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Charitable giving made most meaningful

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Power of the Pyramid:
How to Effectively Integrate Planned, Major and Annual Giving

Philip M. Purcell, CFRE, MPA/JD
Vice-President of Planned Giving and Endowment Stewardship
Ball State University Foundation
And Consultant to All Types of Charitable Organizations

I. Introduction
  A. Power of the Pyramid! Understanding the importance of the integration of different types of gifts.
    1. Attraction of new donors with first time gifts.
    2. Creating donor loyalty trough repeat annual gifts.
    3. Linkage of loyal annual support and planned giving.
    4. Increase annual gift amounts.
    5. Major gifts fundraising for capital projects, endowments and special needs.
    6. The ultimate planned gift.
  B. Secrets of the Pyramid.
    1. Average number of donors decreases from annual to planned giving.
    2. Average size of gift increases from annual to planned giving
    3. Nature of the relationship with donors changes from generally less to more personal from annual to planned gift fundraising.
    4. Marketing and fundraising strategies become more personal from annual to planned giving.
  C. Maximizing the total philanthropy of donors.
    1. Annual gifts to provide on-going support and sustain loyalty.
    2. Major gifts to underwrite important initiatives.
    3. Planned gifts as the ultimate expression of philanthropic support.

II. Current Challenges and Opportunities.
  A. Current Challenges and Concerns for Donors.
    1. Reduced values of stock portfolios.
    2. Reduced values of retirement plans.
    3. Reduced values of home or other real estate.
    4. Uncertainty of future.
    5. Need for dependable income.
    6. Concern for income for loved ones.
    7. Underperforming charitable remainder trusts.
  B. Current Challenges and Concerns for Charitable Organizations.
    1. Reduced fundraising revenue.
    2. Budget reductions.
    3. Staff downsizing.
    4. Current circumstances highlight the role of the board of directors and senior leadership, underscoring the importance of their understanding of and participation in resource development, including gift planning.
  C. The goal of gift planning in the context of resource development is to introduce donors to philanthropic opportunities in response to current challenges.
    1. The unique opportunity to secure deferred planned gifts at a time when outright gifts and pledges are less attractive to donors. Secure a commitment now!
    2. The unique opportunity presented by a low adjusted federal midterm rate (AFR) which enhances the tax benefits of certain gifts such as lead trusts and life estate gifts.
  D. The planned giving "point person".
    1. Essential to have a staff person assigned to understanding planned gift options and following up with prospects. Ideally, full-time!
    2. Coordinates all activities, records, reports, training, etc.
    3. May have other assigned duties, but planned gift responsibilities are included in the job description and annual evaluation for accountability.

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III. The Importance of Teamwork to Effective Integration.

A. Who is on the team?

1. Board of directors.
2. Senior leadership.
3. Fundraising staff.
4. Other staff.
5. Other volunteers.

B. Maximizing teamwork.

1. The importance of training and education about the role and best practices of all team members in philanthropy.
2. All aspects of philanthropy must be understood, including gift planning.
3. Implement effective resource development work plans, including staff assignments, timelines and budget allocations.
4. Establish appropriate goals and metrics for evaluation of progress.

IV. Beholding Beauty: Counting and Reporting the Numbers in an Integrated Fashion.

A. A relative consideration.

1. Understand that fundraising “numbers” can be counted and accounted for in different ways, depending on the purpose.
2. Boards of directors, senior leadership and key staff should be educated relative to different systems for gift recording.

B. Accounting.

1. Accounting is a process of keeping financial statements based on a set of generally accepted guidelines and principles, in order to present a fair, comparable and understandable picture of an organization’s financial position at any given time.
2. See FASB (Financial Accounting Standards Board) and GASB Statements as well as ACIPA guidelines.

C. Valuation.

1. Valuation is an assessment of the actual value of an item to the person or organization that possesses it.
2. The Partnership for Philanthropic Planning (“PPP”) defines valuation as a reflection of the present value of the ultimate purchasing power of the gift.
3. Personalized based on your organization’s experience.
4. See PPP Valuation Standards at www.pppnet.org.

D. Charitable Tax Benefit Value.

1. The value of tax benefits available pursuant to federal and state law for charitable gifts including the federal income tax deduction, federal capital gains tax savings, federal estate/gift tax deduction, state income tax credits and state death tax benefits.
2. The value of the tax benefit may or may not be required for the gift receipt issued by the recipient charitable organization. See IRS Publication 1771 (*Substantiation and Disclosure Requirements*) and 526 (*Charitable Contributions)*

E. Recognition Crediting.

1. Crediting is institution-specific and represents the way each organization grants recognition to its donors.
2. Such recognition need not stem from any of the factors of counting, accounting, tax benefits or valuation, although a given organization may use any of these calculations as the basis of its donor recognition policies.
3. As discussed below, recognition policies and procedures can assure equitable and adequate recognition of all forms of giving in an integrated fashion. Cumulative gift recognition offers an opportunity for counting both current and planned gifts.

F. Work Performance Goals.

1. Annual evaluation of fundraising staff is often based on financial results, contacts, approved activities, etc.
2. Performance goals must be personalized to staff and the organization.
3. Planned giving success requires special considerations: history of charity and fundraising program, donor base, sophistication of program, staff ability, time allocated to planned giving, etc.

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G. Counting and Reporting.
   1. Counting and reporting are arithmetic activities.
   2. Counting is the numeric summary of activity, results and progress toward goals.
   3. Reporting is the process of conveying to a lay audience clearly and transparently what has happened during a specific timeframe.
   4. A campaign may encompass not only multi-year comprehensive or focused efforts, but any time frame in which a non-profit elects to report fundraising activity, i.e. a specific "reporting period."

H. Integration of Campaigns.
   1. In early years, campaigns exhibited these traits:
      a. Cash gifts only.
      b. Short in duration.
      c. Single focus.
      d. Outside counsel involved in all aspects.
      e. Staffed by volunteers.
      f. "Unusual" events in the life of the organization.
   2. Currently, campaigns are exhibiting different traits:
      a. All types of gifts.
      a. 3-7 years in duration.
      b. Multi-purpose.
      c. Outside counsel guides/manages.
      d. Professional staff.
      e. On-going.
   3. Campaign Policies and Procedures.
      a. Gift acceptance policies and procedures: on-going or campaign-specific.
      b. Policies and procedures for campaign counting and reporting.
      c. Donor recognition policies may mirror campaign counting or differ in some respects.

I. Setting Integrated Goals.
   1. Since charitable organizations and their campaigns are diverse, the PPP encourages each organization to evaluate a methodology that is the best match.
   2. Goals may be set and gifts counted for both current outright gifts and planned gift expectancies.
   3. PPP recommends that fundraising campaigns of whatever duration, should set three separate and complementary goals and should report fundraising results along three complementary dimensions:
      a. An outright goal for gifts usable or that become usable for institutional purposes during the reporting period (whether one or more years). Included in this category would be outright gifts of:
         - Cash.
         - Marketable securities.
         - Other non-cash assets.
         - The gift portion of bargain sale transactions.
         - Realized bequests.
         - Realized insurance gifts.
         - Realized retirement plan gifts.
         - Current cash value of life insurance gifts.
         - Current lead trust distributions.
         - Legally enforceable pledges.
         - Donor advised fund grants as they are received.
         - Realized distributions or maturations of the residual of charitable gift annuities, charitable remainder trusts or pooled income funds.
      b. Irrevocable gift goals, for gifts committed during the reporting period but usable by the organization at some point after the end of the period. Include in this category would be irrevocable deferred gifts:
         - Split interest life income gifts.
         - Life estates.
         - Death benefit of life insurance in excess of cash value.

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- Irrevocable testamentary pledges.
- Future lead trust distributions.
- Residual of donor advised funds if irrevocably designated.

c. Revocable gift goals for gifts solicited and committed during the reporting period but in which the donor retains the right to change the commitment and/or beneficiary. Included in this category would be revocable gifts such as:
- Estate or will provisions.
- Charitable remainder trusts in which the donor retains the right to change the beneficiary.
- Living trust beneficiary designations.
- Qualified retirement plan designations in which donor has retained the right to change the beneficiary.
- Life insurance in which donor has retained ownership.

a. Donor advised fund residual if revocable during lifetime of donor.
b. Revocable pledges.
c. NOTE: Charities may have difficulty assigning dollar numbers to revocable gifts. Therefore, charities may choose to provide estimates. For example, see PPP's Valuation Standards for Charitable Planned Gifts suggesting probability of receipt formulas. Also, charities may choose to report a default dollar amount or the numbers of gifts rather than dollar amounts.

4. PPP recommends that charities should report their progress toward each of these goals separately, using face value numbers.
5. Examples of application of the categories:
   a. Charitable gift annuity is reported in the irrevocable gift when it is established and in the outright gift category when it matures.
   b. Bequest provision is reported in the revocable gift category when it is first made and in the outright gifts category when it is received.
   c. Note: Campaign policies may prohibit "double-counting" from one campaign to the next so that if a deferred gift is counted in a current or prior campaign, the matured amount is not counted in another campaign, unless it represents an additional amount received.
6. Current status and comparison of Council for Advancement and Support of Education (CASE) Management Reporting Standards and PPP Campaign Counting Guidelines.
   a. Second edition of PPP Guidelines was published in 2006 with input from a coalition of major universities, charities, and consultants.
   b. Guidelines are available at www.pppnet.org
   c. Association of Fundraising Professionals has endorsed the PPP Guidelines.
   d. CASE has issued revised Management Reporting Standards. See www.case.org.
   e. Key compatibilities between PPP Guidelines and CASE Standards:
      - Revocable gifts may be included in campaign totals at face value if they are pledged during the campaign, documented, and as long as they are reported separately from outright gifts and irrevocable deferred gifts.
      - Irrevocable deferred gifts may be included in campaign totals at face value, but both face and discounted present values should be reported.
      - Remaining concern: CASE's use of IRS procedure for present value (deduction) calculation. The IRS procedure for calculating the charitable income tax deduction does not consider an organization's own investment approach and historic performance. Overly sensitive to current interest rates.
7. Special considerations for setting goals for planned gift achievement.
   a. Dollar goals are rarely suggested for new planned giving programs. Rather, success and achievement may best be measured by activity accomplishments for program infrastructure such as completion of policies and procedures, preparation of marketing materials, training of staff, records and database creation and so forth. Later, number of contacts with donors or number of proposals submitted may be used as measures of progress.
   b. For properly developed or mature planned giving programs, actual dollar goals for deferred planned gifts ("expectancies") may be based as a reasonable extrapolation from past experience as well as anticipation of future growth. Estimates of matured or realized residuals of planned gifts

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may be based on detailed records of donor communications, copies of planned gift documents, estimates of current and projected gift amounts, probate estate notices and other reliable information.

V. Integration of the Ask: Blending Proposals.

A. Blended proposals

1. The "triple ask":
   a. Annual gift or multi-year pledge.
   b. Major outright gift/pledge as part of or in addition to annual gift.
   c. Planned gift separate from or a way to fulfill the major gift. Documentation required.
2. The "quadruple ask":
   a. Annual gift or multi-year pledge.
   b. Major gift/pledge as part of or in addition to annual gift.
   c. Revocable planned gift.
   d. Irrevocable planned gift.
3. Too Much in the Blender? Common objections to integrated proposals:
   a. Major gift not seen as a "planned" gift.
   b. Too confusing.
   c. Diminishes the current gift.
   d. Creates delay.
   e. Planned gifts are only for retirees.
   f. "Either/or" mentality
4. Potential responses:
   a. All major gifts are planned.
   b. Use a simple format.
   c. Planned gifts rarely come from current income (annual gifts) or have different motivations from major gifts.
   d. Format of pledge allows for quick action followed by details.
   e. Most bequests -Age 45-60 (Bank of America/Center on Philanthropy Study)
   f. "And"!

B. A question of semantics.

1. Is a "major gift" the same as a "planned gift"?
   a. In the eyes of your organization?
   b. In the eyes of your board?
   c. In the eyes of your donor(s)?
2. Definitions:
   a. Major gift is historically defined as a current use (only) outright gift or pledge. The amounts depend on:
      - History of fundraising for your organization.
      - Current needs and priorities.
      - Capacity of donors and prospects.
      - Unique recognition incentives can be used to promote current use gifts.
   b. Planned gifts now are often defined as major gifts because:
      - The dollar amount is often significant. May be the largest gift many of your donors will make.
      - Current use dollars may be available such as a planned gift of non-cash assets, an endowment gift, a charitable lead trust, etc.
      - The planned gift is used to supplement or secure a current gift such as to fulfill a pledge should the donor pass during the pledge period, enhance the size of an endowment to counteract long-term inflation, etc.
3. Major gifts and planned gifts often have similar motivations:
   a. Help now – and later!
   b. Ability to give. Consideration of timing:
      - Note: Unique opportunity to secure deferred gifts in current economic environment which has caused many donors to delay or reduce current gifts or pledges.

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- Planning for retirement.
- Sale of a business.
- Estate planning.
- Succession planning.
- Sale of an asset.
- Inheritance.
- Empty nest – children now grown up.

c. Donation of particular assets.

- Appreciated assets to escape capital gains tax.
- Business assets.
- Real estate or other unique or valuable non-cash assets.

d. Pledging possible to reach specific goals to fund a project or build an endowment.

e. Named endowments.

- As an honor to self.
- Memorial to others such as a loved one or mentor.
- Leaving a legacy.
- Perpetuating annual support.
- Supporting important programs or missions in perpetuity.

4. Unique considerations for planned gift support.

a. To fulfill a personal or campaign dollar goal that is not possible with annual or current gifts.

b. To achieve naming rights. Will these naming rights be the same as with current use major gifts?

Note: Many planned gift donors and organizations are cautious with naming rights for deferred planned gifts since the dollar amount to be received may be reduced by economic downturns, personal or family obligations (health care, retirement needs), etc.

c. To create a named endowment.

d. To provide a hedge against long-term inflation relative to endowments.

e. To generate enhanced personal benefits: lifetime income, tax savings available with planned gifts.

C. Format for Blended Proposal.

1. Cover letter from leadership such as board chair, CEO, President, Chief Development Officer, etc.
2. Statement of case for specific purpose such as:
   a. Capital need,
   b. Program support,
   c. Endowment,
   d. Unrestricted.
3. Proposed annual gift support.
4. Proposed major current gift support.
5. Sample pledge letter(s).
6. Proposed planned gift support
   a. Include possible options in the same or separate binder.
   b. Summary matrix of benefits for donors.
   c. Begin with general descriptions of each planned gift:
      - How it works.
      - Benefits for donor.
      - Benefits for organization.
   d. Include more specific details such as financial illustrations and sample legal documents.

D. Top ten gift planning opportunities in the current economy:

1. Deferred revocable planned gifts (e.g., bequests in will or trust; beneficiary designations of life insurance or retirement plan) that delay the outlay of current dollars and allow future personal use if needed.
2. Donation of unneeded life insurance policies that will permit income tax deduction for approximate cash value.
3. IRA charitable rollover. **Note:** Capitalize on the opportunity to suggest a deferred gift beneficiary designation for all or a percentage of the retirement plan to any IRA charitable rollover donor.

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4. Charitable gift annuity to provide fixed payments, including tax-free payments and tax savings. Low AFR rate increases tax-free payments.
5. Deferred payment gift annuity for Baby Boomers with higher payment rates to supplement uncertain retirement income.
6. Sell depreciated stock (loss deduction on taxes) and donate some or all of cash from sale (additional income tax charitable deduction).
7. Low AFR rate increases gift/estate tax savings on charitable lead trusts used to pass wealth to family while paying current income to charity.
8. Low AFR rate increases income tax deduction for gift of a remainder interest in home or farm. Depressed real estate market may delay sale of home or farm by donor during lifetime. Donor lives in or uses home or farm for life – passing to charity at death.
9. Consider partial or total termination of under-performing charitable remainder trust. Allows current income tax charitable deduction – and current gift to charity.
10. Conversion of charitable remainder trust to a charitable gift annuity allowing fixed payments.

E. Pledge Format
1. Identification of purpose and use of gift.
2. Commitment of outright gift: dollar amount and timeframe.
3. Commitment of planned gift(s): dollar amount (estimate, if possible) and technique(s).
4. Statement that planned gift documentation will be shared within reasonable time. Consider contract to make a will.

VI. Integrated Donor Prospecting: Understanding the Cues and Clues

A. All members of the resource development team must be looking for the cues and clues to all types of gift potential in order to maximize fundraising potential.
1. ***Linkage***. Is the prospect linked to your organization as a service recipient (or family thereof), volunteer, current or former staff, current or former director, member of community, etc.?
2. ***Ability***. Does the prospect have the ability to make an annual gift – or a current or planned major gift?
3. ***Interest***. Is there evidence of the prospect's interest in your mission due to his or her background, education, profession, hobbies, volunteer activities, giving pattern to other charities, etc.?

B. Training staff to spot and report the cues and clues.
1. Led by planned giving officer or other planned gift "point person".
2. Regular in-house training/social time.
3. Paid consultants or seminars.
4. Regular sharing of periodicals , emails, and other updates on planned giving.
5. Membership in PPP and local council.

C. Staff Coordination
1. Access to current planned gift information.
2. Process/acceptance forms for all types of gifts: planned, endowment, non-cash, stock, IRA rollover, etc.
3. Contact sheets to review cues and clues.

D. Cues and clues for gift planning:
1. Estate Planning:
- Currently planning estate.
- Writing will/trust.
- Advisors' names.
- Investigating life insurance.
- Concerned about providing for loved ones.
- Asks about will, living will, living trust, power of attorney, executors, etc.

2.Personal Assets/Income:
- Owns business.
- Plans to sell business.
- Retirement plan.
- Owns collection(s).
- Recently received inheritance.
- Personal residence(s).

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- Appreciated real estate (commercial, farm, etc.).
- Appreciated stock.
- Depreciated stock.
- Government bonds (tax-free?).
- Savings bonds.
- Corporate bonds.
- Commercial annuities.
- Mutual funds.
- High Income $_____.

3.Tax Concerns:

- Income tax.
- Capital gains tax.
- Estate tax.
- Gift tax.
- Taxes on retirement plans.

4.Personal Information:

- Single.
- Divorced.
- No or few children.
- Concern for income for spouse or children (special needs?).
- Moved or planning to move.
- Retired or planning to retire soon.

5.Charitable Interests:

- Linkage of loyal annual support and planned giving.
- History of experience with your charity: served? volunteer? family served?
- Giving history
- Linkage to similar charities
- Interest in specific programs
- Interest in naming opportunity for self or loved ones
- Interest in perpetual endowment

VII. Integrated Marketing: Keys to Success!

A. Important motivator: the correlation of loyal annual giving and ultimate planned giving.

B. Important integration techniques.

1.Coordinated mailing schedule including:

- Newsletters.
- Target mailings.
- E-mail blasts.
- Flyers.
- Brochure mailings.
- Event invitations and announcements.

2. The Magic Boxes. Include the Magic Boxes where appropriate in all mailings.

☑ I have included a gift to _____ in my estate plans.

☑ I would like more information on how to include a gift in my estate plans.

3.Integrated information in all publications:

- Advertisements or testimonials.
- Descriptions of techniques.
- Contact information for planned giving “point person”.
- Recognition.
- Donor lists.

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4. Create specialized planned gift publications or integrate planned gift promotion in all publications:
    - Fundraising brochures.
    - Newsletters.
    - Magazines.
    - Website.
    - Annual Report.
    - Campaign Reports.
5. Consider a targeted planned gift calling program.
    - Carefully select prospects to be called. Consider those who have expressed interest in planned gifts, loyal annual givers (even at low levels), increased annual givers, former directors, etc.
    - Consider differences from regular annual fund calls such s the use of older and experienced callers, a carefully crafted script and personalized follow-up calls and correspondence.
    - Vendors to consider: *RuffaloCODY*, *Legacy Leaders.*
    - Be prepared for efficient and effective responses and follow-up when donors mention planned gifts during regular annual appeal calling.
6. Personal solicitations.
    - Coordinate with board of directors, senior staff and other key staff.
    - Use proposal formats as discussed above.
    - Carefully crafted scripts or agenda.
    - Timely follow-up.
7. Integrated donor recognition.
    - Planned giving recognition societies. Consider "Charter Members" during first year or two of a new society to prompt interest.
    - Recognition acceptance protocol. Consider allowing membership without details of gift up-front. Use a form for donor to sign that will give recognition permission, correct spelling of name, ask for gift details (e.g., type of gift, dollar amount, restrictions, etc.) if donor is willing (explain reasons for asking), etc.
    - Cumulative giving societies: consider adding deferred planned gifts at face value (e.g., irrevocable planned gifts regardless of age; revocable planned gifts above a certain age such as fifty-five) or present value (e.g., revocable planned gifts below a certain age).
    - Campaign recognition. Consider coordination with personal recognition amounts and levels to avoid confusion.
    - Naming recognition for buildings. Consider dollar amounts, copies of documentation to assure accountability, whether revocable or irrevocable, equity among donors for recognition, etc.
    - Perpetual endowments. Consider minimum dollar amounts for named endowments that will generate a sufficient annual spendable amount and account for inflation. Use endowment agreements that incorporate both current and deferred planned gifts that may add to the same endowment fund.
    - Update lists of planned gift donors in the annual report, plaques for public display, website, etc.
    - Special gifts for planned gift donors that may tie to your charitable mission in some fashion, but not extravagant.
    - Coordinated recognition events. Planned gift donors may be recognized at a special event (luncheon, dinner, tea, reception, etc.) which may feature entertainment as well as mission or programs related presentations or remarks. Planned gift donors may be recognized along with major current gift donors, cumulative gift societies at special events.

VIII. Is Your Board of Directors and Senior Leadership "On Board" with Integration? Important for Success!

A. Boards and senior staff play an important role to assure program integration.

B. Strategies for integrating the board of directors and senior staff:

1. Include responsibilities in job descriptions that are reviewed prior to acceptance.
2. Create a board planned giving committee , or as a sub-committee of a development or fundraising committee.

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3. Integrated and comprehensive budgeting should understand that success in planned giving begins with adequate devotion of resources, including
    - Professional and support staff time.
    - Staff and volunteer training.
    - Travel and cultivation costs.
    - Marketing materials.
    - Donor recognition (events, plaques, gifts, etc.) costs.
    - Donor tracking software.
    - Stewardship in-source or out-source of certain planned gifts such as gift annuities.
    - Planned gift financial illustration software.
    - Legal counsel.
    - Consulting counsel.

4. Appropriate goal-setting. As discussed above, consider activity accomplishment goals for new planned giving programs. Consider dollar value goals for mature programs. Benchmark with peer organizations that have similar missions or programs, donor and prospect bases, fundraising history and so forth. Be sure to compare apples to apples! Otherwise, unfair comparison may lead to overly critical evaluation of a program that is long-term and relationship-based.

5. Directors and senior leadership should be very involved with donor and prospect identification, cultivation, proposals and stewardship. Of course, they should be carefully trained, coordinated and prepared.

6. All directors and senior leadership should set the example that may be advertised. 100% annual AND planned giving! Giving expectations can be included in job descriptions and shared prior to commitment to the board. Giving may be anonymous, confidential and relative to means. The President or Chair of the board of directors should lead the solicitation of fellow directors.

Use the Power of the Pyramid!

For additional information and consulting assistance please contact:

Phil Purcell, CFRE, MPA/JD
Vice-President of Planned Giving and Endowment Stewardship
Ball State University Foundation
And Charitable Consultant
1-888-235-0058
ppurcell@bsu.edu

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