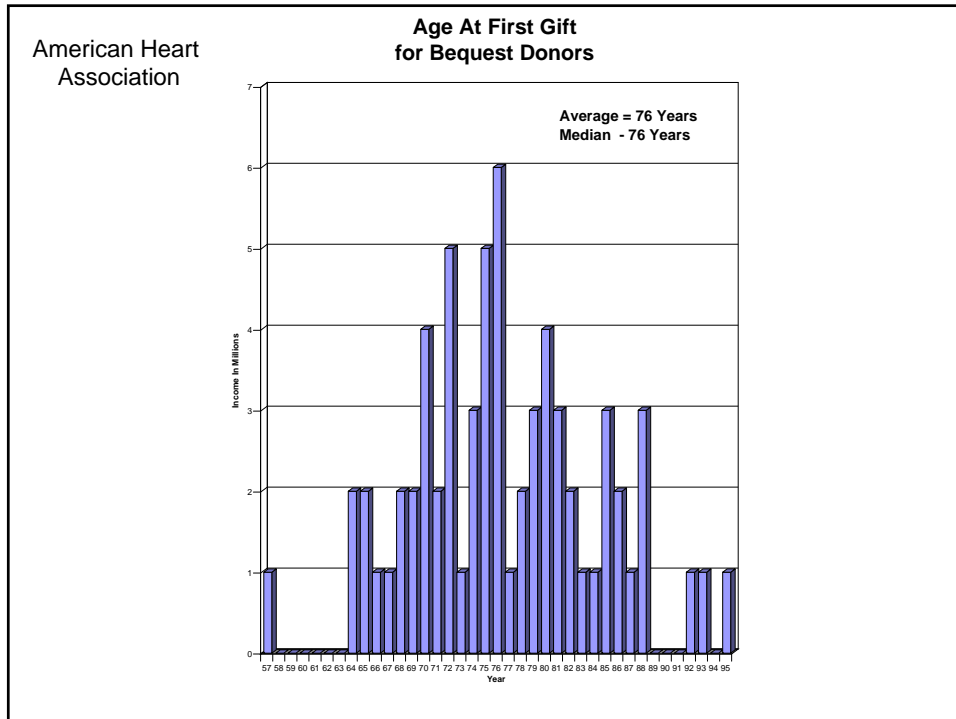
Type of Organization	Age At Will	Age At Last Gift	Age At Death	Average Lag
1 Animal Rights	75	76	79	4
2 Children's Relief	78	81	83	5
3 Children's Relief	80	85	87	7
4 Children's Services	82	85	90	8
5 Educational	77	81	83	6
6 Educational	77	81	86	9
7 Educational	76	79	82	6
8 Educational	79	80	83	4
9 Educational	81	82	85	4
10 Environmental	79	77	81	2
11 Environmental	78	81	83	5
12 Environmental	77	80	82	5
13 Health	80	82	86	6
14 Health	79	81	85	6
15 Health	80	81	83	3
16 Health	79	76	84	5
17 Health	82	83	87	5
18 Health	81	82	85	4
19 Health/Advocacy	78	81	83	5
20 Int'l Relief	81	83	84	3
21 Int'l Relief	78	79	83	5
22 Int'l Relief	81	84	86	5
23 Int'l Relief	80	85	87	7
24 Political Action	77	79	82	5
25 Political Action	86	87	89	3
<b>Average</b>	<b>79</b>	<b>81</b>	<b>84</b>	<b>5</b>
<b>Deviation</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>Median</b>	<b>79</b>	<b>81</b>	<b>84</b>	<b>5</b>

© The Sharpe Group



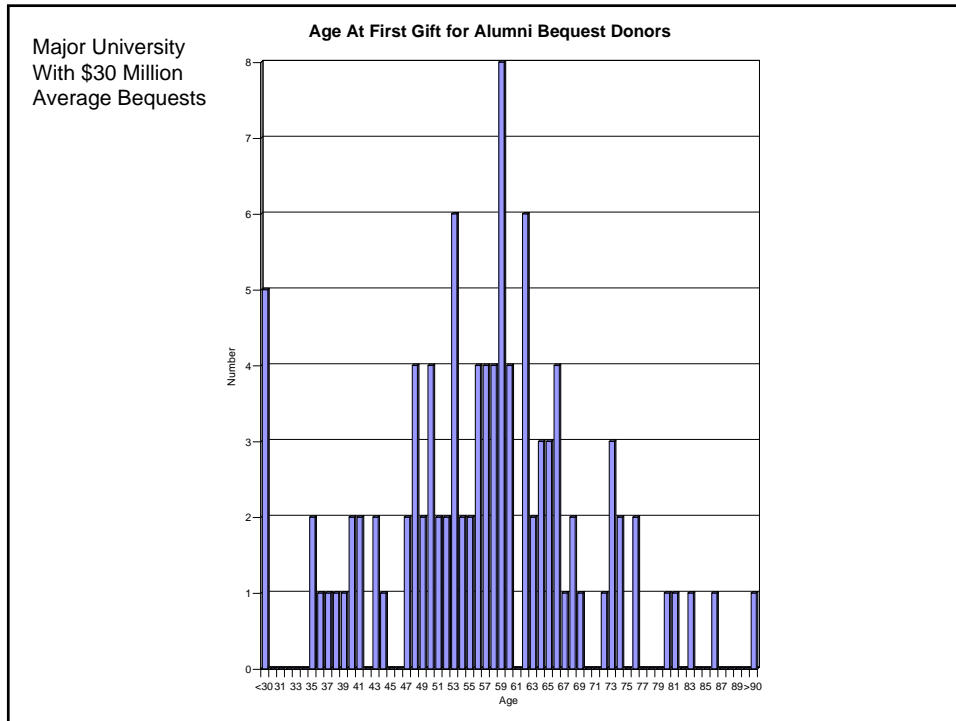
## BEQUESTS AND AGE

- Are The Bequests in Final Wills Simply “Echoes” of Earlier Decisions?
- A Number of Studies Provide Answers



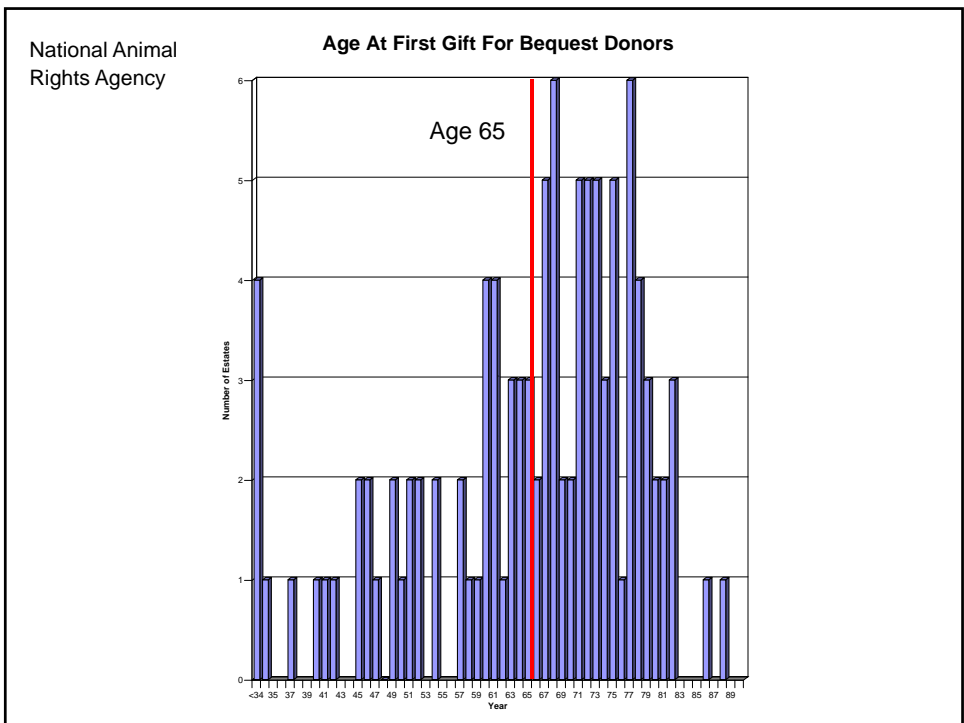
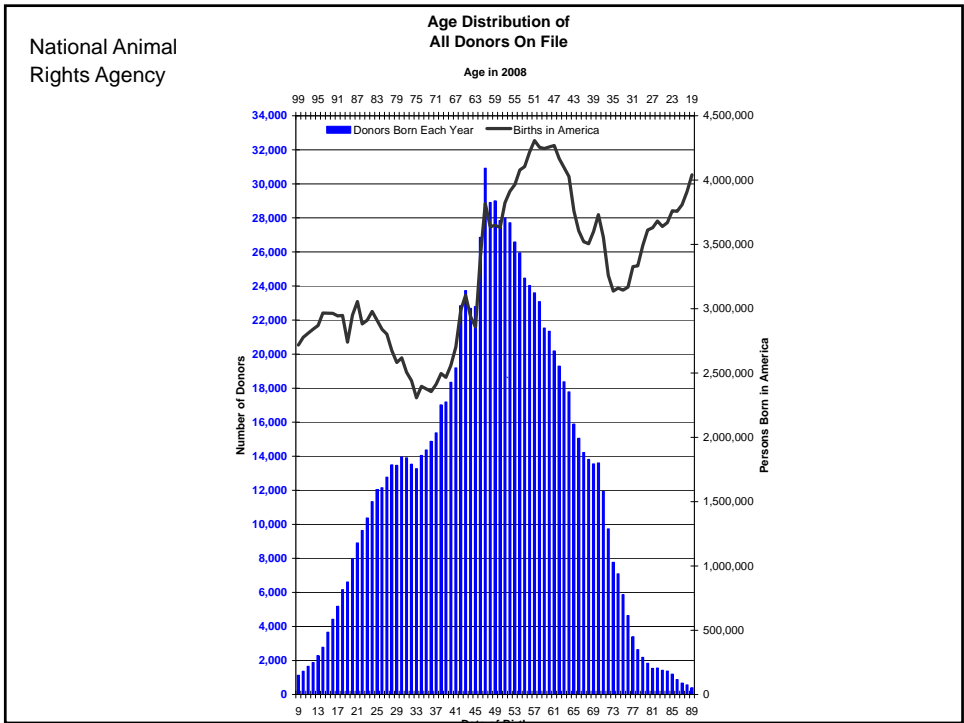
## BEQUESTS AND AGE

- May Not Be Surprising That Age At First Gift For Some Organizations is Older
- But What About An Educational Institution With Life Long Relationship With Alumni Bequest Donors?



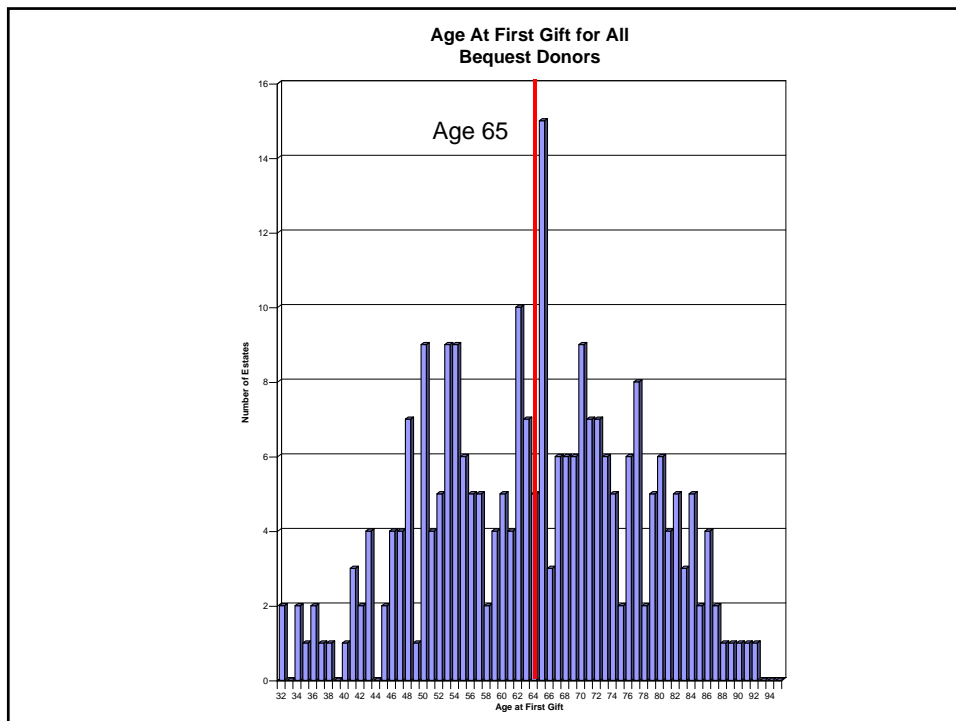
## BEQUESTS AND AGE

- Would It Be Different For Animal Rights Organization With Donors Of All Ages?
- An Organization With Most Donors In Their 50s?



## BEQUESTS AND AGE

- Same Trend Apparent With Protestant Denominational Foundation



## BEQUESTS AND AGE

- Marketing and Influencing Bequests May Be More Of A “Short Cycle” Activity Than Previously Believed
- First Gift, Will, Last Gift, and Death May All Occur in Relatively Short Time Frame

## HOW TO SUCCEED

- Do Your Research
- Study Who Says They Will Include You In Their Estate
- Then Study Who Actually DOES It
- Match Opportunities Based On Age and Wealth

	YOUNGER	MIDDLE-AGED	OLDER
WEALTHY	A1	B1	C1
MODERATE MEANS	A2	B2	C2
LIMITED MEANS	A3	B3	C3

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### AGE AND WEALTH-BASED MATRIX

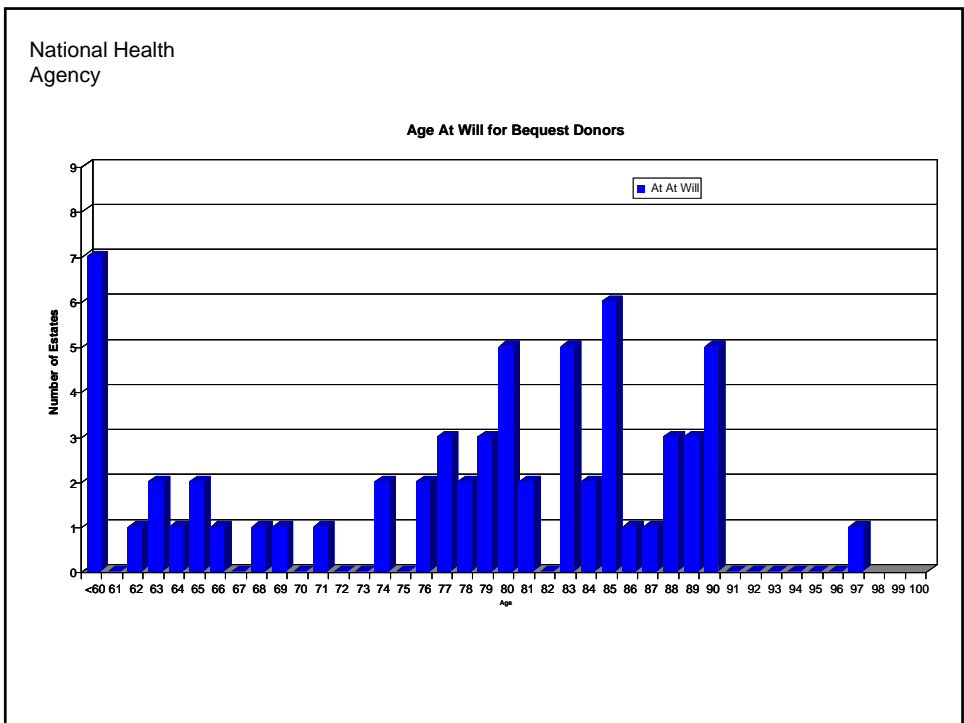
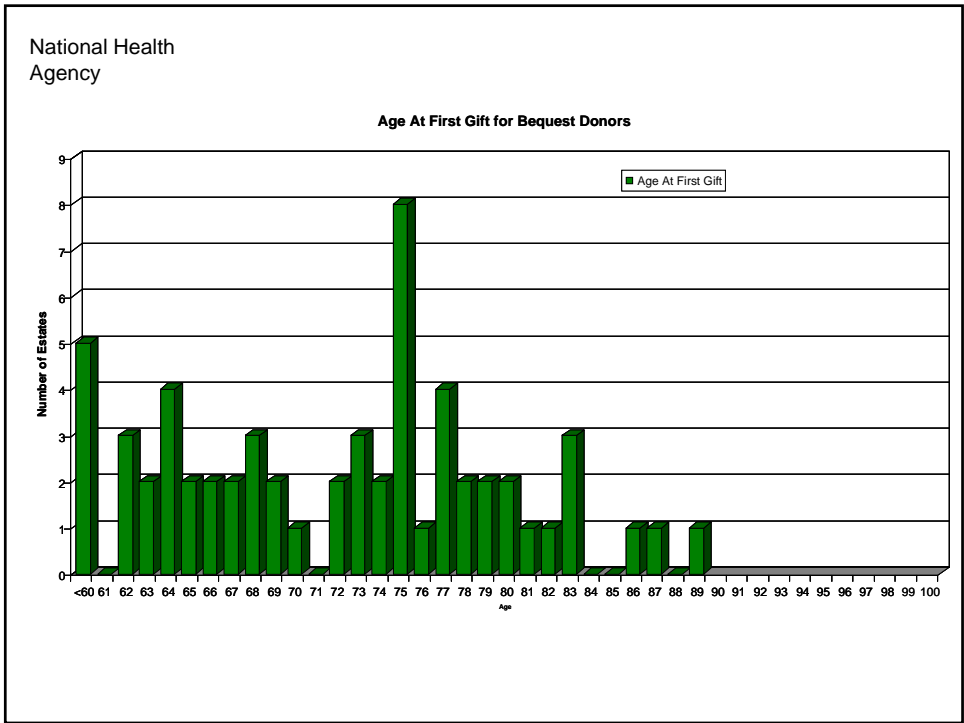
	YOUNGER	MIDDLE-AGED	OLDER
WEALTHY	<b>A1</b> Gifts of Cash Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others	<b>B1</b> Gifts of Cash Appreciated Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others	<b>C1</b> Gifts of Cash & Property Charitable Lead Trusts Term of Years Trusts Life Income Gifts for Others Charitable Trusts for Life Bequests Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary
MODERATE MEANS	<b>A2</b> Gifts of Cash	<b>B2</b> Gifts of Cash Appreciated Property Term of Years Trusts Charitable Trusts for Life Pooled Income Fund	<b>C2</b> Gifts of Cash & Property Bequests Charitable Trusts for Life Term of Years Trusts Pooled Income Funds Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary
LIMITED MEANS	<b>A3</b> Gifts of Cash	<b>B3</b> Gifts of Cash	<b>C3</b> Gifts of Cash Bequests Gift Annuities Life Insurance Beneficiary Retirement Plan Beneficiary

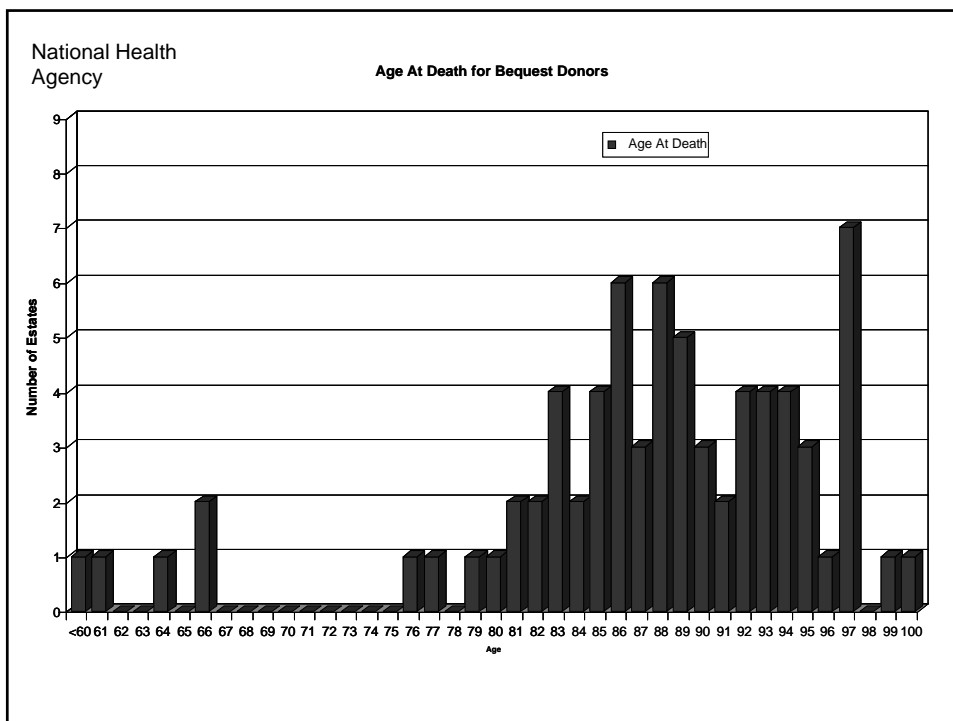
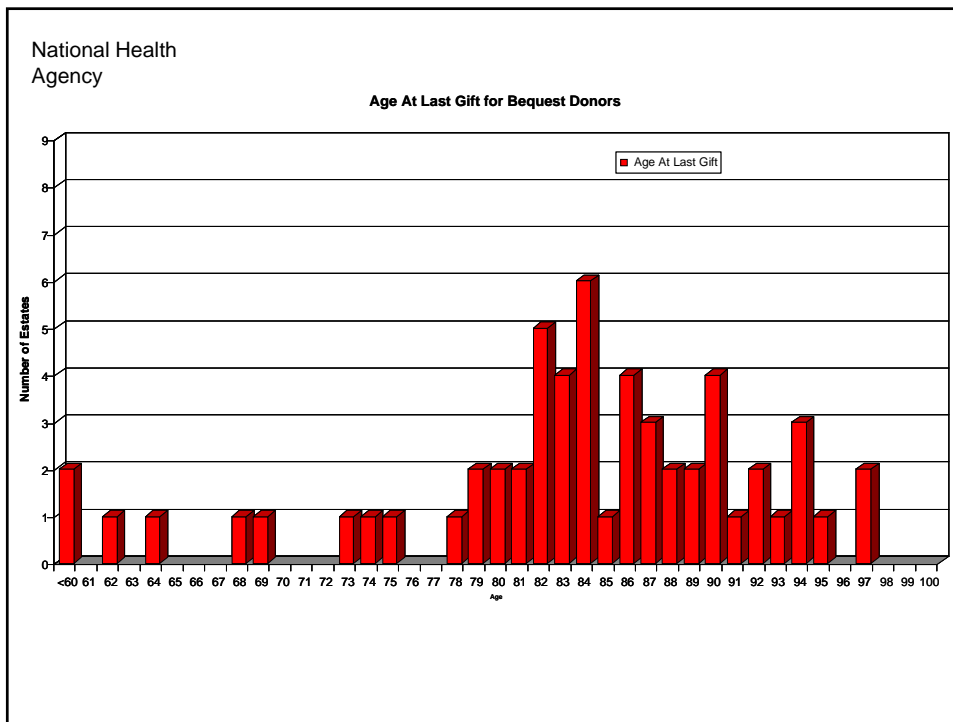
## STEP 4

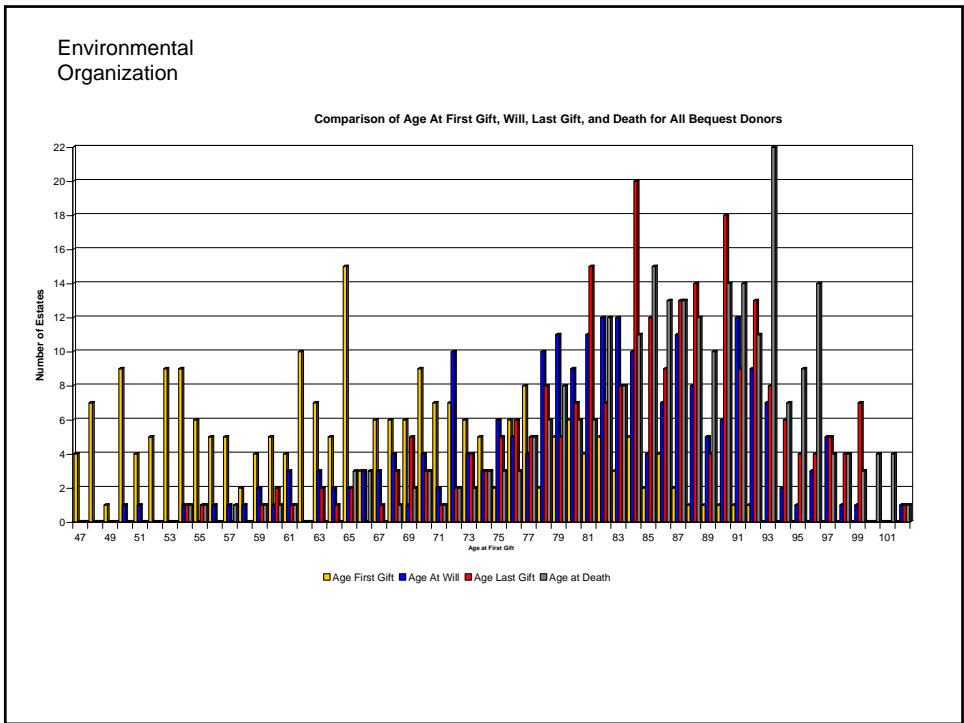
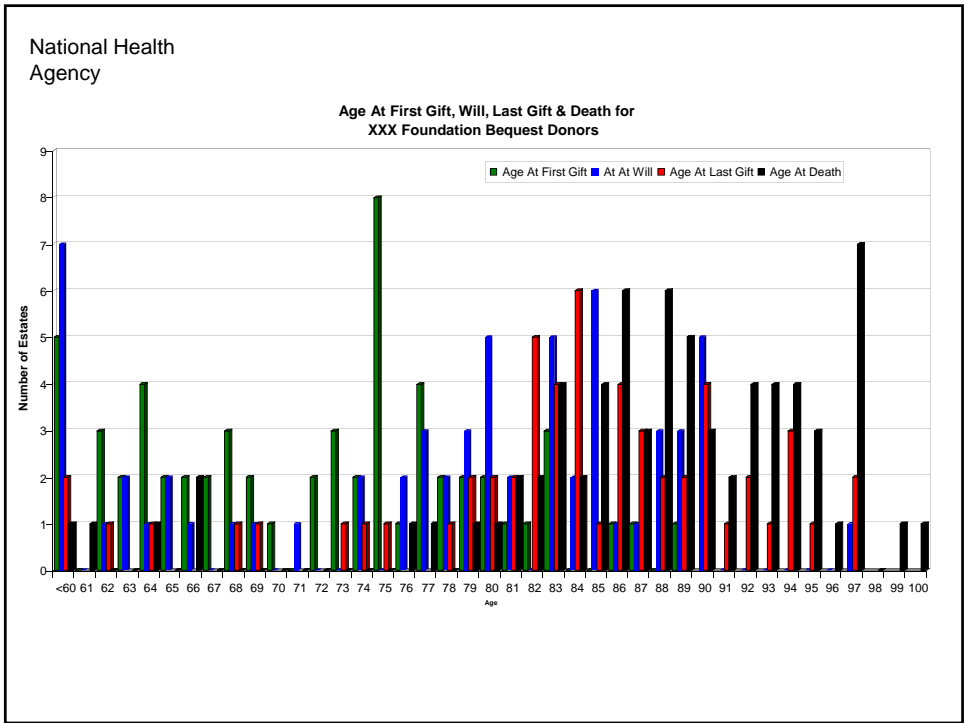
- Don't Integrate Your Efforts With Other Fundraising Initiatives

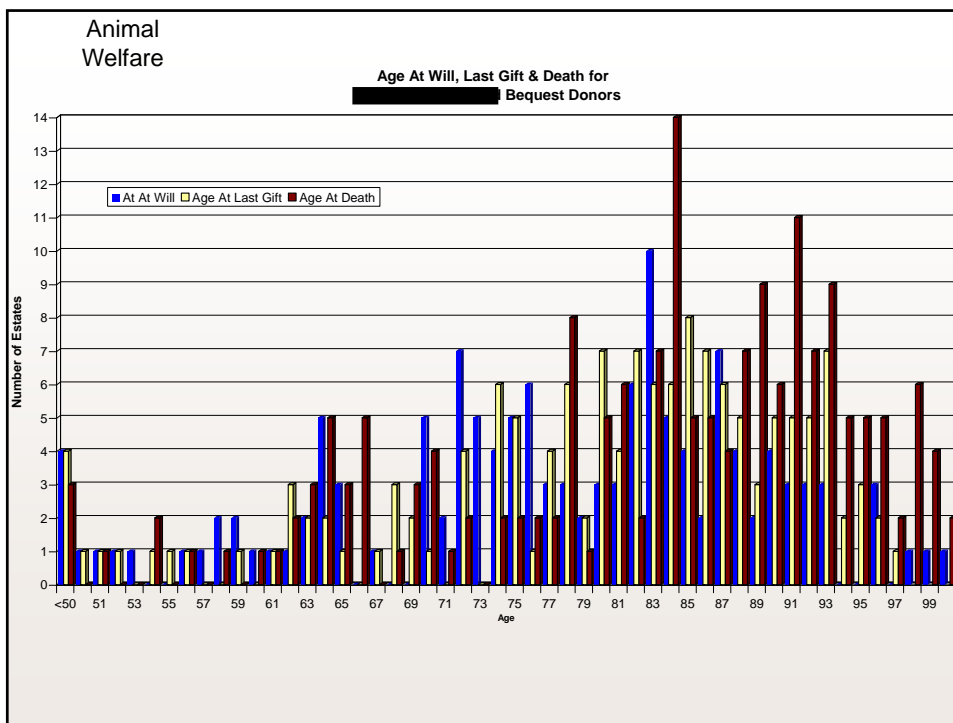
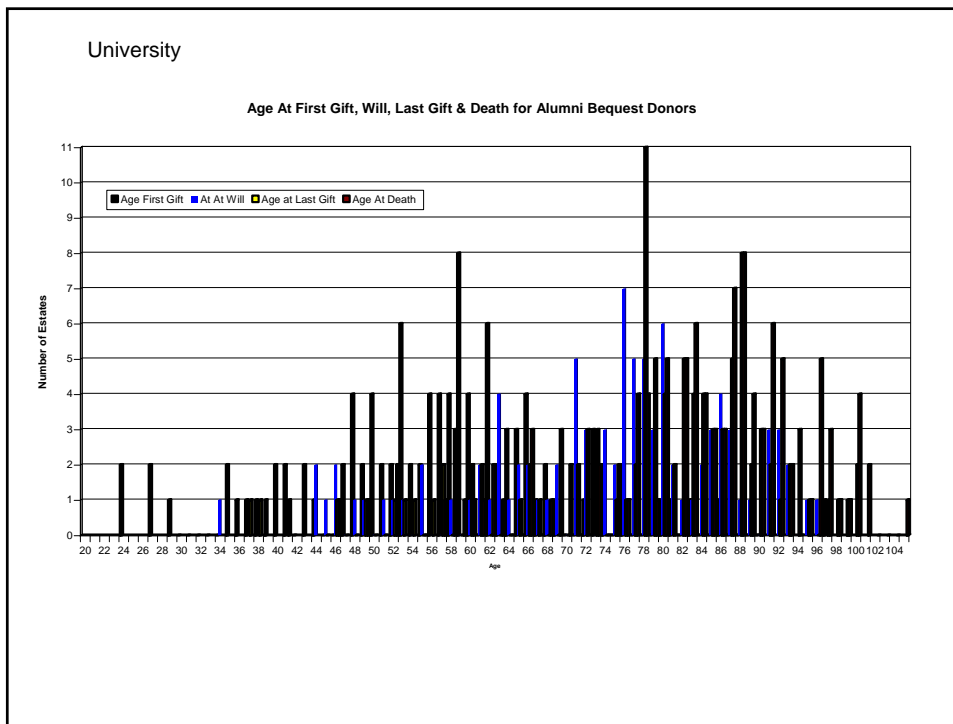
## INTEGRATE EFFORTS WITH

- Current Giving Efforts
  - Annual
  - Direct Mail
  - Sponsorship
- Cooperative Efforts To Manage Final Years Of Giving Is Critical
- Recall Relationship Between First Gift, Will, Last Gift, Death





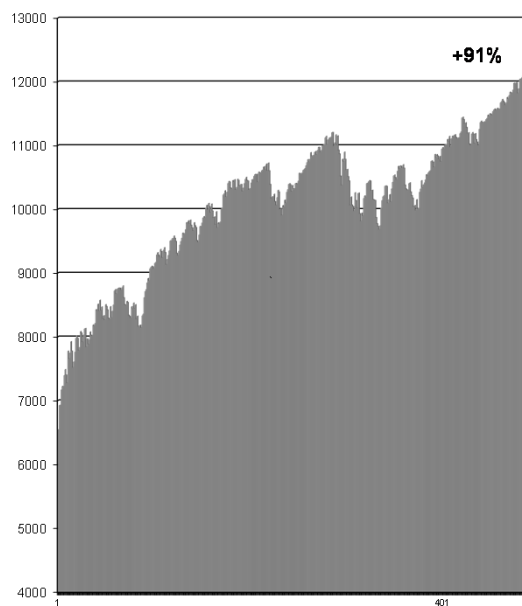




## INTEGRATE EFFORTS WITH

- Major Gifts
  - Regular Gifts
  - Campaign
  - Other
- Gifts of Appreciated Stocks Total More Than Bequests

**Dow Jones Daily Close  
March 2009 - Present**



### Age of Securities Donors

	Number of Gifts	Cumulative Number	Amount of Gifts	Cumulative Amount
65+	63%	63%	59%	59%
55-64	25%	88%	21%	80%
45-55	10%	98%	14%	94%
<45	2%	100%	6%	100%

	YOUNGER	MIDDLE-AGED	OLDER
WEALTHY	A1	B1	C1
MODERATE MEANS	A2	B2	C2
LIMITED MEANS	A3	B3	C3

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## AGE OF SECURITIES DONORS

- Many Donors Are Not Aware of Benefits of Giving Securities



### Most Americans Not Aware of Advantages of Giving Securities

According to *Smart Giving: Maximizing Your Charitable Dollars Through Donations of Appreciated Stocks and Mutual Funds*, published by Fidelity Investments, almost three-quarters of all contributions made by individuals in 2004 were in the form of cash.

However, a random sample of 50,000 Fidelity customer households with at least \$25,000 in securities found that 90 percent of them could have donated \$10,000 entirely in securities with long-term appreciation. Those households would have realized an additional \$449 in federal tax savings above and beyond the tax savings made from just making the contribution. In addition, there could have been additional savings from state and local taxes since donating appreciated securities may help avoid them as well.

#### Tax Advantages Not Well Known

While many households may have the resources to donate such gifts, 68 percent of respondents to a Fidelity survey were not aware of the additional tax advantages they would receive by make gifts of appreciated securities. More than half (54 percent) could not identify any additional advantages, even when the benefit of reduced capital gains tax was offered as a response option. Nearly 40 percent said they did not want to give up high-performing securities (the report notes they can be immediately repurchased), and 23 percent cited too much paperwork.

## INTEGRATE EFFORTS WITH

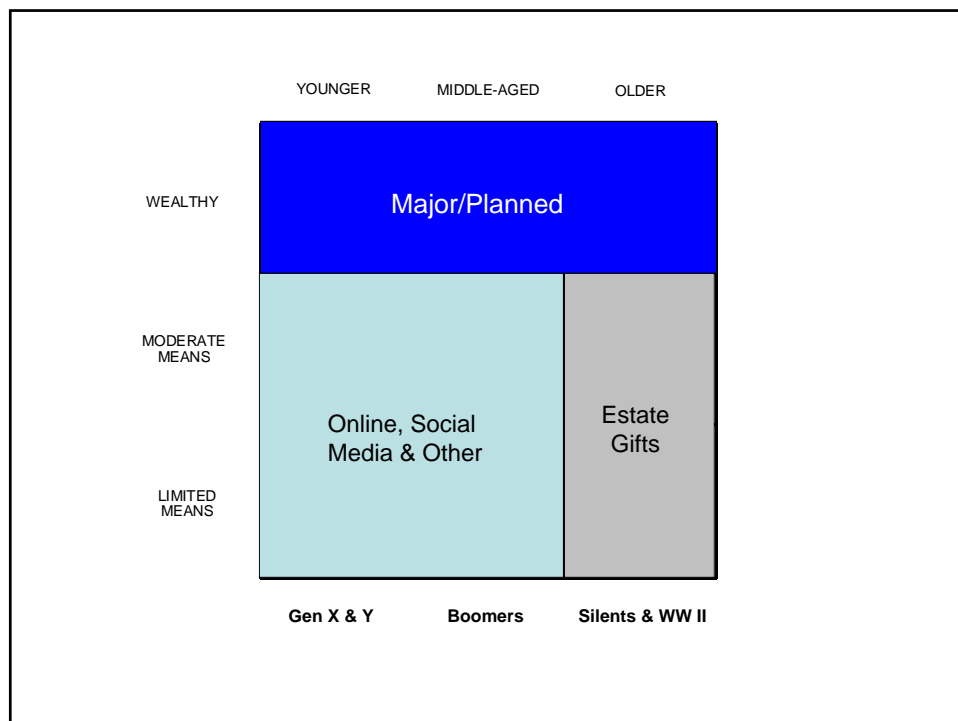
- Major Gifts
  - Regular Gifts
  - Campaign
  - Other
- Campaign Gifts More Likely To Be In Form Of “Structured Pledges”
  - Lead Trusts
  - Term of Years
  - Life Income for Other

## MISUSE PLANNED GIFTS IN CAMPAIGNS

- Temptation With Baby Boomers
- What Will You Do For An Encore?
- Valuation and “Proof” Can Raise Issues
- Know When The Gift Is Relational
- Know When the Gift Is Transactional

## HOW TO SUCCEED

- Understand The Gift Planning Matrix
- Know Your Role in Each Box
- Integrate With Others
- Use Age-Appropriate Marketing Channels
- Use Wealth-Appropriate Strategies
  - Tea and Cookies
  - Wine and Cheese



## STEP 5

- Ignore Economics of Gift Planning

## DON'T BELIEVE YOU CAN BE EVALUATED

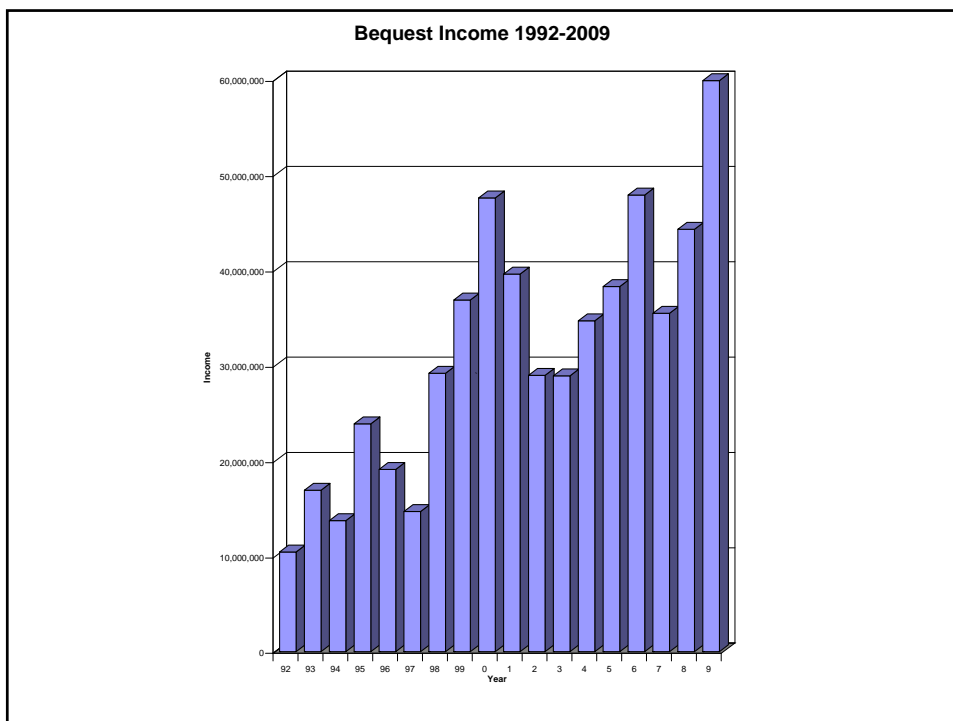
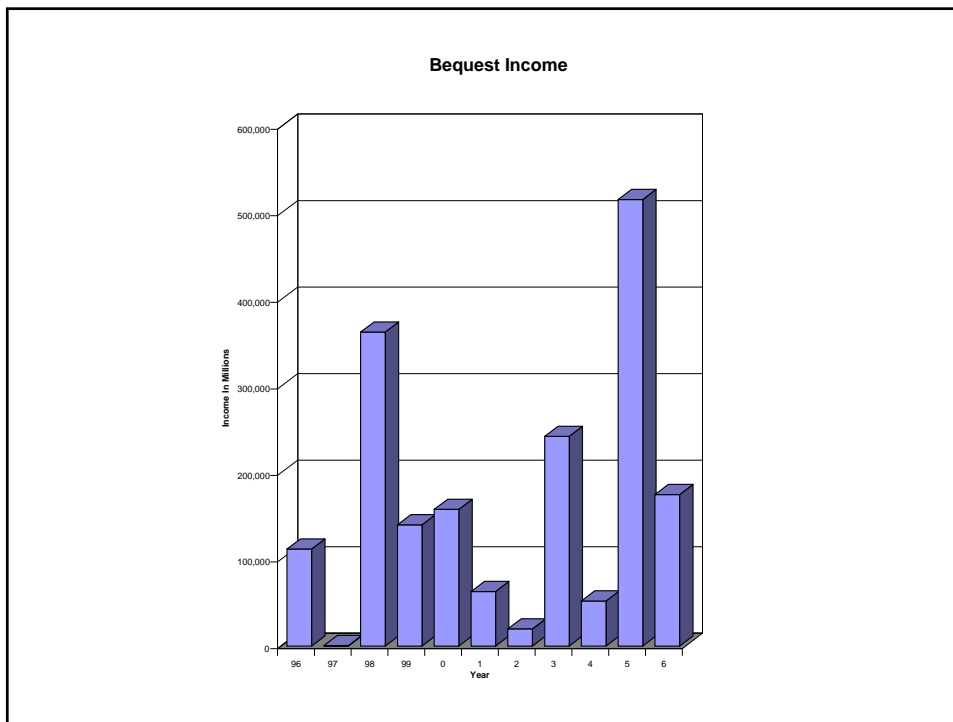
- Don't Believe Results Can Be Measured
  - Dangerous Position
  - Leads To Weakness
    - Afraid Not To Have It
    - Always Trying to Reduce Cost

## MEASURE THE WRONG THINGS IN WRONG WAY

- Over Emphasis on Expectancies
- Under Emphasis on Dollars

## HOW TO SUCCEED

- Believe You Can Have An Impact
- Believe It Can Happen Soon
- Believe Success Can Be Measured
- Be Prepared To Show Causation
- Be Realistic About Potential



## HOW TO SUCCEED

- Be Realistic About Timing
  - Largely Function of Age
  - Can Be Accelerated Through Careful Planning
  - Focus On Near Term Gifts

## HOW TO SUCCEED

- Match Costs and Benefits
- Don't "Over Match" Current Expenses With Future Results
- Beware of Strangers Bearing Budget Dollars
  - To Pad A Campaign
  - To Pad A Resume

## HOW TO SUCCEED

- Control Expectations Where Possible To Do So
- Better To Exceed Lesser Expectations Than Vice Versa
- Be Wary Of “Benchmarking”
  - By Staff
  - By Volunteers
  - By Consultants
- Insist On Apples to Apples

*Conclusion*